HUBCO

BRINGING LIGHT FOR A NEW LIFE

2020 ANNUAL REPORT

BRINGING LIGHT FOR A NEW LIFE

Throughout time, HUBCO has mustered an extraordinary array of resources – from groundbreaking research to diligent Human Resource. Like the rising sun, HUBCO shines bright and continues to enlighten lives.

Our destiny – to bring change, new life and zest to our great Nation through our continued efforts.

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Financial Performance

Unconsolidated Financial Statements

Consolidated Financial Statements

Since **1997,** HUBCO has been the leading and largest Independent Power Producer (IPP) of Pakistan, supplying reliable power to millions of households and setting the highest international standards of safety and environment. With our vision and mission statement, we strive to be at the forefront of economic and social transformation in Pakistan by providing reliable and affordable energy to our people. Energy is the foundation of economic prosperity and therefore, we believe that energy fuels life.

VISION

Fueling lives through energy

MISSION

To be a growth-oriented company recognized for international standards in safety and environment in providing reliable and affordable energy; serving the country, its stakeholders and local community as a responsible corporate citizen

CORE VALUES

Passion

Ownership

Winning

Enjoyment

Renewal

COMPANY PROFILE

Corporate Footprint

With a strong corporate footprint established over the years, HUBCO is the first and largest IPP in Pakistan.

Revenue
48,321
PKR in Million

Net Profit
25,044
PKR in Million

No. of Employees
795
people across its various functions

PKR

The Company runs regular CSR programs in the fields of:

- Education
- Health
- Livelihood
- Infrastructure Development
- Total Philanthropy PKR **78** Million

Operations & Capacity

HUBCO has a combined power generation capacity of over 2920MW.

The power generation capacity of the company will enhance to over 3580MW after completion of its future growth projects.

Hub Plant
1292 MW

Narowal
225 MW

Laraib Plant
84 MW

CPEC / Growth Projects

The Company is the only power producer in Pakistan with four projects listed in the China Pakistan Economic Corridor (CPEC) including:

Imported coal-based CPHGC Plant
1320 MW

Local-coal based TEL
330 MW

Local-coal based TNPTL
330 MW

Local Coal Mining SECMC
3.8 MTPA

Vision 2025

With its Vision 2025, HUBCO aspires to capitalize on growth opportunities and is currently in the process of developing various public private partnership projects in the fields of:

Water Recycling

Renewable Energy

GROUP STRUCTURE

THE HUB POWER COMPANY LIMITED

Subsidiaries

- Laraib Energy Limited (LEL)
- Hub Power Holdings Limited (HPHL)
- Hub Power Services Limited (HPSL)
- Narowal Energy Limited (NEL)
- Thar Energy Limited (TEL)

Associates

- ThalNova Power Thar (Private) Limited
- China Power Hub Generation Company (Private) Limited

Others

- Sindh Engro Coal Mining Company Limited

BUSINESS STRATEGY

With an aggressive growth plan and a focus on increasing the shareholder value, we have remained committed to promote the long-term development of Pakistan by pursuing and capitalizing opportunities in the domain of Water & Power.

The strategy is not just to aim for maximization of profit but also to ensure that the local communities, our partners and other stakeholders also benefit from our prosperity by investing 1% of PAT on projects of socio-economic development. In the years to come, our business strategy will be focused on:

- Increasing reliability and sustainability of our base business
- Water desalination & purification projects
- On-grid and off-grid solar PV solutions
- Greenfield projects and acquisitions in Wind Energy Projects
- Medium scale Hydro project development and acquisition
- Strategic onshore and offshore acquisitions of Thermal Power plants
- Capitalizing on in-house technical expertise to provide cost effective O&M services to onshore & offshore plants in JV structure with General Electric (GE), USA
- Aligning our HSE systems with the best of the international practices
- Strengthening our team by attracting, hiring and retaining competent and experienced professionals

SWOT ANALYSIS

Strengths

- Growing demand
- Strategic coastal location
- Proven track record
- Pioneer & one of the largest IPP
- Competent Human Capital

Weaknesses

- Cashflow constraints
- Expensive fuel
- Low demand for RFO plants

Opportunities

- To be the “Hub of Power”
- Government focus on water and power crisis
- Offshore & onshore O&M prospects
- Growing demand of affordable electricity

Threats

- Circular debt
- Political risks
- Delays in projects
- Delay in development of distribution network

COMPANY INFORMATION

Board of Directors

Mr. M. Habibullah Khan	**Chairman**
Mr. Khalid Mansoor	**Chief Executive**
Ms. Aleeya Khan	
Mr. Aly Khan	
Mr. Javed Akbar	
Mr. Manzoor Ahmed	
Mr. Muhammad Ali	
Mr. Ejaz Sanjrani	**GOB Nominee**
Dr. Nadeem Inayat	
Mr. Owais Shahid	
Mr. Saad Iqbal	

Audit Committee

Mr. Manzoor Ahmed
Mr. Saad Iqbal
Mr. Aly Khan
Dr. Nadeem Inayat
Mr. Owais Shahid

Company Secretary

Mr. Shaharyar Nashat

Management Committee

Mr. Khalid Mansoor
Mr. Ruhail Muhammad
Mr. Tahir Jawaid
Mr. Saleemullah Memon
Mr. Kamran Kamal
Mr. Abdul Nasir
Mr. Nazoor Baig
Mr. M. Inam Ur Rehman Siddiqui
Mr. Farrukh Rasheed
Mr. Shaharyar Nashat

Registered & Head Office

11th Floor, Ocean Tower
Block-9, Main Clifton Road, Karachi
P.O. Box No. 13841, Karachi-75600
Email: Info@hubpower.com
Website: http://www.hubpower.com

Subsidiaries

Narowal Energy Limited
Laraib Energy Limited
Hub Power Holdings Limited
Hub Power Services Limited
Thar Energy Limited

Principal Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Bank of Punjab
Albaraka Bank Limited
Citibank N.A. Pakistan
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial & Commercial Bank of China
JS Bank Limited

MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Pak Brunei Investment Company Limited
Pak China Investment Company Limited
Samba Bank Limited
Standard Chartered Bank (Pakistan) Ltd.
United Bank Limited

Inter-Creditor Agents

Habib Bank Limited
Allied Bank Limited
MCB Bank Limited

Legal Advisor

Syed Jamil Shah

Auditors

A.F. Ferguson & Co., Chartered Accountants

Registrar

FAMCO Associates (Pvt) Ltd.

Hub Plant

Mouza Kund,
Post Office Gaddani,
District Lasbela, Balochistan.

Narowal Plant

Mouza Poong, 5 Km from Luban Pulli Point on Mureedkay-Narowal Road, District Narowal, Punjab

CPHGC Plant

Mouza Kund,
Post Office Gaddani,
District Lasbela, Balochistan.

Laraib Energy Ltd

(SUBSIDIARY)

Head Office:

Gerry's Center, 1B 3rd Floor, Service Road West 7th Avenue, Sector G-6/1, Islamabad

Plant:

New Bong Escape Hydro-Electric Power Complex, Village Lehri, Tehsil & District Mirpur, Azad Jammu & Kashmir

GEOGRAPHICAL PRESENCE

Hub Power Plant

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

Total capacity
1292 MW

Narowal Energy Limited

Narowal Plant comprises of 11 generating sets based on MAN 18V48/60 engines, 11 Alborg Heat Recovery Steam Generators and one air cooled condensing Steam Turbine from Dresser Rand.

Total capacity
225 MW

Laraib Energy Limited

Laraib Energy Limited has set up a run-of-the-river hydro power plant, comprising 4 Kaplan Bulb turbines of 21 MW each.

Total capacity
85 MW

CPHGC Plant

The CPHGC plant consists of two generating units each rated at 660MW gross, with each unit having GE supercritical boilers, steam turbine and generator sets.

Barge Jetty with Coal Trans-shipment Capacity of 4.2 MTPA

Total capacity
1320 MW


CPHGC PLANT
HUB POWER PLANT
HEAD OFFICE
NAROWAL ENERGY LIMITED
LARAIB ENERGY LIMITED

BOARD & LEADERSHIP

MR. M. HABIBULLAH KHAN

Chairman

Mr. Habib Ullah Khan is the Founder and Chairman of Mega Conglomerate – Mega & Forbes Group of Companies (Mega Group – MFG), a diversified conglomerate with business holdings including the country's largest container terminal, third largest dairy producer, top tier cement manufacturing company, vertically integrated shipping company and most progressive real-estate developer, responsible for the only L.E.E.D. certified commercial building in Pakistan.

Through over three decades of active patronage and participation in social and environmental welfare, he has also become strongly associated with various charitable causes; recently donating a building for visiting professors at the Institute of Business Administration in Karachi.

MR. KHALID MANSOOR

Mr. Khalid Mansoor is a Graduate in Chemical Engineering with distinction and honors. He has been the Chief Executive Officer of HUBCO, the first and largest Independent Power Producer (IPP) in Pakistan, since May 20, 2013. The Company is the leading private sector player in evading the energy crisis faced by Pakistan. After becoming the CEO of HUBCO in May 2013, he has transformed the Company and has initiated growth initiatives with Projects worth over US$ 3.5 billion under execution.

He is also Chairman of the Boards of Laraib Energy Limited, Narowal Energy Limited and Hub Power Services Limited. He is also a Director of Thar Energy Limited.

He was the President of the Overseas Investors Chamber of Commerce & Industry (OICCI) for the term 2017.

He held the position of CEO of Algeria Oman Fertilizer Company (AOA) where he was responsible for setting up the world's largest Ammonia and Urea Fertilizer Complex.

He has been the CEO of various Companies of the Engro Group and has been a Director on the Boards of various Engro Group Companies and Sui Northern Gas Pipelines Limited.

He has over 38 years of experience in Energy and Petrochemical Sectors in leading roles for mega size project development, execution, management and operations.

MS. ALEEYA KHAN

Ms. Aleeya Khan holds an M. Arch. Graduate Degree from Columbia University and an Undergraduate Honors B. Arts in Urban Design & Architecture from New York University.

During her time at university she periodically worked at globally recognized architecture firm, Beyer Blinder Belle. After finishing her formal education Ms. Khan spent six months working at a New York based practice Only-If Architecture and then moved back to Pakistan to work at Imperial Builders & Developers (Private) Ltd, the real estate development arm of Mega Conglomerate.

Over the last few years, she has been working on several projects to expand the IDBL portfolio and continue in its goal to change the Real Estate landscape of Pakistan.

She serves as a director of Pioneer Cement Ltd. and Haleeb Foods Limited. She is a SECP certified director in corporate governance.

MR. ALY KHAN

Mr. Aly Khan is an Honors M.Sc. Graduate from Boston College and an Undergraduate B.S. from Northeastern University.

Over the course of the last decade he has cultivated his professional career working in London, Singapore and New York for various global institutions including Citi Group and Yang Ming Marine Transport Corporation in several management and training capacities.

Locally, Mr. Khan has extended valuable contributions to multiple ventures through key management roles including spearheading the construction and operation of Pakistan's first commercial L.E.E.D. Certified Building, setting up a state-of-the-art 8,000 ton per day cement plant and growing one of the country's largest dairy businesses to 600,000 liters per day of sales.

He is the Chairman of Pioneer Cement Ltd., Director of Haleeb Foods Limited, Director of Qasim International Container Terminal. He is a SECP certified director in corporate governance.

BOARD & LEADERSHIP

MR. JAVED AKBAR

Mr. Javed Akbar has undergraduate and post-graduate qualification in Chemical Engineering from the United Kingdom and has over 40 years of experience in fertilizer and chemical business with Exxon, Engro and Vopak. He has managed Exxon and Engro Fertilizers plants and their expansions in Pakistan, worked in Exxon's Chemical Technology divisions in USA and Canada, and served as Human Resources Manager in Exxon Pakistan. He was part of the buyout team when Exxon divested its stake in Engro.

Prior to his retirement in 2006, he was Chief Executive of Engro Vopak Terminal Limited, a joint venture between Engro and Royal Vopak of Holland. After his retirement, he established a consulting company specializing in analyzing and forecasting petroleum, petrochemical and energy industry trends and providing strategic insight. He is on the boards of Engro Fertilizers Limited, Engro Powergen Limited, Engro Powergen Qadirpur Limited, Engro Vopak Terminal Limited, and Javed Akbar Associates (Private) Limited. He also serves on the panel of Energy Experts Group and environmental experts of Sindh Environmental Protection Agency. He joined the board of Hub Power Company Limited in 2017.

MR. MANZOOR AHMED

Mr. Manzoor Ahmed is Chief Operating Officer (COO) of National Investment Trust Limited (NIT). As COO, he has been successfully managing the operations and investment portfolio worth Rs.81 bn. approx. He has experience of over 30 years of the Mutual Fund industry and has been placed at many key positions within NIT that includes capital market operations, investment management, research and liaising with the regulatory authorities. He has also served NIT as its Managing Director (Acting) twice from May 2013 to May 2014 and September 2017 to February 2019. He is an M.B.A. and also holds D.A.I.B.P. He has also been the Council Member of The Institute of Bankers Pakistan. Presently, he is pursuing Chartered Financial Analyst (CFA) level III.

Mr. Manzoor Ahmed has vast experience of serving on the Boards of various top ranking companies of Pakistan belonging to the diverse sectors of economy.

Mr. Ahmed has also attended various training courses organized by Institutions of international repute like London Business School (LBS) UK, Institute of Directors, London and Financial Markets World, New York (USA).

Currently, he represents NIT as Nominee Director on the Board of Directors of many leading national and multinational companies of Pakistan. Mr. Ahmed is also a Certified Director from Pakistan Institute of Corporate Governance.

Mr. Manzoor Ahmed is also a member of the Defence Authority Country and Golf Club – Karachi.

MR. EJAZ SANJRANI

Mr. Ejaz Sanjrani holds a Master's degree from the University of Westminster, United Kingdom. He remained as Coordinator to Chief Minister on Balochistan Revenue Authority. Presently, he is holding the position of Special Assistant to Chief Minister for Population Welfare & Balochistan Revenue Authority. He is also holding the directorship on the Board of ENAR Petrotech Services under the Ministry of Industries & Production.

Mr. Sanjrani is also the Director of Sanjrani Mining Company, Sanjrani Construction Company and Sanjrani Coal Company. He has extensive experience in social and human resource management in public and private sectors.

MR. OWAIS SHAHID

Mr. Owais Shahid is Chief, Corporate & Investment Banking Group in Allied Bank Limited (ABL). His portfolio includes Financial Institutions, Corporate, International Banking, Investment Banking, Capital Markets and Home Remittances. His Corporate & Investment Banking experience spans over 20 years and includes numerous innovative and unique transactions in syndications, M&A, listings, project financing and capital markets. With strong credit background and substantial corporate finance & advisory experience, he has led a number of landmark transactions and has executed over 500 investment banking transactions valuing over USD 40 Billion with ABL being in a lead role. In recognition of ABL's market leadership in investment banking in Pakistan, ABL was honoured with over 40 investment banking awards from internationally recognized institutions.

Mr. Owais is currently serving on the Boards of Hub Power & Laraib Energy and is a Member Trustee of Friends of IBA Trust. Previously, he has served on the Boards of Kot Addu Power, Narowal Energy, Atlas Power and First Receivable Securitization Company. Prior to joining ABL, he has worked for National Bank of Pakistan, Standard Chartered Modaraba and Emirates Bank International. His qualifications include BBA (Hons) & MBA from IBA, Karachi and Chartered Financial Analyst from CFA Institute, USA.

BOARD & LEADERSHIP

MR. SAAD IQBAL

Mr. Saad Iqbal graduated from Curry College, USA in Business Communication as major. Mr. Saad has also completed postgraduate diploma in International Business Management from the Kingston University, United Kingdom. He has also obtained certificates in finance for non-financial managers from LUMS, Capital Markets and Finance from KSBL, Financial Modeling from IBA.

He is on the Board of several companies including Kot Addu Power Company Limited (Kapco), Tariq Glass Industries Limited, Millat Tractors Limited, Gul Ahmed Bio Films Limited, Gul Ahmed CBMC Glass Company Limited, Swift Textile Mills (Private) Limited, JSDN Electric Limited, Metro Solar Power Limited, Metro Power Company Limited, Metro Property Network (Private) Limited, Metro Wind Power Limited, Metro Estate (Private) Limited, Haji Alimohamed Foundation (A Project of Zubaida Medical Centre).

MR. MUHAMMAD ALI

Mr. Ali has over 20 years of experience and expertise in Energy & Petrochemical Sectors; holding leading roles that oversaw development, construction, operations and management of mega-size projects. He has recently taken over the energy business portfolio of the JS Group of Companies as CEO of JS Energy where he looks after the group's oil and gas, power generation, and energy storage and handling businesses.

Previously, he served as the CEO of Engro Vopak Terminal – Pakistan's largest bulk liquid chemical import terminal, CEO of Engro Elengy Terminal – Pakistan's first LNG terminal and CEO of Engro Powergen Qadirpur Limited – a 220MW gas-fired IPP. He also ran Engro's New Ventures division where he developed and operated an 84MW gas-fired IPP in Nigeria, developed and installed a 50MW Wind IPP in Pakistan, and ran the feasibility for a 450MW LNG to power plant.

Prior to his power generation work at Engro, he was the Manager of Strategic Planning, Contracts and Procurement at Engro Fertilizer where he was a key leadership team member that developed and brought into production a $1.1 billion grassroots ammonia/urea plant, which at the time was the world's largest single train project of its kind.

He has been a board member of the Hub Power Company (1292 MW oil-fired IPP), Laraib Energy (84MW Hydro power IPP), Engro Powergen (developer and majority shareholder of Sindh Engro Coal Mining Company), Engro Powergen Thar Ltd (660MW coal IPP), GEL Nigeria (84MW Nigerian IPP) and Petroleum Institute of Pakistan.

He holds a Bachelor's degree in Electrical Engineering from University of Engineering & Technology Lahore and graduated from the Advanced Management Program from INSEAD in France.

DR. NADEEM INAYAT

Dr. Nadeem Inayat is currently heading Strategy Function of Fauji Foundation as Senior Director, Strategy and M&A Division. He holds a Doctorate in Economics and has over 30 years of diversified domestic as well as international experience in the financial sector. He has vast experience in corporate governance, policy formulation, project appraisal, implementation, monitoring & evaluation, restructuring and collaboration with donor agencies. He is also a Board member of different listed and unlisted companies, Foundation University Islamabad and has conducted various academic courses on Economics, International Trade and Finance at reputable institutions of higher education in Pakistan. He is also a member of Pakistan Institute of Development Economics (PIDE).

BOARD & FUNCTIONAL COMMITTEES

The Board has established three Committees to conduct smooth operations of the Board and assist in decision making. All three committees are chaired by non-executive directors.

The election for the Board of Directors was held on October 5, 2018. These committees are as follows:

Board Audit Committee (BAC)

The committee assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders in compliance with the requisite legislative and regulatory standards, systems of internal control and risk management and the audit process. It has the power to call for information from management and to consult directly with the external auditors or their advisors as considered appropriate. The committee met five times during the year and the attendance was as follows:

Names	Meetings Attended
Mr. Manzoor Ahmed	5/5
Dr. Nadeem Inayat	1/5
Mr. Aly Khan	5/5
Mr. Owais Shahid	5/5
Mr. Saad Iqbal	4/5

Secretary: Mr. Muhammad Irfan Iqbal

Board Nomination & Compensation Committee (BNCC)

The committee meets to review and recommend all elements of the Compensation, Organization and Employee Development policies relating to the senior executives' and members of the management committee. The CEO attends Board Nomination and Compensation Committee meetings by invitation. The committee met twice during the year and the attendance was as follows:

Names	Meetings Attended
Mr. Manzoor Ahmed	1/1
Mr. Javed Akbar	1/1
Mr. Aly Khan	1/1
Ms. Aleeya Khan	1/1
Mr. Muhammad Ali	1/1

Secretary: Mr. Farrukh Rasheed

Board Investment Committee (BIC)

The committee reviews the investment plans and assists the Board in evaluating investment performances whilst also monitoring various investment opportunities to utilize the Company's capital and financial resources. The Committee also reviews issues relating to investment, corporate finance, mergers and acquisitions.

No Committee meetings were held during the year.

Management Committee

The committee is to look at annual corporate objectives, approval and revision of budgets prior to presentation to the Board of Directors, review of strategy, stewarding corporate and departmental objectives. The Committee Members are as follows:

The Committee Members are as follows:

Names	
Mr. Khalid Mansoor	**Chairman**
Mr. Ruhail Muhammad	**Member**
Mr. Tahir Jawaid	**Member**
Mr. Abdul Nasir	**Member**
Mr. Nazoor Baig	**Member**
Mr. Saleemullah Memon	**Member**
Mr. Kamran Kamal	**Member**
Mr. Inam-ur-Rehman Siddiqui	**Member**
Mr. Farrukh Rasheed	**Member**
Mr. Shaharyar Nashat	**Member**

Secretary: Mr. Abou Saeed M. Shah

Committee for Organization and Employee Development (COED)

The committee is to look at employee related policies, compensation, development, trainings, succession planning and to bring necessary focus on HR issues. The Committee members are as follows:

Names	
Mr. Khalid Mansoor	**Chairman**
Mr. Ruhail Muhammad	**Member**
Mr. Tahir Jawaid	**Member**
Mr. Abdul Nasir	**Member**
Mr. Kamran Kamal	**Member**
Mr. Saleemullah Memon	**Member**
Mr. Nazoor Baig	**Member**
Mr. Inam-ur-Rehman Siddiqui	**Member**
Mr. Farrukh Rasheed	**Member**
Mr. Shaharyar Nashat	**Member**

Member Secretary: Mr. Muhammad Talha

MANAGEMENT TEAM

Khalid Mansoor
CEO HUBCO

Ruhail Muhammad
CEO Hub Power Holdings Limited

Tahir Jawaid
CEO Hub Power Services Limited

Kamran Kamal
CEO Laraib Energy Limited

Saleemullah Memon
CEO Thar Energy Limited &
ThalNova Power Thar Pvt. Ltd.

Abdul Nasir
CFO HUBCO

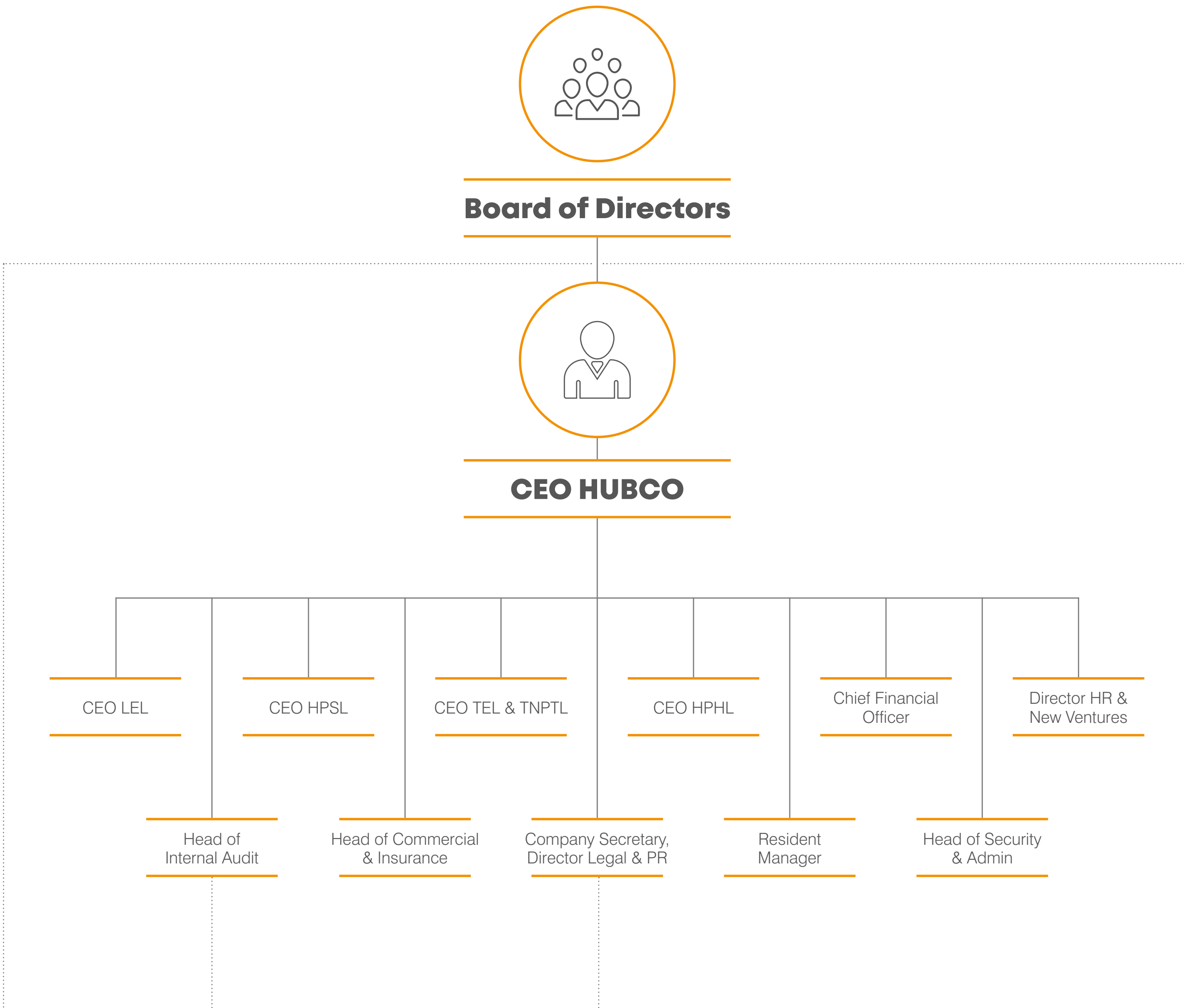
Nazoor Baig
Technical Director

M. Inam Ur Rehman Siddiqui
Resident Manager

Farrukh Rasheed
Director HR & New Ventures

Shaharyar Nashat
Company Secretary, Director
Legal & Public Relations

ORGANIZATIONAL STRUCTURE



A BRIEF HISTORY OF HUBCO

1985
Government of Pakistan and World Bank Developed Strategy for Private Investment in Pakistan's Power Sector

1988
Completion of Feasibility Study of 1292MW Oil Fired Power Project in area near the Hub River Estuary

1991
The Hub Power Company Limited (HUBCO) incorporated in Pakistan as a Limited Liability Company to undertake the Project

1995
Financial Close of Hub Power Plant, 1st Project Funded by World Bank

1997
Hub (1292MW) Construction Completion of Oil Fired IPP – 1st in the history of Pakistan

2011
Narowal (225MW)
HUBCO-Narowal Power Plant, 225MW Thermal Power Project Narowal

2013

Laraib (84MW)
run-of-the-river Hydel Plant at Mirpur AJ&K -
1st Hydel IPP of Pakistan

2015

Subsidiaries Established:

1. Hub Power Services Ltd (HPSL)
2. Hub Power Holdings Ltd (HPHL)
3. Narowal Energy Ltd (NEL)

O&M Hub(1,292 MW)
HUBCO (HPSL) undertakes O&M of Hub Plant on August 1, 2015

Growth Projects

1. China Power Hub Generation Company
2. Sindh Engro Coal Mining Company
3. Thar Energy Limited

2016

O&M Narowal (225MW) HUBCO (HPSL) undertakes O&M of Narowal Plant on April 22, 2016

2018

Acquisition of 330MW ThalNova Power Thar (Pvt.) Ltd. in Thar Block II

2018

O&M Laraib (84MW)
HUBCO (HPSL) Undertakes O&M of Laraib for Better Management of its assets

2019

Increase of shareholding in 1320MW China Power Hub Generation Company Limited (CPHGC) from 26% to 47.5%.

2020

HUBCO achieves Financial Close of 33MW Thar Energy Limited, one of the first power project to utilize the local lignite at Thar Coal Block II for power generation.

CHAIRMAN'S REVIEW

The year 2020 has been a challenging year for the world. The COVID-19 pandemic has, with alarming speed, delivered a global economic shock of enormous magnitude, leading to steep recessions in many countries.

The pandemic has also taken a devastating blow on Pakistan's socioeconomic fabric and public health system. The country's economy has to deal with multiple challenges of the pandemic as well as the already lowering GDP growth and economic slowdown. This resulted in significant pressure on the country's power sector, which was already struggling with several deep-rooted challenges such as circular debt, overdue receivables and lofty transmission and dispatch losses. The significant devaluation of the Rupee decelerated the new equity investments in the power sector as well as created difficulties in raising project financing.

In the prevailing circumstances, it is evident that the power sector is struggling with this financial uncertainty in terms of maintaining its economic viability in the presence of mammoth circular debt. An efficient value delivery chain and more sustainable energy solutions are crucial for the future of the industry as well as the national economy. At the same time, the Board remains hopeful that with the signing of recent Memorandum of Understanding between the Government and IPPs, payment of overdues and the economic recovery initiatives recently announced by the Federal Government, the country and in particular, the power sector, will soon be on a restoration course, InshAllah.

Though the Company continues to deal with the current challenging business environment and strategic changes to improve the future sustainability, the Board is fully responsive and has actively guided the Management. For this very reason, the Company is well-poised to address the new challenges and expedite the development of new ventures and ensure that our planning in key areas is well positioned. I am confident that the Management will successfully device necessary adjustments in the Company's operations, financial management and growth strategy.

With significant investments in the conventional energy sector as a part of our growth strategy, we are actively pursuing public-private partnerships in water utility and exploring more opportunities in the renewable energy sector. With these spirited efforts, we hope that future will allow us to deliver more value to our shareholders.

I take pride in affirming that the Board and the Management of the Company efficiently analyzed the unprecedented situation after the onslaught of COVID-19 and formulated a carefully planned strategy to ensure safety of our people and deal with the outbreak while ensuring business continuity. This is demonstrated in our efficient control environment, compliance with global health practices and uninterrupted operations.

In order to vigorously pursue our vision and growth strategy and sustain the base business, I seek the full and whole-hearted support of every member of the HUBCO family. As a matter of course, HUBCO's core strength, is, and continues to be, its people.

MR. M. HABIBULLAH KHAN
Chairman

CEO'S MESSAGE

More than two decades ago, HUBCO started its uncharted journey from the coastal sands of Balochistan. All these years, we had not just generated power but lived up to a promise to banish darkness and bring light for a new life. Once again, despite the economic and social challenges of today, HUBCO stands committed to rebuild the momentum of national growth while creating exceptional value for our shareholders.

During the year 2019-20, our plants remained steadfast to supply reliable and uninterrupted electricity to the National Grid. Although the RFO based plants received lesser load factors due to low demand from the Power Purchaser, the Company ensured the availability and reliability of its plants in compliance with the terms of its Power Purchase Agreements (PPAs).

With regards to our financial performance, the delay in payments and looming circular debt has severely constrained the cash flows of the Company, restraining us from declaring any dividends. The Consolidated net profit during the year under review is Rs. 25,044 million resulting in earnings per share of Rs. 19.31 compared to net profit of Rs. 11,241 million and earnings per share of Rs. 9.37 last year.

In terms of our future growth strategy, the Company witnessed major achievements in implementing a diversified growth plan. Following the successful declaration of Commercial Operations Date (COD) early in the current fiscal, the China Power Hub Generation Company Project was officially inaugurated by the Honorable Prime Minister Imran Khan in October 2019. Executed in a record time, as per schedule and within projected costs, the CPHGC Project is a part of the early harvest energy projects under China Pakistan Economic Corridor (CPEC) framework and the only Project with a Joint Venture amongst Chinese and Pakistani Companies – making it truly a Project of national and strategic significance. The Plant will add 9 billion kWh of electricity to the national grid every year, meeting electricity needs of 4 million households in the country.

Our indigenous coal project Thar Energy Limited also achieved the Financial Close during the year under review, further strengthening our commitment to harness the national energy security. The second plant in Thar, 330MW ThalNova Power Thar (Pvt.) Ltd (TNTPL) Project has also signed financing agreement in July 2019 and has completed all the Conditions Precedent (CPs) under the financing documents. Currently, the Project Lenders are in the process of CP review before declaration of Financial Close, which is now targeted to be achieved by end of third quarter 2020. ThalNova has already completed 24% of Project Construction and is expected to achieve COD in the middle of 2022.

After achieving the COD of our joint-venture Sindh Engro Coal Mining Company (SECMC – Phase 1) in July, early this fiscal year, HUBCO and its JV partners are now working diligently to pursue Phase-2 of the mining Project as per expansion plans, which intends to economize the mine and double the production capacity to 7.6 million tons per annum for supplying coal to our Thar Energy and ThalNova Projects, 330MW each.

In line with our Vision 2025, HUBCO is actively pursuing growth opportunities in water solutions, renewable energy, thermal energy and O&M services. The development of various public private partnership projects in the field of water recycling, Sea Water Reverse Osmosis (SWRO) and renewable energy is going ahead in full swing.

Taking stock of the current business environment in the country, I remain positive that the recent MoU signed between the Government and Independent Power Producers shall benefit the nation in the coming years, subsequent to due approvals from the Federal Cabinet, NEPRA and Boards of the respective IPPs and payment of overdues to the IPPs by the Government. I also hope that the Government's resolve to improve the distribution side and address the underlying issues in transmission and dispatch shall eventually benefit the consumers. In order to benefit the overall energy sector and address the root causes of circular debt in the long run, it is inevitable to improve the recoveries, rationalize the end-consumer tariff and increase the share of renewables and indigenous fuel in the generation mix.

Continuing with our ethos of excellence, HUBCO was endorsed for its performance and business management in the form of several esteemed awards and recognitions during the year. The Company received Top 25 Companies Award by Pakistan Stock Exchange for two consecutive years in a row i.e. 2017 and 2018. HUBCO also won the 35th Corporate Excellence Award conferred by Management Association of Pakistan (MAP). The award recognized and honored the HUBCO's outstanding performance and demonstrating progress and enlightened management practices.

The thread which weaves HUBCO with its people, once again proved its strength and turned into a tighter bond during the testing times of COVID-19. I must compliment the readiness and response time of all our people who offered their unwavering support for the company and its operations. Our HR, Admin and IT team demonstrated their true colors in reorganizing the work patterns, safe-guarding the personnel safety and providing necessary technical support during the work-from-home regime.

We remain firm on our commitment to the international best practices in the realm of Health, Safety and Environment. The implementation of DuPont Safety System has progressed well across our plants. In the face of the pandemic, we refined our processes for safer and more sustainable operations for today and tomorrow. Audits are being carried out to assess status of implementation and staff is being trained on DuPont Personnel Safety Management (PSM) systems as well as the new personnel protection practices.

As our national responsibility, we further increased our focus on CSR and provided our timely support for the local communities around our plants to fight the menace of COVID-19. The Company launched several programs for providing the basic amenities in the villages including distribution of ration in the Districts of Narowal, Hub and Chaghi. HUBCO also accommodated timely health support to the local population and the respective authorities of Balochistan, Punjab and Azad Jammu and Kashmir.

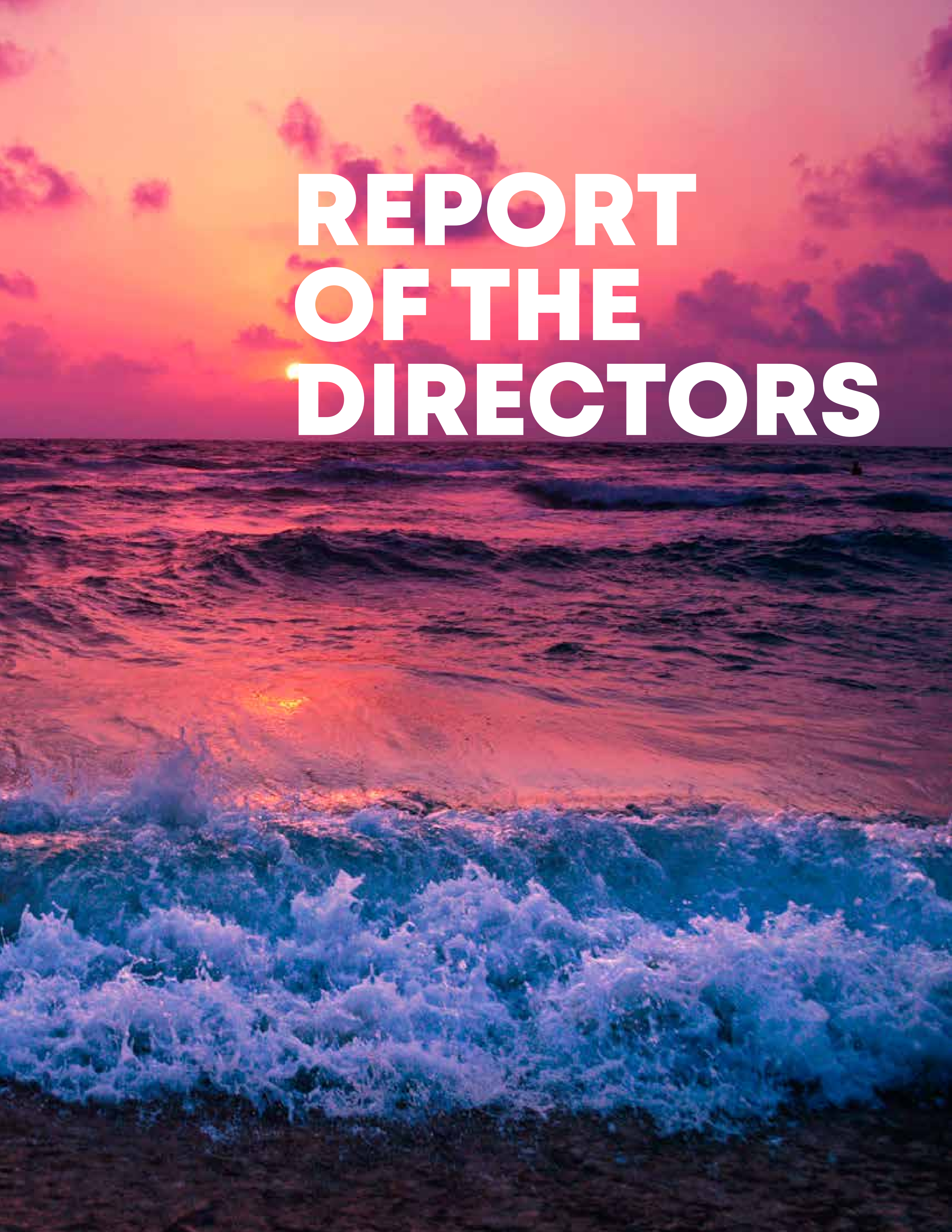
Last but not the least, I would like to express my gratitude to our employees for their untiring efforts and phenomenal contributions for the success of the Company, our families for their firm upholding support and our shareholders for conferring their continued confidence in HUBCO.

Warm regards,

Khalid Mansoor

Khalid Mansoor

REPORT OF THE DIRECTORS



REPORT OF THE DIRECTORS

The Directors of your Company are pleased to present the Annual Report of the Company along with its audited financial statements for the year ended June 30, 2020.

About the Company

The Hub Power Company Limited (HUBCO) is the first and largest Independent Power Producer (IPP) in the country with a combined installed power generation capacity of 2920 MW. Our Hub Plant, situated at Mouza Kund, Hub in Balochistan, is one of the most efficient RFO fired thermal power plant in Pakistan, which is capable of supplying reliable and uninterrupted electricity to the National Grid. Our Narowal Plant is also an RFO-fired, engine based, combined cycle power station, located at Mouza Poong, Narowal in Punjab. The Company also holds 75% controlling interest in Laraib Energy Limited, which is a run-of-the river hydel power plant near the New Bong Escape, 8 km downstream of Mangla Dam in Azad Jammu and Kashmir. Our joint-venture with China Power International Holdings (CPIH), a 1320MW imported coal-based power plant, China Power Hub Generation Company Limited (CPHGC) with its integrated coal jetty situated in Hub, has recently started its commercial operations providing affordable and uninterrupted energy to over 4 million households.

The Company has established wholly owned subsidiaries for its future growth initiatives. Hub Power Holdings Limited (HPHL) has been incorporated to invest in the future growth projects. The Hub Power Services Limited (HPSL), manages O&M of our existing power assets and is preparing to undertake O&M of our imported and indigenous coal-based growth projects, in addition to exploring other onshore and offshore business opportunities. HPSL is currently operating the Hub, Narowal & Laraib Plants. The Company's wholly owned subsidiary, Narowal Energy Limited (NEL) owns the 225MW Narowal Power Plant.

The Company has established Thar Energy Limited (TEL), to set up a 330MW mine-mouth lignite-fired power Plant at Thar Block II, Sindh. The Company holds 60% shares of TEL in partnership with Fauji Fertilizer Company Limited (FFCL) and CMEC TEL Power Investments Limited (CMEC Dubai), who hold 30% and 10% shares, respectively in the project.

The Company holds 38.3% shares and has management control in 330MW ThalNova Power Thar Pvt. Ltd (TNPTL) mine-mouth lignite-fired power plant, which is a project similar to TEL and offers huge opportunities for the social and economic development of the country at large, specially the rural districts of Sindh.

The Company also holds 8% shareholding in Sindh Engro Coal Mining Company Limited (SECMC), a joint venture between HUBCO, Engro, Thal Limited, HBL, CMEC and Government of Sindh, which has developed a coal mine at Thar, the seventh largest reserves of coal in the World. SECMC achieved Commercial Operations for Phase I on July 10, 2019 and is undertaking doubling its coal mining capacity from current 3.8 MTPA to 7.6 MTPA for supplying fuel to HUBCO's Thar Energy Limited and ThalNova projects which are under construction.

The Company has submitted its Unsolicited Proposal (USP) for a water treatment project in public-private partnership with Karachi Water and Sewerage Board, Government of Sindh and is exploring other opportunities in the sector with regards to the recent Memorandum of Understanding (MoU) signed between the Government Committee and the Company's wholly-owned subsidiary, Narowal Energy Limited. The Company is optimistic about the future of the Power Sector and expects that the MoU will work in the larger interest of the country, including settlement of overdues of the Company which will alleviate current liquidity crunch. The Company looks forward to robust rectification of the transmission and dispatch infrastructure, improvement in recoveries and timely payments to the IPPs; which will eventually alleviate the prevailing ailments of the Power Sector. The MoU is subject to the approval by the Federal Cabinet, NEPRA and the respective Boards of IPPs.

Health, Safety & Environment

HUBCO places special emphasis on health, safety and environment (HSE) and all our sites strive to ensure strict compliance of our HSE policies. In the wake of COVID-19 pandemic, the Federal and Provincial Governments imposed partial to full scale lockdowns across the country to limit the spread. HUBCO being an IPP, has been categorized in Essential Services and in order to meet the obligations as per Power Purchase Agreement, HUBCO plants need to remain available and operational.

The Company responded to the situation by implementing a combination of protective and preventive measures at Head Offices and all plant sites to ensure a safe working environment for employees and contractors while supplying uninterrupted power for the National Grid. In this regard, a Special Task Team was constituted by the CEO for immediate preventive actions, continuous evaluation of the situation and making necessary recommendations to the Management for ensuring employee safety and business continuity. Subsequently, a strategy of work from home with optimal staffing at the plants for safe operation and maintenance was devised and implemented. Furthermore, a regime of disinfecting the offices and plants has been established, rigorously implemented and continuously monitored. Since the beginning of the outbreak, appropriately equipped quarantine rooms have been established at all HUBCO plants and regular awareness sessions are being conducted for staff and contractors by the Plant and the Head Office Management.

During the year 2019-20, The Company completed 3.3 million man-hours across its three operational power stations. The Total Recordable Injury Rate (TRIR) of the Company remained 0.12. To ensure the safety of personnel, plant and processes, the Company is undergoing implementation of DuPont Safety Management System – one of the world's best Process Safety Management (PSM) systems. The initiative not just ensures effective implementation and compliance to the HSE systems but also continually improves it to world-class standards. DuPont implementation and training are in progress at our three operational sites and audits are being carried out to assess the status of implementation.

Operational Highlights

Operational highlights of the four Plants during the year under review are as follows:

HUB Plant

During FY 2019-20, Hub Plant supplied 36 GWh of electricity (2018-19: 827 GWh) to the National Grid at a load factor of 0.34% (2018-19: 7.87%). The low load factor is mainly due to the displacement of RFO plants by coal and RLNG plants.

Narowal Plant

Narowal Plant supplied 338 GWh of electricity (2018-19: 636 GWh) to the National Grid. The Plant operated at a load factor of 18% (2018-19: 34%). Management has been vigorously continuing its efforts for operational excellence to optimize thermal efficiency and availability. Major reason for low load factor was lower electricity demand from Power Purchaser.

Laraib Plant

Laraib Plant supplied 384 GWh of electricity (2018-19: 354 GWh) to the National Grid. The Plant operated at a load factor of 52% (2018-19: 48%).

CPHGC Plant

Following the successful completion of the mandatory tests under the Power Purchase Agreement, the Project declared Commercial Operations Date (COD) on August 17, 2019. The project was officially inaugurated by the Honorable Prime Minister Imran Khan in October 2019. Developed in a record time, as per schedule and within projected costs, the CPHGC project is a part of the early harvest energy projects under China Pakistan Economic Corridor (CPEC) framework – making it truly, a project of national and strategic significance. The Plant will add 9 billion kWh of electricity to the national grid every year meeting electricity needs of 4 million households in the country.

During FY 2019-20, the Plant supplied 5,644 GWh of electricity to the National Grid at a load factor of 58%.

Financial Performance

Financial highlights of the Group during the year under review are as follows:
Rs. in million

Consolidated	Year ended June 30, 2020	Year ended June 30, 2019
Turnover	48,321	58,349
Operating Costs	17,831	36,860
Net Profit*	25,044	11,241
Earnings per share (Rs.) *	19.31	9.37

*attributable to owners of the holding company

The Consolidated net profit during the year under review is Rs. 25,044 million resulting in earnings per share of Rs. 19.31 compared to net profit of Rs. 11,241 million and earnings per share of Rs. Rs. 9.37 last year. The increase in profits is mainly due to recognition of share of profit from CPHGC which started Commercial Operations on August 17, 2019, depreciation of Rupee against USD and lower repair and maintenance expenses partly offset by recognition of loss on shares of CPHGC to be transferred to GOB and higher financing cost.

Rs. in million

Unconsolidated	Year ended June 30, 2020	Year ended June 30, 2019
Turnover	27,524	36,249
Operating Costs	9,630	24,516
Net Profit	10,167	8,037
Earnings per share (Rs.)	7.84	6.70

The Unconsolidated net profit earned by the Company during the year under review is Rs. 10,167 million, resulting in earnings per share of Rs. 7.84 compared to a net profit of Rs. 8,037 million and earnings per share of Rs. 6.70 last year. The increase in unconsolidated profit is mainly due to lower repair and maintenance expenses, higher income from management services to Thar Energy Limited and depreciation of Rupee against USD partly offset by higher financing costs.

Appropriations and movement in reserves have been disclosed in the Statement of Changes in Equity on page 100 of the Annual Report.

Risk Management & Strategy for Mitigating Risks

To mitigate all the risks and uncertainty that is faced by every business, the Company is implementing a circumspect and cautious rationale. The Company emphasizes on recognizing all long-term and short-term risks, to overcome and mitigate them.

Operational Risk

To mitigate the operational risks, necessary strategies have been developed and substantial investments are continuously being made to ensure the reliability of all operating plants. The Company has carried out necessary rehabilitation and refurbishment at the Hub Plant and is carrying out the requisite maintenance required at the Narowal and Laraib Plants.

Financial Risk

The financial risk management is disclosed in note 37 of the unconsolidated financial statements of the Company.

Credit Rating

Credit rating is an assessment of the credit standing of entities in Pakistan. PACRA since 2008, when the Company initiated its rating process, has maintained long-term and short-term entity rating at AA+ and A1+ respectively for the Company. These ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

NEL's long term rating is maintained as AA- which is very high credit quality that indicates very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. NEL's Short term rating is A1+ which is the highest capacity for timely repayments of financial commitments.

Corporate Social Responsibility

Community development remained at the forefront of Company's social interventions. During the period under review, the Company has worked tirelessly to identify the opportunities for development and uplifting the living standards of the communities near its Plants. The Company amassed its efforts to support the local communities in the wake of the Corona outbreak. The plant CSR teams were mobilized to provide help in the districts and communities where we operate.

The Company remained active at all three sites and extended its relief efforts to the District and Provincial Governments. During the lockdown phase, the local CSR teams distributed ration bags and held COVID-19 awareness campaigns for the communities in the neighboring villages of Hub and Narowal. The Company provided medical equipment and machinery to the local hospitals and dispensaries in Hub, Lasbela and Mirpur District.

In addition to this, HUBCO, its subsidiaries and associated concerns, continued with their regular CSR campaigns in the areas of education, health, livelihood and income generation and physical infrastructure development.

Human Resources

In context of COVID-19, the year 2019-20 presented an unprecedented shift in people practices throughout the world. It was an inevitable change for Organizations that value health and safety of their employees. Our teams had been continuously tracking the situation with respect to the outbreak within Pakistan and quickly responded by upgrading the precautionary measures and stakeholder management protocols. In consultation with the medical experts, we immediately implemented special protocols for our Head Offices, Plants and Project Sites. The measures have proven to be effective in keeping our people safe and high spirited without any compromise on the operations or desired results. Our technological stack, in terms of people related digital services, was robust enough to support the rapidly increasing requirements of remote working. The HR teams across the organization were able to swiftly adopt to technology and deliver on the key objectives without compromise.

The workplace and employee engagement dynamics witnessed a significant shift, post COVID-19 outbreak. In order to proactively understand employee engagement dynamics under the 'New Normal', we introduced fortnightly pulse surveys. Based on the outcome of the surveys, we planned various interventions to sustain and improve employee productivity and engagement levels. Most notably, these interventions included consistent and more personal level communication by the CEO and Senior Leadership team members with the employees digitally, orientation on physical and mental well-being and awareness to gain maximum productivity while working from home. Based on our last pulse check survey for the year 2019-20, around 80% of employees and their team leaders reported that their individual productivity had either increased or remained the same.

Employee trainings continued in line with employee's Training Need Analysis. Strong emphasis was placed on developing internal training capability and based on this, most trainings were conducted through HUBCO's internal faculty. The restrictions caused by COVID-19 outbreak did not impact our delivery on employee training and development goals. A comprehensive online training program was launched to provide maximum learning opportunities to all employees, who were either working on Sites or at home. Furthermore, the reskilling of talent from our Base Business for utilization in Growth Projects has been progressing as planned and will be providing opportunities to employees to advance their careers by working on future technologies.

In a nutshell, even amidst the extreme socio-economic challenges locally and globally, our commitment to people remained a top priority. The commitment not only helped us in ensuring business continuity in turbulent times, it also resulted in motivating people to deliver results beyond expectations.

Future Outlook

330MW LIGNITE FIRED POWER PROJECT – THAR ENERGY LIMITED (TEL)

The lignite based 330MW Thar Energy Limited (TEL) Project in Thar Block II has completed 56% of Project Construction and targets to achieve Commercial Operations Date (COD) by 4th quarter of 2021. Private Power and Infrastructure Board (PPIB) announced the Financial Close of Thar Energy Limited on January 30, 2020 and the first draw down against Pak Rupee loan was made in March 2020.

330MW COAL PROJECT - ThalNova Power Thar (Private) Limited (TNPTL)

330MW ThalNova Power Thar (Pvt.) Ltd (TNPTL) Project has also signed financing agreement in July 2019 and has completed all the Conditions Precedent (CPs) under the financing documents. Currently, the Project Lenders are in the process of CP review before declaration of Financial Close, which is now targeted to be achieved by end of third quarter 2020. ThalNova has already completed 24% of Project Construction. TNPTL is expected to achieve COD in the middle of 2022.

Since the emergence of COVID-19 in China in January 2020 and in Pakistan in March 2020, project activities at both sites have slowed down considerably. Both TEL and TN received notices from its EPC contractor, CMEC, claiming occurrence of Force Majeure Event(FME) due to Covid-19 outbreak; consequently TEL issued notices of FME to all stakeholders including PPIB, CPPA-G. TN also intimated about EPC FME letters to PPIB, CPPA(G). Currently the management is assessing the impact of FME on the project timelines and costs in consultation with all stakeholders.

Sindh Engro Coal Mining Company Limited (SECMC)

The Company holds 8% stake in the Sindh Engro Coal Mining Company. The indigenous coal mining Project declared its COD for Phase I on July 10, 2019. The Coal Supply to 2x330MW Engro Powergen Thar Private Limited is in progress as per Coal Supply Agreement (CSA). SECMC plans to expand mining capacity to 7.6 Mt/annum to cater for the two additional 330MW Power Plants including Thar Energy Limited and ThalNova Power Thar (Pvt.) Limited.

Market Share Information

Pakistan's installed power generation capacity is around 39,000MW of which hydel is 25%, thermal is 65%, renewables is 6% and nuclear power is 4%.

Overview of the Company's Power Generation Including Operating Subsidiaries and Associates for the Last Six Years is as Follows:

Fiscal Year	Pakistan's Electricity Generation (GWh)	Company's Share (GWh)	Percentage (%)
2014-15	105,698	9,119	8.6%
2015-16	108,916	8,716	8.0%
2016-17	114,093	9,254	8.1%
2017-18	120,621	8,590	7.1%
2018-19	133,593	1,817	1.4%
2019-20	137,039	6,402*	4.7%

*Includes generation of CPHGC which started commercial operations from August 17, 2019

Related Party Transactions

Board Audit Committee reviewed the related party transactions and the Board approved them. These transactions were in line with the requirements of International Financial Reporting Standards (IFRS) and the Companies Act, 2017. The Company maintains a thorough and complete record of all such transactions.

The Company has entered into following related party transactions on mutually agreed terms, along with their justification:

Name of Related Party	Nature of Transaction	Justification
Hub Power Services Limited	O&M Services Secondment Agreement	To efficiently operate and maintain the Hub Plant. Further, to develop resources to provide similar services to other companies including group companies.
Hub Power Services Limited Narowal Energy Limited Thar Energy Limited Laraib Energy Limited Hub Power Holdings Limited ThalNova Power Thar (Private) Limited	Reimbursement of Expenses and others	To share the common resources/expenses on proportionate basis to minimize Company's and group companies' costs.
Thar Energy Limited ThalNova Power Thar (Private) Limited	Management Services	The Company is providing assistance to TEL and TNPTL in performance of their obligations under relevant project agreements by leveraging the project management experience of the Company.

The details of related party transactions are disclosed in note 29 of the unconsolidated financial statements of the Company.

Financial Statements

The Unconsolidated and Consolidated financial statements of the Company have been audited by Messrs. A.F. Ferguson & Co., Chartered Accountants, the auditors, without any qualification.

Corporate & Financial Reporting Framework

The Directors are pleased to confirm compliance with Corporate and Financial Reporting Framework of the Securities & Exchange Commission Pakistan (SECP) and the Code of Corporate Governance for the following:

a. The financial statements, prepared by the management of the Company, fairly portray its state of affairs, the result of its operations, cash flows and changes in its 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. IFRS as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed; and

e. There are no doubts in the Company's ability to continue as a going concern.

Key financial data (unconsolidated) of last six years is as follows:

Fiscal year ending June	2020	2019	2018	2017	2016	2015
Turnover	27,524	36,029	76,676	78,590	86, 415	131,484
Profit	10.167	8,037	8,565	9,600	11,576	9,853
Assets	164,521	153,728	136,617	114,983	134,006	125,949
Dividend	-	3,240	8,216	9,257	15, 622	9,257

Value of investments of provident fund and gratuity scheme based on their respective audited accounts as at June 30, 2019 are as follow:

Provident Fund

Rs.in million **0.71**

Gratuity Fund

Rs.in million **225.143**

Adequacy of Internal Financial Controls

Directors confirm compliance with highest standard of Corporate Governance and that the internal controls are sound in design and have been effectively implemented and monitored.

Board Of Directors

The Board reviewed Company's strategic direction, annual corporate plans and targets, long-term investments and borrowing. Board is committed to ensure the highest standard of governance.

The Current Board of Directors of the Company consists of:

Male	10
Female	1

Composition	
Independent Directors	6
Other Non-Executive Directors	4
Executive Director	1

During the year, four meetings of the Board of Directors were held. Attendance of the Directors is as follows:

Mr. M Habibullah Khan	4/4
Mr. Khalid Mansoor	4/4
Ms. Aleeya Khan	3/4
Mr. Aly Khan	4/4
Mr. Saad Iqbal	2/4
Mr. Javed Akbar	4/4
Mr. Manzoor Ahmed	4/4
Mr. Ejaz Sanjrani	2/4
Mr. Owais Shahid	4/4
Mr. Muhammad Ali	2/4
Dr. Nadeem Inayat	2/4

The Pattern of Shareholding as required under the Code of Corporate Governance is attached with this Report. Details of trades in shares of the Company by Directors and Key Management Personnel and their spouses and minor children are reported on page 236.

Committees of the Board

The Board committees and their members are disclosed in page 20 of the annual report.

Chief Executive and Directors' Remuneration

Chairman, non-executive directors and independent directors are entitled only for the fee for attending the meetings. The levels of remuneration are appropriate and commensurate with the level of responsibility and expertise to govern the company successfully and with value addition. Remuneration to Chief Executive and Directors are disclosed in note 29 to the Financial Statements for the year ended June 30, 2020.

Directors' Training

Out of the eleven Directors, two Directors are exempted from the Corporate Governance Leadership Skills (CGLS) training based on their experience as Director on the Board of Listed Companies. A total of 8 members of the Board are certified Directors.

Auditors

The retiring auditors Messrs. A. F. Ferguson & Co., Chartered Accountants being eligible, offer themselves for re-appointment.

The Company remains grateful to its Shareholders, employees, business partners and all other stakeholders for their confidence in the Company and their support in the Company's journey on the path of growth and prosperity.
By Order of the Board

Khalid Mansoor
Chief Executive

M. Habibullah Khan
Chairman

مستحکم اندرونی مالی کنٹرولز

ڈائریکٹرز کارپوریٹ گورننس میں اعلیٰ ترین معیار کی تعمیل، اپنے خاکے کے اعتبار سے انٹرنل کنٹرولز کے مستحکم ہونے اور اُن پر مؤثر انداز میں عمل درآمد اور نگرانی کی تصدیق کرتے ہیں۔

بورڈ آف ڈائریکٹرز

بورڈ نے حکمت عملی کے حوالہ سے، کمپنی کی سمت، سالانہ ادارتی منصوبوں اور اہداف، طویل المیعاد سرمایہ کاری اور قرضوں کا جائزہ لیا ہے۔ بورڈ گورننس کے بلند ترین معیار کو یقینی بنانے کا پابند ہے۔

کمپنی کا موجودہ بورڈ آف ڈائریکٹرز درج ذیل پر مشتمل ہے:

مرد	10
خواتین	1
ساخت (Composition)	
انڈیپنڈنٹ ڈائریکٹرز	6
دیگر نان-انڈیپنڈنٹ ڈائریکٹرز	4
ایگزیکٹو ڈائریکٹرز	1

سال کے دوران بورڈ آف ڈائریکٹرز کے چار (4) اجلاس منعقد ہوئے جن میں ڈائریکٹروں کی حاضری درج ذیل کے مطابق تھی:

ڈائریکٹر کا نام	اجلاس میں حاضری
جناب ایم حبیب اللہ خان	4/4
جناب خالد منصور	4/4
محترمہ عالیہ خان	3/4
جناب علی خان	4/4
جناب سعد اقبال	2/4
جناب جاوید اکبر	4/4
جناب منظور احمد	4/4
جناب اعجاز سنجرانی	2/4
جناب اویس شاہد	4/4
جناب محمد علی	2/4
جناب ندیم عنایت	2/4

کوڈ آف کارپوریٹ گورننس (Code of Corporate Governance) کے تحت حصص یافتگی کا انداز (Pattern of Shareholding) اس رپورٹ کے ساتھ منسلک ہے۔ ڈائریکٹرز، اہم انتظامی عملے کے ارکان، اُن کے شریکائے حیات (spouses) اور چھوٹے بچوں کی جانب سے خرید و فروخت کی تفصیلات صفحہ 236 پر بیان کی گئی ہیں۔

بورڈ کی کمیٹیاں

بورڈ کی ماتحت کمیٹیاں اور ان کے ارکان سالانہ رپورٹ کے صفحہ نمبر 20 پر بیان کیے گئے ہیں۔

چیف ایگزیکٹو اور ڈائریکٹرز کا مشاہرہ

چیئرمین، نان-ایگزیکٹو ڈائریکٹرز اور انڈیپنڈنٹ ڈائریکٹرز صرف اجلاس میں شرکت کے لیے مشاہرے کے مستحق ہیں۔ مشاہرے کی سطح کمپنی کو کامیابی سے چلانے اور اُس کی قدر میں اضافہ کے حوالے سے اُن کی ذمہ داریوں اور مہارت سے مطابقت رکھتی ہے۔ چیف ایگزیکٹو اور ڈائریکٹرز کے مشاہرے مالی سال مختتم 30 جون، 2020ء کے مالی گوشواروں کے نوٹ نمبر 29 میں بیان کیے گئے ہیں۔

ڈائریکٹرز کی تربیت

لسٹڈ کمپنیوں (Listed Companies) کے بورڈ میں ڈائریکٹرز کی حیثیت سے 11 ڈائریکٹرز میں سے دو ڈائریکٹرز اپنے تجربے کی بنا پر کارپوریٹ گورننس لیڈرشپ اسکلز (CGLS) کی تربیت سے مستثنیٰ ہیں جبکہ بورڈ کے باقی آٹھ (8) اراکین سرٹیفائیڈ ڈائریکٹرز ہیں۔

آڈیٹرز

ریٹائر ہونے آڈیٹرز، میسرز اے ایف فرگوسن اینڈ کو (M/s. A.F. Ferguson)، چارٹرڈ اکاؤنٹنٹس، اہل ہونے کی بنا پر خود کو دوبارہ تقرری کے لیے پیش کرتے ہیں۔

کمپنی اپنے تمام حصص یافتگان، ملازمین، بزنس پارٹنرز اور دیگر تمام اسٹیک ہولڈرز کی مشکور ہے کہ اُن کے اعتماد اور حمایت کے باعث کمپنی کی ترقی اور خوشحالی کا سفر جاری ہے۔

بورڈ کے حکم پر

خالد منصور
چیف ایگزیکٹو

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چیئرمین

متعلقہ فریق کا نام	معاملات کی نوعیت	توجیح / توضیح
حب پاور سروسز لمیٹڈ	آپریشنز اور مینٹی نینس سروسز عارضی منتقلی کا معاہدہ	برآں، ایسے وسائل کو ترقی دینا جن سے اسی نوعیت کی خدمات، روپ کمپنیوں سمیت دیگر کمپنیوں کو فراہم کرنا۔
حب پاور سروسز، نارووال نارووال انرجی لمٹیڈ، تھر انرجی لمٹیڈ، لاریب انرجی لمٹیڈ، حب پاور ہولڈنگز لمٹیڈ, تھل نووا پاور تھر (پرائیویٹ) لمٹیڈ	اخراجات اور دیگر رقوم کی واپس ادائیگی	مشترک وسائل/اخراجات کو تناسب کی بنیاد پر کمپنی اور گروپ کمپنیوں کی لاگت میں کمی کرنا
تھرانرجی لمٹیڈ	انتظامی خدمات	کمپنی تھر انرجی لمٹیڈ اور تھل نووا پاور تھر (پرائیویٹ) لمٹیڈ کو، متعلق پروجیکٹ ایگریمنٹ کے تحت، اُن کی ذمہ داریاں پوری کرنے کے لیے، کمپنی کے پروجیکٹ منیجمنٹ کے تجربے کی بنیاد پر معاونت فراہم کررہی ہے۔

مالی گوشوارے

کمپنی کے غیر انضمام شدہ اور انضمام شدہ مالی گوشواروں کا آڈٹ میسرز اے ایف فرگوسن (M/s. A.F. Ferguson)، چارٹرڈ اکاؤنٹنٹس نے کیا ہے اور بے نقص پایا ہے۔

کارپوریٹ اور مالی رپورٹنگ کا فریم ورک

ڈائریکٹرز مسرت کے ساتھ، درج ذیل کے لیے، سیکیوریٹیز اینڈ ایکسچینج کمیشن پاکستان (SECP) کے کارپوریٹ اینڈ فنانشل رپورٹنگ فریم ورک (Corporate and Financial Reporting Framework) اور درج ذیل کے لیے کوڈ آف کارپوریٹ گورننس (Code of Corporate Governance; CCG) کی تعمیل کی تصدیق کرتے ہیں:

ا۔ انتظامیہ کی جانب سے تیار کیے گئے کمپنی کے مالی گوشوارے اس کے معاملات، آپریشنز کے نتائج، نقدی کے بہاؤ (cash flow) اور ایکویٹی میں تبدیلی کی درست صورت حال بیان کرتے ہیں؛

ب۔ کمپنی کی بکس آف اکاؤنٹ مناسب انداز میں اور باقاعدہ طور پر رکھی گئی ہیں؛

ج۔ مالی گوشواروں کی تیاری کے دوران مناسب اکاؤنٹنگ پالیسیوں پر تسلسل کے ساتھ عمل کیا گیا ہے اور مالی گوشواروں، نیز حسابی تخمینے (accounting estimates) مناسب حد تک اور دانشمندانہ فیصلوں پر مبنی ہیں؛

د۔ پاکستان میں IFRS کا اطلاق جس طرح کیا جاتا ہے، مالی گوشواروں کی تیاری کے دوران اس پر عمل کیا گیا ہے اور اس میں کسی انحراف یا تبدیلی کو مناسب طور پر ظاہر کیا گیا ہے؛

ر۔ ایک ادارے کے طور پر کام کرتے رہنے کے لیے کمپنی کی صلاحیت شکوک وشبہات سے بالاتر ہے۔

گزشتہ چھ برسوں کے اہم مالی اعداد وشمار (غیر انضمام شدہ) درج ذیل ہیں:

روپے ملین میں

مالی سال مختتم جون	2020	2019	2018	2017	2016	2015
کاروبار	27,524	36,029	76,676	78,590	86,415	131,484
منافع	10,167	8,037	8,565	9,600	11,576	9,853
اثاثہ جات	164,521	153,728	136,617	114,983	134,006	125.949
منافع منقسمہ	-	3,240	8,216	9,257	15,622	9,257

پراویڈنٹ فنڈ (Provident Fund) اور گریجویٹی (Gratuity) کی اسکیموں پر سرمایہ کاری 30 جون، 2018ء کو، اُن سے تعلق رکھنے والے، آڈٹ شدہ حسابات کے مطابق درج ذیل تھی:

روپے ملین میں

پراویڈنٹ فنڈ	0.38
گریجویٹی فنڈ	210.278

HUBCO

(Private Power Infrastructure Board; PPIB) نے، مورخہ 30 جنوری، 2020ء کوتھر انرجی لمیٹڈ کے ساتھ مالی معاملات کی تکمیل کا اعلان کر دیا جس کے بعد پاکستان روپے میں قرض کی پہلی قسط مارچ، 2020ء میں موصول ہوئی۔

300MW کا کوئلے سے چلنے والا پروجیکٹ — تھل نوواپاور تھر (پرائیویٹ) لمیٹڈ (TNPTL)

330MW کے تھل نوواپاور تھر (پرائیویٹ) لمیٹڈ پروجیکٹ نے، جولائی 2019ء میں ایک مالی معاہدے پر دستخط کیے ہیں اور مالی دستاویزات کے تحت تمام پیشگی شرائط (Condition Precedent) مکمل کر لی ہیں۔ فی الوقت، پروجیکٹ کو مالی اعانت فراہم کرنے والے ادارے، مالی معاملات کی تکمیل سے پہلے، ان پیشگی شرائط کا جائزہ لے رہے ہیں جس کے بارے میں توقع ہے کہ یہ سنہ 2020 کی تیسری سہ ماہی تک طے پا جائیں گے۔ تھل نووا پروجیکٹ کی تعمیر کا 24 فیصد کام پہلے ہی مکمل ہو چکا ہے۔ توقع ہے کہ تھل نوواپاور تھر (پرائیویٹ) لمیٹڈ تجارتی بنیادوں پر بجلی کی فراہمی کا آغاز سنہ 2022ء کے وسط تک شروع کر دے گا۔

جنوری، 2020ء میں، چین میں اور پھر مارچ، 2020ء میں، پاکستان میں، کوڈ-19 (COVID-19) کی وبا پھوٹنے کے باعث ہنگامی صورت حال پیدا ہونے کے بعد سے، دونوں مقامات پر پروجیکٹ کی سرگرمیاں، بڑی حد تک، سست روی کا شکار ہو گئی ہیں۔ تھر انرجی لمیٹڈ (TEL) اور تھل نووا (TN) تھر انرجی لمیٹڈ اور تھل نووا کو اُن کے انجینیئرنگ، پروکیورمنٹ اینڈ کنسٹرکشن (Engineering,Procurement & Construction; EPC) کنٹریکٹر، چائنا مشینری انجنیئرنگ کارپوریشن (China Machinery Engineering Corporation: CMEC) کی جانب سے نوٹس موصول ہوئے جن میں COVID-19 کی وباء پھوٹنے کے باعث آفت ناگہانی (Force Majeure Event) کے بارے میں مطلع کیا گیا تھا۔ چنانچہ، تھر انرجی لمیٹڈ (TEL) نے بھی پرائیویٹ پاور انفرااسٹرکچر بورڈ: (Private Power Infrastructure Board PPIB) اور (G) CPPA کو FME نوٹس بھیجے اور اس آفت ناگہانی (FME) کے COD پر ہونے والے ممکن اثرات سے آگاہ کیا۔ اسی طرح تھل نووا نے بھی PPIB اور CPPA(G) کے EPC کی جانب سے موصولہ آفت ناگہانی ایونٹ (FME) کے بارے میں خطوط اور آفت ناگہانی کے COD پر ہونے والے ممکن اثرات کے بارے میں آگاہ کیا۔ انتظامیہ، اس وقت، پروجیکٹ کی ٹائم لائنز اور اخراجات پر FME کے اثرات کا جائزہ لے رہی ہے اور تمام فریقین سے مشاورت کر رہی ہے۔

سندھ اینگرو کول مائننگ کمپنی لمیٹڈ (SECMC)

سندھ اینگرو کول مائننگ کمپنی (SECMC) میں کمپنی کا حصہ 8 فیصد ہے۔ کان کنی کے ذریعہ حاصل ہونے والے مقامی کوئلے سے چلنے والے اس پروجیکٹ نے، اپنے فیز I کے لیے، تجارتی بنیادوں پر آپریشنز کے آغاز کی تاریخ (COD) مقرر کی تھی۔ اینگرو پاور جین تھر (پرائیویٹ) لمیٹڈ کو، کوئلے کی فراہمی کے معاہدے (Coal Supply Agreement; CSA) کے تحت کوئلے کی فراہمی جاری ہے۔ سندھ اینگرو کول مائننگ کمپنی اپنی کان کنی کی گنجائش بڑھا کر 7.6 میٹرک ٹن سالانہ (7.6Mt/annum) کرنا چاہتی ہے تا کہ تھر انرجی لمیٹڈ اور تھل نوواپاور تھر (پرائیویٹ) لمیٹڈ کی ملکیت، 330MW کے مزید دو یونٹوں کو کوئلہ فراہم کیا جا سکے۔

مارکیٹ شیئر کے بارے میں معلومات

پاکستان میں بجلی پیدا کرنے کی نصب شدہ گنجائش تقریباً 39,000MW ہے جس میں 25 فیصد پانی سے، 65 فیصد حرارت سے، قابل تجدید ذرائع سے 6 فیصد اور 4 فیصد ایٹمی توانائی سے پیدا کی جاتی ہے۔

مالی سال	پاکستان میں پیدا کی گئی بجلی (GWh)	کمپنی کا حصہ (GWh)	فیصد (%)
2014-15	105,698	8,119	8.6%
2015-16	108,916	8,716	8.0%
2016-17	114,093	9,254	8.1%
2017-18	120,621	8,590	7.1%
2018-19	133,593	1,817	1.4%
2019-20	137,039	6,402*	4.7%

متعلق فریق کے ساتھ معاملات

بورڈ کی آڈٹ کمیٹی نے متعلق فریقین کے ساتھ انجام دیئے گئے معاملات کا جائزہ لیا اور اور بورڈ نے اُن کی منظوری دی۔ یہ معاملات انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IRFS) اور کمپنیز ایکٹ، 2017ء کی مطابقت میں ہیں اور ان معاملات کا مکمل اور جامع ریکارڈ رکھا گیا ہے۔

کمپنی نے باہمی طور پر اتفاق کردہ شرائط اور ان کی توجیہات و توضیحات پر مبنی درج ذیل معاملات کیے ہیں:

آپریشنل خطرات

آپریشنل خطرات کم کرنے کے لیے ضروری حکمت عملی تیار کی گئی ہیں اور مسلسل بنیادوں پر کثیر سرمایہ کاری کی جا رہی ہے تا کہ تمام آپریٹنگ پلانٹس کا قابل اعتماد ہونا یقینی بنایا جا سکے۔ کمپنی نے حب پلانٹ پر بحالی اور تجدید کا ضروری کام انجام دیا ہے جب کہ نارووال اور لاریب پلانٹس کی مطلوبہ دیکھ بھال اور مرمت بھی کی جا رہی ہے۔

مالی خطرات

مالی خطرات کے انتظام کے بارے میں معلومات کا افشاء کمپنی کے غیر انضمام شدہ مالی گوشواروں کے نوٹ نمبر 37 میں کیا گیا ہے۔

قرض کے حصول کے لیے درجہ بندی (Credit Rating)

قرض حصول کے لیے درجہ بندی یا کریڈٹ ریٹنگ سے مراد پاکستانی اداروں کی قرضوں کے حصول کے لیے قابلیت کی تشخیص ہے۔ سنہ 2008ء سے، جب کمپنی نے اپنی درجہ بندی کے طریقہ کار (rating process) کا آغاز کیا تھا، پیکرا (PACRA) نے کمپنی کی طویل المیعاد اور قلیل المیعاد اداراتی درجہ بندی (entity rating) کو +AA اور +A1 اداراتی درجہ بندی برقرار رکھی ہے۔ قرضوں کے حصول کے لیے ان درجہ بندیوں (credit ratings) سے قرضوں (credit) کے لیے خطرات کے بارے میں کم توقعات ظاہر ہوتی ہیں اور یہ بھی ظاہر ہوتا ہے کہ کمپنی میں اپنے مالی وعدے پورا کرنے کے لیے بہترین صلاحیت موجود ہے۔

نارووال انرجی لمیٹڈ نے زیر جائزہ سال کے دوران طویل المیعاد درجہ بندی -AA برقرار رکھی جو قرضوں کے حصول میں قابل بھروسہ ہونے کے حوالہ سے نہایت بلند معیار ہے اور اس سے بروقت ادائیگی کے ذریعے مالی وعدوں کو پورا کرنے کے لیے مضبوط صلاحیت کا اظہار ہوتا ہے۔ یہ صلاحیت متوقع (foreseeable) واقعات کے حوالے سے زیادہ غیر محفوظ نہیں ہے۔ نارووال انرجی لمیٹڈ کی قلیل المیعاد درجہ بندی +A1 بھی برقرار ہے اور یہ درجہ بندی بھی مالی وعدہ کی بروقت ادائیگی کے لیے نہایت بہترین صلاحیت ہے۔

اداراتی سماجی ذمہ داری (Corporate Social Responsibility)

عوام کی ترقی کمپنی کی سماجی کوششوں (social interventions) کا اہم ترین حصہ رہی ہے۔ زیر جائزہ سال کے دوران، کمپنی نے اپنے پلانٹس کے نزدیک رہنے والی مختلف آبادیوں کی ترقی کے لیے مواقع کی تلاش اور اُن کا معیار زندگی بلند کرنے کے لیے انتھک کام کیا ہے۔ کورونا کی وبا کے سبب کمپنی نے، مقامی آبادیوں کی اعانت کے لیے اپنی کوششوں میں مزید تیزی پیدا کی اور اُن اضلاع میں، جہاں کمپنی کام کرتی ہے، مدد کی فراہمی کے لیے CSR ٹیموں کو استعمال کیا گیا۔

اپنی تینوں سائٹس پر کمپنی سرگرم رہی اور اس نے اپنی امدادی کوششوں کو ضلعی اور صوبائی حکومتوں تک وسعت دی۔ تالا بندی کے دوران، مقامی CSR ٹیموں نے حب اور نارووال کے ہمسایہ دیہاتوں میں راشن بیگ تقسیم کیے اور بیماری کی نوعیت اور اس سے بچاؤ کے بارے میں آگاہی کی مہمیں چلائیں۔ کمپنی نے، حب، لسبیلہ اور میر پور خاص اضلاع کے مقامی اسپتالوں اور ڈسپنسریوں کو آلات اور مشینری بھی فراہم کی۔

اس کے علاوہ، حبکو، اس کے ذیلی اداروں اور شریک اداروں نے تعلیم، صحت، روزگار اور آمدنی پیدا کرنے والے ذرائع اور طبعی ڈھانچہ کی ترقی کے لیے اداراتی سماجی ذمہ داریوں سے متعلق اپنی مہمیں جاری رکھیں۔

انسانی وسائل

کووِڈ-19 کے پس منظر میں، سال 20-2019ء، دنیا بھر میں لوگوں کے معمولات زندگی میں ایسی تبدیلی کا باعث بنا جس کی پہلے کوئی مثال نہیں ملتی۔ اداروں کے لیے یہ ایک ناگزیر تبدیلی تھی جس میں اس کے ملازمین کی صحت اور تحفظ کی اہمیت بہت بڑھ گئی تھی۔ ہماری ٹیمیں، پاکستان میں اس وبا کے حوالے سے، صورت حال کا مسلسل جائزہ لیتی رہیں اور، جہاں کہیں ضرورت محسوس ہوئی، فوری طور پر احتیاطی تدابیر اور اسٹیک ہولڈر منیجمنٹ پروٹوکولز (stakeholder management protocols) کے ذریعے اِس سے نمٹتی رہیں۔ طبی ماہرین کی مشاورت سے، ہم نے، فوری طور پر، اپنے مرکزی دفاتر، پلانٹس اور پروجیکٹ سائٹس پر خصوصی اقدامات کیے۔ یہ اقدامات، مطلوبہ نتائج یا آپریشنز پر سمجھوتہ کیے بغیر لوگوں کو محفوظ رکھنے اور اُن میں جذبہ بلند رکھنے کے لیے مؤثر ثابت ہوئے۔ لوگوں سے تعلق رکھنے والے ڈیجیٹل خدمات کے حوالے سے ہمارے تیکنیکی معاملات، دور دراز مقامات سے کام کرنے کی ضرورت پورا کرنے کے لیے خاصے مضبوط ثابت ہوئے۔ انسانی وسائل کی ٹیمیں، پورے ادارے میں، تیزی سے ٹیکنالوجی کو اختیار کرتی اور کسی قسم کا سمجھوتہ کیے بغیر اہم مقاصد حاصل کرتی رہیں۔

کووڈ-19 کے پھوٹ پڑنے کے بعد کام کی جگہوں اور ملازمین کی مصروفیت کی حرکیات (dynamics) میں نمایاں تبدیلی دیکھی گئی۔ 'نئے معمول (New Normals)' کے تحت ملازمین کی مصروفیت کی حرکیات کو فعال انداز میں سمجھنے کی غرض سے پندرہ روزہ پلس سروے (pulse surveys) متعارف کرائے، ملازمین کی پیداواریت (productivity) اور مصروفیت (engagement) بہتر بنانے اور برقرار رکھنے کی غرض سے متعدد کوششوں کی منصوبہ بندی کی۔ زیادہ قابل ذکر بات یہ ہے کہ ان کوششوں میں تسلسل، چیف ایگزیکٹو آفیسر اور سینئر لیڈرشپ ٹیم کے ارکان کی جانب سے، ملازمین کے ساتھ، ڈیجیٹل ذرائع کی مدد سے، ذاتی رابطہ، جسمانی اور ذہنی صحت کے حوالے سے آگاہی اور گھر سے کام کرتے ہوئے زیادہ سے زیادہ پیداوارایت حاصل کرنے کیلیے واقفیت کے پروگرام شامل تھے۔ سنہ 20-2019ء کے لیے پلس چیک سروے (pulse check surveys) کی بنیاد پر، تقریباً 80 فیصد ملازمین اور ان کے ٹیم لیڈروں نے بتایا کہ ان کی پیداواریت میں اضافہ ہوا ہے یا پھر اسی سطح پر برقرار رہی ہے۔

تربیت کی ضرورت کے تجزیئے (training needs analysis) کی بنیاد پر ملازمین کی تربیت جاری رہی اور اس کی بنیاد پر اندرونی طور پر تربیت کی صلاحیت کو ترقی دینے پر زور دیا گیا، لہٰذا، زیادہ تر تربیتی پروگرام حبکو کی اندرونی فیکلٹی نے انجام دیئے۔ کووڈ-19 کی وبا کے باعث عائد کی گئی پابندیوں سے ملازمین کی تربیت اور ترقی کے اہداف پر کوئی اثر نہیں پڑا۔ ایک جامع تربیتی پروگرام کا آغاز کیا گیا تا کہ ایسے تمام ملازمین کو، جو سائٹس پر کام کر رہے ہیں یا گھروں سے کام کر رہے ہیں، سیکھنے کے زیادہ سے زیادہ مواقع فراہم کیے جا سکیں۔ مزید برآں، اپنے بنیادی کاروباری (Base Business) سرگرمیوں سے تعلق رکھنے والے ٹیلنٹ میں نئی مہارتوں کی تربیت سے لے کر ترقیاتی پروجیکٹس (Growth Projects) میں اس کے استعمال تک، منصوبے کے مطابق پیش رفت جاری ہے اور ایسے ملازمین کو، مستقبل سے تعلق رکھنے والی ٹیکنالوجیز پر کام کر کے، اپنے کیریئر میں ترقی کے مواقع بھی پیش کیے جا رہے ہیں۔

مختصر یہ کہ مقامی اور عالمی سطح پر سماجی و اقتصادی دشواریوں کے باوجود، لوگوں کے ساتھ ہمارے عہد کو اعلیٰ ترین ترجیح حاصل رہی۔ اس عہد نے، دشوار حالات میں، کاروبار کا تسلسل برقرار رکھنے میں ہماری مدد کی بلکہ توقع سے بڑھ کر نتائج حاصل کرنے میں لوگوں کا جذبہ بلند رکھنے میں بھی مدد کی۔

مستقبل کا منظر نامہ

300MW کا کوئلے سے چلنے والا پروجیکٹ – تھر انرجی لمیٹڈ (TEL)

بھورے کوئلے (Lignite) سے بجلی پیدا کرنے والا، تھر کے بلاک II میں اور کان کے دہانے پر قائم، تھر انرجی لمیٹڈ (TEL) کے 330MW کے پلانٹ کی تنصیب کا 56 فیصد کام مکمل ہو چکا ہے اور توقع ہے کہ یہ پلانٹ سنہ 2021ء کی چوتھی سہ ماہی تک تجارتی بنیادوں پر پیداوار (COD) شروع کر دے گا۔ پرائیویٹ پاور انفرااسٹرکچر بورڈ

غرض سے کمپنی ڈیوپونٹ سیفٹی مینجمنٹ سسٹم (DuPont Management Safety System) پر عمل درآمد کے لیے کام کر رہی ہے۔ ڈیوپونٹ سیفٹی مینجمنٹ سسٹم دنیا کا بہترین سیفٹی مینجمنٹ سسٹم (PSM) ہے۔ یہ اقدام نہ صرف صحت، تحفظ اور ماحول کے نظام پر موثر عمل درآمد اور تعمیل یقینی بناتا ہے بلکہ عالمی سطح پر یہ اپنے معیارات کو بھی مسلسل بہتر بناتا رہتا ہے۔ ہماری تینوں آپریشنل سائٹس پر ڈیوپونٹ سسٹم پر عمل درآمد اور تربیتی پروگراموں پر عمل جاری ہے جس کا حالیہ اسٹیٹس جاننے کے لیے آڈٹ بھی کیا جا رہا ہے۔

آپریشنل جھلکیاں

زیر جائزہ سال کے دوران تینوں پلانٹس کی آپریشنل جھلکیاں درج ذیل ہیں:

حب پلانٹ

مالی سال 20-2019ء کے دوران حب پلانٹ نے، نیشنل گرڈ کو، 36GWh (2018-19: 827GWh) بجلی فراہم کی جس کا لوڈ فیکٹر 0.34 فیصد (2018-19:7.87%) تھا۔ اس کم لوڈ فیکٹر کی بنیادی وجہ ریزیڈول فیول آئل (RFO) سے چلانے والے پلانٹس کی کوئلے اور ری۔ گیسیفائیڈ لیکوئیفائیڈ نیچرل گیس (Re-Gasified Liquefied Natural Gas; RLNG) سے چلنے والے پلانٹس پر منتقلی تھی۔

نارووال پلانٹ

نارووال پلانٹ نے نیشنل گرڈ کو 338GWh (2018-19: 636GWh) بجلی فراہم کی۔ پلانٹ نے 18 فیصد لوڈ فیکٹر (2018-19: 34%) کی بنیاد پر کام کیا۔ زیادہ سے زیادہ عمدہ کارکردگی، حرارتی کارکردگی میں اضافے اور دستیابی کے لیے انتظامیہ مسلسل اور انتھک کوششیں کر رہی ہے۔ زیر جائزہ سال کے دوران لوڈ فیکٹر میں کمی کی بڑی وجہ بجلی کے خریدار ادارے کی جانب سے طلب میں کمی تھی۔

لاریب پلانٹ

لاریب پلانٹ نے نیشنل گرڈ کو 384GWh (2018-19: 354GWh) بجلی فراہم کی جبکہ اس کا لوڈ فیکٹر 52 فیصد (2018-19:48%) تھا۔

چائنا پاور حب جنریشن کمپنی لمیٹڈ (CPHGC) پلانٹ

پاور پرچیز ایگریمنٹ (PPA) کے تحت لازمی ٹیسٹ پاس کر لینے کے بعد پروجیکٹ نے کمرشل آپریشنز کے آغاز کے لیے 17 اگست، 2019ء کی تاریخ کا اعلان کیا۔ پروجیکٹ کا باضابطہ افتتاح عزت مآب وزیر اعظم، عمران خان نے اکتوبر، 2019ء میں کیا۔ ریکارڈ ٹائم، شیڈول کے مطابق اور اخراجات کے تخمینے کے اندر مکمل کیا گیا CPHGC پروجیکٹ، چائنا پاکستان اقتصادی راہداری (China-Pakistan Economic Corridor; CPEC) کے قائم کیے گئے ابتدائی پروجیکٹس میں سے ایک پروجیکٹ ہے جو اسے حقیقی معنوں میں ایک قومی اور حکمت عملی کا حامل پروجیکٹ بناتا ہے۔ یہ پلانٹ نیشنل گرڈ میں، ہر سال، 9 بلین کلو واٹ آور (9BKWh) بجلی کا اضافہ کرے گا جس سے، ملک میں، 4 ملین گھرانوں کے لیے بجلی کی ضرورت پوری ہوگی۔

مالی سال 20-2019ء کے دوران پلانٹ نے نیشنل گرڈ کو 5,644GWh بجلی فراہم کی جبکہ لوڈ فیکٹر 58 فیصد تھا۔

مالی کارکردگی

زیر جائزہ سال کے دوران گروپ کی مالی جھلکیاں درج ذیل ہیں:

ملین روپوں میں

انضمام شدہ	سال مختتم 30 جون 2020ء	سال مختتم 30 جون 2019ء
کاروبار	48,321	58,349
آپریٹنگ لاگت	17,831	36,850
خالص منافع*	25,044	11,241
فی حصص آمدنی (روپے)*	19.31	9.37

*ہولڈنگ کمپنی کے مالکان سے منسوب

زیر جائزہ سال کے دوران انضمام شدہ خالص منافع 25,044 ملین روپے تھا جس کے نتیجہ میں فی حصص آمدنی 19.31 روپے رہی جب کہ گزشتہ برس اسی عرصہ کے دوران مجموعی خالص منافع 11,241 ملین روپے تھا اور فی حصص آمدنی 9.37 روپے تھی۔ منافع میں اضافہ کی بنیادی وجہ CPHGC سے حاصل ہونے والا منافع، جس نے 17 اگست، 2019ء سے تجارتی بنیادوں پر پیداوار شروع کی، امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں کمی، مرمت اور دیکھ بھال (repair & maintenance) کے اخراجات میں کمی تھے جنہیں جزوی طور پر CPHGC کے حصص میں نقصانات سے پورا کیا گیا اور انہیں GOB اور بلند مالی اخراجات کو منتقل کیا گیا۔

ملین روپوں میں

غیر انضمام شدہ	سال مختتم 30 جون 2020ء	سال مختتم 30 جون 2019ء
کاروبار	27,524	36,249
آپریٹنگ لاگت	9,630	25,516
خالص منافع*	10,167	8,037
فی حصص آمدنی (روپے)*	7.84	6.70

زیر جائزہ سال کے دوران کمپنی کا حاصل کردہ غیر انضمام شدہ خالص منافع 10,167 ملین روپے رہا جس کے نتیجہ میں فی حصص آمدنی 7.84 روپے رہی جب کہ گزشتہ برس، اسی عرصہ کے دوران، غیر انضمام شدہ خالص منافع 8,037 ملین روپے اور فی حصص آمدنی 6.70 روپے تھی۔ غیر انضمام شدہ منافع میں اضافے کی بنیادی وجہ دیکھ بھال کے اخراجات (maintenance expenses) میں کمی، تھر انرجی لمیٹڈ کو انتظامی خدمات کی فراہمی سے بلند آمدنی اور امریکی ڈالرز کے مقابلے میں روپے کی قدر تھے جسے بلند مالی اخراجات سے کم کیا گیا۔

تخصیص اور حرکت (appropriations & movement) کو ایکویٹی میں تبدیلی کا گوشوارہ (Statesment of Changes in Equity) کے سالانہ رپورٹ کے صفحہ نمبر 100 پر ظاہر کیا گیا ہے۔

خطرات سے نمٹنے اور انہیں کم کرنے کے لیے حکمت عملی

ایسے تمام خطرات اور بے یقینی کے خاتمہ کے لیے جن کا ہر کاروباری ادارے کو سامنا رہتا ہے، کمپنی دانشمندی اور احتیاط کے اصول پر عمل پیرا ہے۔ کمپنی تمام طویل المیعاد اور قلیل المیعاد خطرات کی نشاندہی، ان پر قابو پانے اور ان کے خاتمہ پر زور دیتی ہے۔

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز مسرت کے ساتھ 30 جون، 2020ء کو ختم ہونے والے مالی سال کے لیے کمپنی کی سالانہ رپورٹ مع آڈٹ شدہ مالی گوشوارے پیش کرتے ہیں۔

کمپنی کے بارے میں

حب پاور کمپنی لمٹیڈ (HUBCO) ملک میں بجلی پیدا کرنے والی سب سے پہلی ، بڑی اور خودمختار (Independent Power Producer) کمپنی ہے جس کی بجلی پیدا کرنے کی کل صلاحیت 2920MW ہے۔ ہمارا حب پلانٹ بلوچستان کے علاقے حب، موضع کنڈ (Village Kund) میں واقع ہے اور پاکستان میں انتہائی اعلیٰ کارکردگی کا حامل پلانٹ ہے۔ ریزیڈول فیول آئل (RFO) سے چلنے والا یہ حرارتی پاور پلانٹ نیشنل گرڈ کو قابل بھروسہ اور کسی تعطل کے بغیر بجلی فراہم کرنے کی صلاحیت رکھتا ہے۔ ہمارا ناروول پلانٹ بھی ریزیڈول فیول آئل (RFO) انجن سے چلنے والا کمبائنڈ سائیکل پاور اسٹیشن ہے جو پنجاب کے موضع پونگ (Mouza Poong)، ناروول میں واقع ہے۔ کمپنی لاریب انرجی لمٹیڈ میں بھی 75 فیصد کنٹرولنگ حصص کی مالک ہے جس کا پلانٹ آزاد جموں وکشمیر میں منگلا ڈیم سے 8 کلومیٹر کے فاصلے پر، نشیب میں، نیو بونگ کی جانب اخراج (New Bong Escape) پر واقع ہے۔ ہمارا میسرز چائنا پاور انٹرنیشنل ہولڈنگز (CPIH) کے ساتھ بھی اشتراک ہے جس کے تحت چائنا پاور حب جنریشن کمپنی (پرائیویٹ) لمٹیڈ (CPHGC) قائم کی گئی ہے اور جس کی ملکیت میں، حب پر واقع، 1320MW کا کوئلے سے چلنے والا پلانٹ اور کوئلے کی منسلکہ جیٹی (jetty) ہے۔ اس پلانٹ نے، حال ہی میں، تجارتی بنیادوں پر بجلی کی پیداوار شروع کر دی ہے اور 4 ملین گھروں کو با کفایت اور بلاتعطل بجلی فراہم کر رہا ہے۔

مستقبل میں اپنی ترقی کے اقدامات کے طور پر کمپنی نے کل ملکیتی ذیلی ادارے قائم کیے ہیں۔ اِن ذیلی اداروں میں حب پاور ہولڈنگز لمٹیڈ (HPHL) مستقبل میں پروجیکٹس کی ترقی میں سرمایہ کاری کے لیے قائم کی گئی ہے جب کہ حب پاور سروسز لمٹیڈ (HPSL) کے قیام کا مقصد اندرون ملک اور بیرون ملک میں ہمارے موجودہ اثاثوں کا انتظام وانصرام (Operations & Maintenance) کرنے کے علاوہ مقامی طور پر، درآمد کردہ، کوئلے سے چلنے والے ترقیاتی پروجیکٹس کے انتظام وانصرام کے علاوہ ملکی وغیر ملکی کاروباری مواقع کی تلاش ہے۔ حب پاور سروسز لمٹیڈ اس وقت کمپنی کے حب، لاریب اور ناروول پلانٹس چلارہی ہے۔ کمپنی کا کل ملکیتی ادارہ ناروول انرجی لمٹیڈ (NEL) 225MW کے ناروول پاور پلانٹ کا مالک ہے۔

کمپنی نے تھر انرجی لمٹیڈ (Thar Energy Limited) قائم کی ہے جس کا مقصد تھر کول بلاک II، سندھ میں کان کے دہانے (mine mouth) پر 330MW کے پلانٹ کا قیام ہے۔ کمپنی نے فوجی فرٹیلائزر کمپنی لمٹیڈ (FFCL) اور CMEC ٹیل پاور انویسٹمنٹ لمٹیڈ (CMEC Dubai) کے ساتھ بھی شیئر ہولڈرز اگریمنٹ پر دستخط کیے ہیں جس کے تحت یہ کمپنیاں اس پروجیکٹ میں بالترتیب 30 فیصد اور 10 فیصد سرمایہ کاری کریں گی جبکہ حبکو (HUBCO) کے پاس 60 فیصد حصص ہوں گے۔

کمپنی نے 330MW کے تھل نووا پاور تھر (پرائیویٹ) لمٹیڈ (TNPTL) کے اکثریتی حصص بھی حاصل کیے ہیں جو کان کے دھانے پر بھورے کوئلے سے چلنے والا (Lignite-fired) پاور پلانٹ ہے۔ یہ بھی تھر انرجی لمٹیڈ کی طرح کا پروجیکٹ ہے جو ملک، اور بالخصوص سندھ کے دیہی علاقوں میں، سماجی و اقتصادی ترقی کے، وسیع مواقع فراہم کرتا ہے۔

کمپنی سندھ اینگرو کول مائننگ کمپنی لمٹیڈ (SECMC) میں بھی 8 فیصد حصص کی مالک ہے جو حبکو، اینگرو، تھل لمٹیڈ، حبیب بینک لمٹیڈ، چائنا مشینری انجنیئر نگ کمپنی (CMEC) اور حکومت سندھ کا مشترکہ پروجیکٹ ہے۔ یہ پروجیکٹ تھر کے مقام پر واقع ہے جہاں دنیا میں کوئلے کا ساتواں بڑا ذخیرہ پایا جاتا ہے اور اس پروجیکٹ کے ذریعے، اس مقام پر، ایک کان (mine) کو ترقی دی گئی ہے۔ مؤرخہ 10 جولائی، 2019ء سے سندھ اینگرو کول مائننگ کمپنی لمٹیڈ نے بھی، اپنے تجارتی آپریشنز کے پہلے مرحلے کا آغاز کر دیا ہے۔ کمپنی کی کوئلہ نکالنے کی صلاحیت 3.8 میٹرک ٹن سالانہ سے بڑھا کر 7.6 میٹرک ٹن سالانہ کرنے کا ارادہ رکھتی ہے تا کہ حبکو کے تھر انرجی لمٹیڈ اور تھل نووا کے زیر تعمیر پروجیکٹس کو ایندھن فراہم کر سکے۔

کراچی واٹر اینڈ سیوریج بورڈ اور حکومت سندھ کے ساتھ پبلک-پرائیویٹ شراکت کے تحت کمپنی پانی صاف کرنے کے مختلف پروجیکٹس کا جائزہ (due diligence) لے رہی ہے۔

وفاقی حکومت کی کمیٹی کے ساتھ حالیہ مفاہمتی یادداشت پر دستخط کرنے اور کمپنی کے کل ملکیتی ذیلی ادارے، ناروول انرجی لمٹیڈ کے حوالے سے، کمپنی، پاور سیکٹر کے مستقبل کے بارے میں پراُمید ہے اور توقع کرتی ہے کہ یہ معاہدہ ملک کے وسیع تر مفاد میں کام کرے گا جس میں IPPs کو درپیش سرمایہ پر دباؤ کا خاتمہ شامل ہے۔ کمپنی ترسیل وتقسیم کے انفرااسٹرکچر کی درستی، وصولیوں میں بہتری اور IPPs کو بروقت ادائیگی کے معاملات میں غیر معمولی بہتری کی توقع رکھتی جس سے، فی الحقیقت، پاور سیکٹر میں پائی جانے والے مسائل کا خاتمہ ہوگا۔

صحت، تحفظ اور ماحول (HSE)

حبکو صحت، تحفظ اور ماحول (HSE) کو خصوصی اہمیت دیتی ہے اور اپنی تمام سائٹس پر HSE پالیسیوں پر سختی سے عمل درآمد یقینی بناتی ہے۔ کووڈ-19 (COVID-19) کے باعث وفاقی اور صوبائی حکومتوں نے، پورے ملک میں، مکمل تالا بندی نافذ کر دی تھی تا کہ وبا کو پھیلنے سے روکا جا سکے۔ ایک IPP کی حیثیت سے حبکو کو بھی لازمی خدمات فراہم کرنے والے اداروں میں شامل کر لیا گیا، چنانچہ، پاور پرچیز ایگریمنٹ (PPA) میں طے کردہ شرائط پوری کرنے کی غرض سے حبکو کے پلانٹس کو دستیاب رہنے اور آپریشنل رہنے کی ضرورت ہے۔

کمپنی نے صورت حال کا مقابلہ، تمام مرکزی دفاتر اور تمام پلانٹ سائٹس پر حفاظتی اور انسدادی اقدامات پر عمل درآمد کے ذریعے کیا تا کہ ملازمین اور ٹھیکیداروں (contractors) کے لیے محفوظ ماحول یقینی بنانے کے ساتھ نیشنل گرڈ کو بجلی کی بلاتعطل فراہمی جاری رکھی جا سکے۔ اس حوالے سے، فوری حفاظتی اقدامات کرنے، صورت حال کا مسلسل جائزہ لینے اور انتظامیہ کے لیے ضروری سفارشات کی تیاری کے لیے، چیف ایگزیکٹو آفیسر نے ایک خصوصی ٹاسک فورس بھی تشکیل دی تا کہ ملازمین کا تحفظ اور کاروبار کا تسلسل یقینی بنایا جا سکے۔ اس کے نتیجے میں، پلانٹس پر محفوظ آپریشن اور دیکھ بھال کے لیے زیادہ سے زیادہ عملے کی دستیابی کے ساتھ، گھر سے کام کرو (work-from-home) کی حکمت عملی پر بھی عمل کیا گیا۔ مزید برآں، دفاتر اور پلانٹس پر سے جراثیم کے خاتمے کا نظام بھی قائم کی گیا ہے اور اس سختی سے عمل درآمد کے علاوہ مسلسل نگرانی بھی کی جارہی ہے۔ وبا کے آغاز سے ہی، حبکو کے تمام پلانٹس پر مناسب تعداد میں آلات سے لیس قرنطینہ مراکز بھی قائم کیے گئے اور عملے، نیز ٹھیکیداروں، کی آگاہی کے لیے، پلانٹ اور ہیڈ آفس انتظامیہ کی جانب سے، مسلسل سیشنز بھی منعقد کیے جا رہے ہیں۔

سنہ 20-2019ء کے دوران کمپنی نے، اپنے تینوں آپریشنل پاور اسٹیشنوں پر ، انسانی کارکردگی (man-hour) کے 3.3 ملین گھنٹے مکمل کیے۔ اس دوران حادثات کی مجموعی قابل ریکارڈ شرح (Total Recordable Injury Rate; TRIR) 0.12 فیصد رہی۔ عملے، پلانٹ، اور مختلف پروسیسز کے تحفظ کی

A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of The Hub Power Company Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of The Hub Power Company Limited (the Company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2020.

A. F. Ferguson & Co
Chartered Accountants

Place: Karachi
Date: August 21, 2020

A.F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State life Building. No. 1-C, 1.1. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
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KARACHI LAHORE ISLAMABAD

STATEMENT OF COMPLIANCE

with Listed Companies (Code of Corporate Governance) Regulations, 2019

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are eleven (11) as per the following:
   - Male: Ten (10)
   - Female: One (1)

2. The composition of Board is as follows:

Category	Name
Independent Directors	Mr. Javed Akbar Dr. Nadeem Inayat Mr. Manzoor Ahmed Mr. Owais Shahid Mr. Muhammad Ali Mr. Saad Iqbal
Non-Executive Directors	Mr. M. Habibullah Khan **(Chairman)** Mr. Aly Khan Mr. Ejaz Sanjrani
Executive Director	Mr. Khalid Mansoor **(Chief Executive Officer – CEO)**
Female Director	Ms. Aleeya Khan

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

4. 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;

5. The Board has developed a Vision / Mission Statement, overall Corporate Strategy and significant policies of the Company. The Board has ensured that complete record of particular significant policies along with the date of approval or updating is maintained by the Company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / Shareholders as empowered by the relevant provisions of the Companies Act 2017 (the Act) and the Regulations;

7. 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. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations;

9. The Board remained fully complaint with the provision with regard to their directors' training program. More than 50% of the directors on the Board have attended the Directors' Training program in prior years.

10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

11. The Chief Executive Officer and Chief Financial Officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed Committees comprising of members given below:

Board Audit Committee	Board Nomination & Compensation Committee
Manzoor Ahmed **(Chairman)** Dr. Nadeem Inayat Aly Khan Owais Shahid Saad Iqbal	Javed Akbar **(Chairman)** Manzoor Ahmed Muhammad Ali Aleeya Khan Aly Khan

13. The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committees for compliance;

14. 14.The frequency of meetings of the Committees were as per following:

    a) Board Audit Committee: Five meetings have been convened during the financial year ended June 30, 2020.

    b) Board Compensation Committee: One meeting has been convened during the financial year ended June 30, 2020.

15. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and conversant with the policies and procedures of the Company;

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all other requirements of the Regulations 3,6,7,8,27,32,33 and 36 have been complied with.

M. HABIBULLAH KHAN
Chairman

Karachi
Date: August 19, 2020

AWARDS & ACHIEVEMENTS

Awards & Achievements

Following its core-value of winning, HUBCO has a strong tradition of excelling in all aspects of its businesses. Our achievements demonstrate the values that make us a successful company and a strong corporate citizen.

Top 25 Companies Award by Pakistan Stock Exchange

In recognition to our corporate standing and managerial performance, the Company has been awarded with Top 25 Companies Award by Pakistan Stock Exchange. As a rare feat the award has been given to the Company for two years in a row, i.e. 2017 and 2018.

Corporate Excellence Award by MAP

During the year, HUBCO won the 35th Corporate Excellence Award conferred by Management Association of Pakistan (MAP). The award recognized and honored the HUBCO's outstanding performance and demonstrating progress and enlightened management practices. This year 407 public and private companies contested the award and were assessed on their management practices, operations, policies and best practices in the areas of Corporate Governance, Strategic Planning, Human Resource Management and Information Technology and Communication. The Chief Guest of the Award Ceremony was the Honorable Federal Minister for Planning, Development and Special Initiatives, Mr. Asad Umar conferred the award to Mr. Khalid Mansoor, CEO HUBCO for winning as the Top Company in Power Generation and Distribution Sector.

Corporate Social Responsibility Award

The National Forum for Environment and Health awarded HUBCO for its Health, Education and Livelihood Programs executed around its plants this year. Malik Ameen Aslam, Adviser to the Prime Minister for Climate Change handed over the award shield to Mr. Shoaib Baqai, Manager CSR, HUBCO. Special Assistant to the Prime Minister on Social Protection and Poverty Alleviation Dr. Sania Nishtar also graced the occasion.

CALENDAR OF CORPORATE EVENTS

Tentative Dates for the Financial Year 2020-21

Board Approval of Financial Statement for First Quarter ended September 30, 2020	Board Approval of Financial Statement for Second Quarter ended December 31, 2020	Board Approval of Financial Statement for Third Quarter ended March 31, 2021	Board Approval of Financial Statement for Fourth Quarter and year ended June 30, 2021
Last week of October, 2020	**Third week of February, 2021**	**Fourth week of April, 2021**	**Third week of August, 2021**

Actual dates for the Financial Year 2019-20

Board Approval of Financial Statement for First Quarter ended September 30, 2019	Board Approval of Financial Statement for Second Quarter ended December 31, 2019	Board Approval of Financial Statement for Third Quarter ended March 31, 2020	Board Approval of Financial Statement for Fourth Quarter and year ended June 30, 2020
October 30, 2019	**February 25, 2020**	**April 28, 2020**	**August 19, 2020**

CALENDAR OF MAJOR EVENTS

30
January, 2020
Achieved Financial Close for Thar Energy Limited (TEL)

SOCIAL VALUES

CORPORATE SOCIAL RESPONSIBILITY

Sustainable Development is an instrument of positive change for businesses and continues to be one of the most important aspects of business in the global economy. For HUBCO, CSR is not just undertaking philanthropic initiatives, it is our commitment to operate within ethical framework and contribute to the socio-economic development of the country and improve the quality of life of the local communities.

We are active participants in contributing towards the welfare of the society and care deeply about the environment and the societies we operate in. We are determined to play our part in caring for the disadvantaged, promoting civic values and providing sustenance on a long-term basis.

Our social investments are primarily centered in areas near our plant sites with full involvement, contribution and engagement of the community. We contribute 1% of our profit after tax deduction, on CSR activities and are managing a series of programs in the field of health, education, infrastructure and livelihood.

In January 2020, HUBCO was awarded with a CSR award for its contribution in CSR activities. Malik Ameen Aslam, Adviser to the Prime Minister for Climate Change was the chief guest of the ceremony who handed over the award shield to Shoaib Baqai, Manager CSR HUBCO.

The event "CSR International Summit and Awards" was organized at Serena Hotel Islamabad by National Forum for Environmental Health. Special Assistant to the Prime Minister on Social Protection and Poverty Alleviation Dr. Sania Nishtar also graced the occasion.

COVID-19 Initiatives

In order to provide help in the districts and communities where we operate, HUBCO continues to enhance its legacy of giving back to society. We would like to appreciate the outstanding efforts of our CSR teams and Sites teams, who have shown tremendous commitment towards humanity and fight against Corona Virus Pandemic with their continuous activities in the field.

Taking the lead in Balochistan province, HUBCO was the first company to support the provincial Government by providing 50 Special Personal Protective Equipment (PPEs) to local Medical Staff, who have been performing their duties without any protective gear in the local hospital. The PPEs were handed over to District Health Management through Assistant Commissioner Hub.

Due to lockdown situation and even ban on open sea fishing, a number of local community members were without any source of income. During this difficult time, HUBCO distributed 600 ration bags in coastal villages of Hub & Lasbella, Allana Goth, Abbas Goth, Qadir Buksh Goth, Palari Goth and Mubarak Village containing enough ration of 2 – 4 weeks for an average size family.

On special request from Dalbandin District, remote area of Balochistan, two consignments of ration bags (total 400 ration bags, enough for a month for an average family) were transported to the area for distribution amongst needy and poor families. On the recommendation of Assistant Commissioner Hub and DHO District Labella, medicines were donated to Basic Health Unit, Allana Goth.

The Company's Paramedical Staff conducted awareness campaign about Corona Virus in the local villages around Hub plant where over 500 females of the local community attended the sessions.

Laraib Energy Limited (LEL) equipped District Headquarters (DHQ) Hospital with its first ventilator and other ancillary machinery including central oxygen system, cardiac monitors, infusion pumps, electronic-beds and defibrillator. DHQ Hospital, Mirpur is the only major health facility available within Mirpur and surrounding areas; however, there was no Intensive Care Unit (ICU) with ventilators and other allied monitoring at this hospital. The Azad Jammu & Kashmir Government lauded the efforts of LEL and asked other Power projects to follow the example and launch similar initiatives for COVID-19 mitigation.

The CSR Team at Narowal Energy Limited (NEL) also showed tremendous commitment towards the fight against the downturn of Corona Virus Pandemic. The lockdown created a tough situation in the neighboring villages of Narowal for daily laborers because of the unavailability of work. The NEL Team distributed ration bags in two phases among 220 families of daily bread-earners of surrounding villages in collaboration with Mojaz Foundation.

On the request of the Deputy Commissioner and District Police Officer, NEL sponsored the installation of a walk-through disinfection gate at the main entrance of vegetable market to curb the spread of life threating virus and support the local economic activities.

The local administration observed the hygiene issues in low income groups of the district Narowal as households prioritized spending on basic amenities over hygiene items like masks, hand sanitizers, gloves, etc. In order to address this trend, CSR team of NEL arranged door-to-door awareness campaign and distribution of hygiene kits in marginalized community consisting of masks, antibacterial soaps, Dettol and liquid hand wash bottles etc.

Earthquake Relief Operation

On September 24 2019, an earthquake with a magnitude of 5.8 on rector scale hit the Mirpur, Azad Jammu & Kashmir region, badly affecting the rural areas of Mirpur and villages along the Upper Jhelum Canal. Laraib Energy New Bong Escape (NBE) site which is also located in the same vicinity declared temporary closure of its operations. NBE staff immediately mobilized their personal resources and collected a sizeable amount of funds to help earthquake affectees residing in the areas close to the site. The NBE site management and staff also visited the residencies of affectees and provided them with the initial assistance.

In order to further fortify the relief efforts, a parallel request for donation was made across the company which received an overwhelming response and raised a handsome contribution amounting to Rs 2 Million. Under the umbrella of Rahnuma, volunteers stood with the community and provided the immediate relief in the form of food and ration items of 15 days for 200 destitute families. In addition, 52 tents were arranged for the dislocated families.

Health

HUBCO has established three Health Centers in three neighboring villages of Hub which are managed by trained LHVs (Lady Health Visitors) and a lady doctor. The Company also operates a mobile medical unit to cover 28 nearby villages of Kund-Hub and Gadani. Free medical services and medicines are provided to the community through mobile medical van.

During last one-year, medical consultation and free medicines were also given to more than 28,000 patients in the community.

Eye Camps with the assistance of Al Baseer Hospital have been set up by the Company in district Lasbella. In order to further facilitate the younger members of the local community, the Company organizes free eye screening for school kids. Free medicines and eyeglasses were also provided to the less privileged students. Students with serious eyes infections were referred to Al-Baseer Eye Hospital, Karachi for necessary pro-bono treatment.

The Company continuously strives to improve basic health facilities in Narowal district and its surrounding villages through NEL Plant. The Company has set up a centrally located dispensary that covers several surrounding villages and provides free medicines to approximately 7000 patients annually under the supervision of a qualified MBBS doctor and male nurse. Another basic health unit is being planned for the Arood Afgana village to further improve basic health facilities in marginalized area.

Education

With the aim of paving the way for a brighter future, HUBCO has a strong commitment to make quality education and skill-based training accessible for the communities around its plants. We have a longstanding relationship with The Citizens Foundation (TCF) and continue to fund a TCF school at Hub. More than 1500 children of local community, including neighboring villages of Kund, Hub, Gaddani and Pirkas are now studying at HUBCO sponsored TCF schools. The students were also provided with free transportation, school bags and uniforms. The Company has also installed Reverse Osmosis (RO) Treatment plant at the campus for providing safe & clean drinking water to the students. In addition, every year the Company distributes school bags to a number of local government primary schools of Hub and Gadani areas including TCF HUBCO Campus. More than two thousand school bags were distributed this year.

In order to support local government schools, the Company has adopted three government schools in the neighboring villages under a Memorandum of Understanding signed with TCF. These schools are in Abbas Goth, Allana Goth & Qadir Bakhsh Goth. The old buildings that were in dangerous condition were demolished and new state of the art buildings were constructed for all three adopted schools. Laraib Energy Ltd. has been at the forefront in improving the educational infrastructure of the local institutions in Mirpur District by providing them with furniture, classroom equipment and basic facilities. During the last fiscal year, LEL provided equipment for establishment of digital library including computers, printers, multimedia, WIFI routers and other support equipment to Mirpur Degree College for Boys. Through this digital library, the college has setup digital link with all renowned libraries of the world to provide students with the best possible research facilities. Additionally, LEL also upgraded the computer lab in Mirpur Girls Degree College by providing 45 computers to the college. The Company also renovated two local Community schools including repair and maintenance of the infrastructure.

Narowal Energy Limited (NEL) successfully executed several projects with the aim of making quality education accessible in the local villages around the Power Plant. During the year, the NEL Plant in collaboration with TCF, completed the adoption of an existing Government School. Under the supervision of experienced and highly qualified staff, the school will provide free education to 245 students upon resumption of classes in the post COVID-19 lockdown situation. The Plant also provided classroom furniture, white-boards, fixtures, fans, printer and stationary items to Muslim Public School located in Sattokatla, Lahore to support the quality education for the underprivileged and marginalized society. In addition, the NEL CSR team surveyed the surrounding schools distributed school bags for the outstanding and underprivileged students. Under this initiative, 600 bags were distributed in different governments schools which were operating in villages adjacent to NEL Plant.

University Level Scholarships and Sponsorships

Educating women of Balochistan has been a regular part of HUBCO's educational interventions under which scholarships are being provided to 20 female students, studying at Sardar Bahadur Khan Women University (SBKWU), Quetta. The scholarship covers semester fee, stipend and hostel charges.

Apprenticeship Training Scheme

The Company is continuing its legacy of skill-development in the province of Balochistan through its apprenticeship training program conducted at our flagship Hub Plant. The scheme is only for Balochi students who are selected purely on merit and apprenticeship is offered after detailed assessments.

The Company also provides all necessary support including free boarding and lodging, onsite housing and transportation along with monthly stipend to cover their expenses. The apprentices receive training in various technical (electrical, mechanical, instrumentation, plant operations and HVAC) and social skills in collaboration with TEVTA.

So far, 16 batches comprising of 197 local boys have graduated from the apprenticeship program. The graduates of our apprenticeship program are employed across various countries of which 86% are working in industrial sector in Pakistan and Middle East. 40% are also working at Hub Plant either directly or with various services contractors. This year, we hired 14 fresh associate engineers as apprentice and 3 management trainees in different trades.

Laraib Energy also conducted internship training of students of electrical and mechanical departments of Mirpur University of Science and Technology (MUST) at NBE Plant site. Laraib Energy also extended sponsorship for Pakistan Renewable Energy Summit 2019 held in Islamabad.

Infrastructure

HUBCO is committed in ensuring a better and safe living standard for the communities around its plants and strives to provide basic amenities of life in the villages of Hub, Narowal and Mirpur (AJK).

Supply of Clean Drinking Water to Neighboring Villages and Jam Ghulam Qadir Hospital, Hub

As HUBCO's regular CSR initiative of supplying clean potable water, the Company provides 38,500 gallons of clean drinking water to Abbas Goth, Allana Goth & Qadir Baksh Goth through water tankers on daily basis. The Company also provides ten water tankers on monthly basis to Jam Ghulam Qadir Hospital, Hub to overcome the shortage of water.

Solar Power System at Jam Ghulam Qadir Hospital

In order to ensure smooth supply of electricity at the Hospital, the Company has installed 9 KW Solar Power System to provide uninterrupted power supply to its OPD, operation theatre and laboratory.

Pirkus Road Rehabilitation Project

In collaboration with CPHGC and BYCO, the Company completed the renovation of 25km. long Pirkus Road which was in dilapidated condition with potholes and landslides due to flash floods and rain. Presently, the road is benefitting the companies and local population of the area.
The NEL Plant provided furniture, laptop and LED Bulbs for the control room of Safe City Project (Narowal) launched by the Punjab Government to lower the crime rate and ensure peaceful neighborhoods in the local villages.

Livelihood

The Company's vision of Fueling lives through Energy is followed through on several levels of business operations one of which is to ensure the growth of the economy through employment creation, especially of the localities in which the HUBCO's plants are situated.

There are approximately 130 local villagers employed at NEL Plant directly or indirectly and supporting their families with reasonable earnings. We also encourage our local business partners to hire local people according to their skills and ability. During the COVID-19 lockdown, the NEL Plant continued with local daily wagers with complete job security and regular remuneration. To further enhance the skills and safety of the local workforce, the Plant arranged frequent training programs to inculcate culture of safety first on/off the job with the help of the professional training experts.

In its commitment with the livelihood, Laraib Energy Limited sponsored 20 local unemployed youth for a six-month Building & Electrician Course approved from TEVTA at Mirpur Institute of Technology (MIT).

Recreation (HUB)

To maintain a healthy and friendly environment, HUBCO sponsored cricket & Football tournaments this year in the local community and Uthal where various teams of different neighboring villages participated in the tournaments. The Company awarded best team, best batsman and bowler and organizers for their performance and participation.

Health, Safety & Environment (HSE)

HUBCO is committed to protecting the health, safety, and welfare of not only our employees but also others who may be affected by our business and the environment in which we operate. This means we ensure that all stakeholders are protected from direct harm due to our operations and that we effectively mitigate any risk to environment, injury or health that could arise at the workplace.

HUBCO places special emphasis on HSE and all our sites strive to ensure strict compliance of our HSE policies. During the year 2019-20, Hub Power Services Limited (HPSL) completed 3.3 million man-hours across its 3 operational power stations. The Total Recordable Injury Rate (TRIR) of the Company remained 0.12.

COVID-19

In the wake of COVID-19 pandemic, Pakistan government imposed partial to full scale lockdowns across the country to limit the spread. HUBCO being an IPP, has been categorized in Essential Services and in order to meet the obligations as per PPA, HUBCO plants need to remain available and operational. HUBCO responded to the situation by implementing a combination of protective and preventive measures at Head Offices and plant sites to ensure a safe working environment for employees and contractors and at the same time, contribute to the containment of the virus while supplying uninterrupted power for the country:

- A Special Task Team was constituted by CEO HUBCO on 15th March for immediate preventive actions, continuous evaluation of the situation and making necessary recommendations to the Management for ensuring employee safety and business continuity
- A comprehensive Coronavirus Risk Management Plan was developed, reviewed by Corporate Support Doctor
- The plan was implemented on 18th March at all three sites i.e. Hub, Narowal and Laraib and regular audits of

the plan are being conducted

- A strategy of work from home with optimal staffing at the plants for safe operation and maintenance was devised and implemented
- A regime of disinfecting the offices and plants has been established, rigorously implemented and continuously monitored
- Information regarding COVID-19 is being shared with staff and contractors regularly by the Plant Management
- Appropriately equipped quarantine rooms have been established at all HUBCO plants

Workplace Safety

HUBCO regularly trains and equips its employees on workplace safety and health issues at all sites. The employees are informed about best HSE practices through regular internal communication channels such as regular staff safety meetings, transformation forums, electronic display units, internal safety workshops and trainings. Each employee is also trained to follow site safety rules and to exercise caution in all work activities.

We regularly conduct risk assessments that address all hazards that may cause harm at the workplace. We train all our employees about the risks in the workplace and how to deal with those risks. Effective Management Safety Audits and Toolbox Talks are regularly carried out at all our sites to ensure a proactive approach towards HSE.

Safety at Home

Employees are encouraged to take safety measures at their homes to create awareness about the COVID-19 symptoms and ensure protection of their families. To enhance awareness on COVID-19, a Company-wide Family Drawing competition was organized with COVID-19 as the central theme. The competition was adjudicated through online sessions.

Process Safety Management (PSM) System

To ensure the safety of personnel, plant and processes, the Company is undergoing implementation of Process Safety Management System (PSM). The initiative is a testament of our commitment to not only ensure effective implementation and compliance of the HSE systems but also its continuous improvement to meet international standards. PSM implementation is in progress at our three operational sites. The regular training of the staff and audits are being carried out to assess status of the implementation program.

Reduction in Carbon Footprint

HUBCO is an environmentally responsible company and is aware of its obligation towards minimizing impact of its operations on the environment. Our 84 MW New Bong Escape Hydropower Project, Laraib Energy (LEL), is registered under Clean Development Mechanism (CDM) project under the United Nations Framework Convention on Climate Change (UNFCCC) and the Company continues to ensure compliance to ESMP (Environment & Social Management Plan) as well. As an environment conscious organization, the Company strictly conforms to National Environmental Quality Standards (NEQS) with regards to air emissions from our all our sites.

Wastewater Effluent and Air Emissions Management

The Company ensures that wastewater effluents from our sites strictly conforms to National Environmental Quality Standards (NEQS). We regularly report our effluent and emission results to Provincial Governments on Self-Monitoring and Reporting Technique (SMART).

Green Office Certification

Our environmental sustainability is not limited to our operations, but all our facilities are in constant pursuance of this objective. A reflection of our commitment is that HUBCO Head Office was certified as Green Office by World Wildlife Federation (WWF). For achieving and maintaining this globally renowned certificate our HSE team inspected and scrutinized three indicators during the year: paper, energy and waste.

This inspection also gave us a baseline for further reduction during the upcoming year and achieve our targets. Further weaving sustainability in our culture, the Company regularly distributes environment conscious souvenirs like Jade Plants and solar lights to employees. Other measures include installation of duplex printers to save paper, replacement of conventional bulbs with LEDs, installation of motion sensors to switch lights on and off, using films on glass windows to check ingress of sunlight reducing indoor ambient temperature and installation of water-saving faucets in the washrooms.

HSE Initiatives for the New Coal Projects

Our two 330MW local coal under construction projects in Thar, namely the Thar Energy and Thal Nova, had their Environment and Social Impact Assessment (ESIA) study conducted, following which they received NOC from Sindh Environmental Protection Agency.

Some Highlights from our Power Stations

Hub

- Station completed 5.3 million safe man-hours since last lost work injury.
- The COVID-19 Risk Management Plan has been implemented at the Station.
- Station achieved TRIR of 0.16 against the target of 0.15, on higher side due to reduced man-hours.
- The COVID-19 Risk Management Plan has been implemented at the Station.
- 3rd Party PSM audit was carried out at site and achieved rating of 3.0 out of 5 on the Bradley Curve.
- Process safety training session for engineers and supervisory staff were conducted at site.
- A safety poster competition on Kitchen Safety was organized for the children of employees with prize distribution at the annual dinner.
- Station HSE leading indicator score stood at 88.25% after mid-year change, incorporating tougher parameters.

Laraib Energy Ltd.

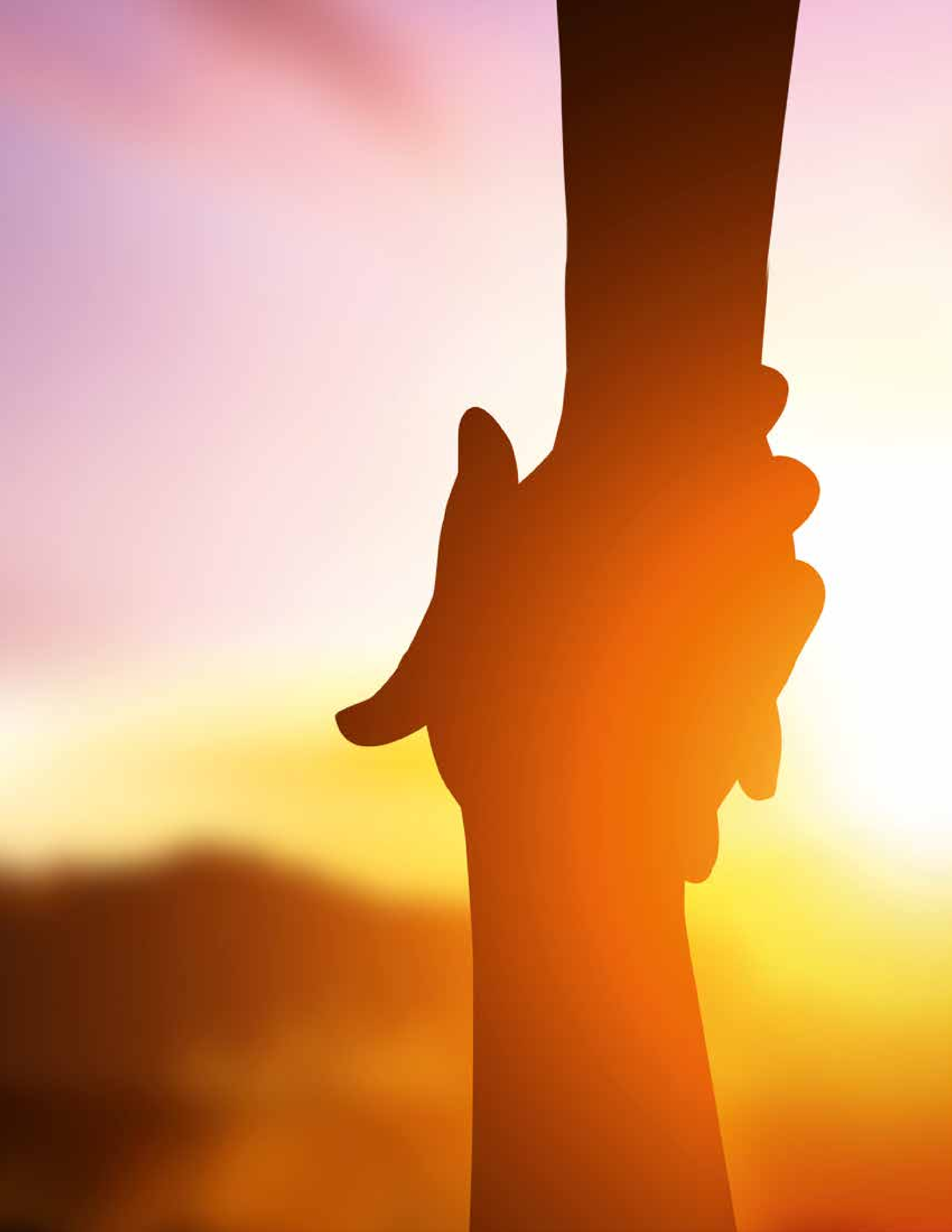
- Station achieved 3.5 million safe man-hours in January 2020. A virtual celebration was held in April 2020 on achieving this milestone and all staff were rewarded with a gift. Total safe man-hours to date since COD stand at 3.6 million.
- 3rd party PSM audit was carried out and station achieved 3.8 out of 5 on the Bradley Curve.
- The COVID-19 Risk Management Plan has been implemented at the Station.
- The site has completed annual maintenance from Dec-Feb 2019-20 with zero injury. Annual maintenance key HSE compliance achievers were awarded on daily basis as best safety practitioners.
- Overall compliance against the stations HSE LIs remained above 90%.

Narowal Energy Ltd.

- Station completed 1.8 million man-hours since last lost work injury.
- Station achieved TRIR of 0 against the target of 0.38.
- The COVID-19 Risk Management Plan has been implemented at the Station.
- 3rd party PSM audit was carried out and station achieved 3.5 out of 5 on the Bradley Curve.
- As HSE promotional program, Children Colouring and Exercise books along with other Safety souvenirs for the employees were distributed.
- Safety Week was organized at the Station.

Key Stats of Operational Power Stations

Parameter	Hub	NEL	LEL	Overall
TRIR	0.05	0	0	0.05
Target TRIR	0.17	.35	.46	
Total Man-hours 2018-19	3,784,449	596,000	432,153	4,380,449
Recordable injuries	01	0	0	01



HUMAN RESOURCES

Employee Safety in context of COVID-19

In context of COVID-19, the year 2019-20 presented an unprecedented shift in people practices throughout the world. It was an inevitable change for organizations that value health and safety of its employees. Since the beginning of COVID-19 outbreak in Pakistan, power sector had been categorized as a provider of essential services. This meant that HUBCO's Plants must remain available and continue uninterrupted operations. The health and safety of our workforce and business continuity remained the top priority. HUBCO had been assessing the situation since early outbreak in China and was aware of its severity well in advance. Since early January 2020, effective precautionary measures were in place across the Business. Our teams had been continuously tracking the situation with respect to the outbreak within Pakistan and quickly responded by upgrading the precautionary measures and stakeholder management protocols. In consultation with the medical experts, we immediately implemented special protocols for our Head Offices, Plants and Project Sites. The measures have proven to be effective in keeping our people safe and high spirited without any compromise on the operations or desired results.

Our technological stack, in terms of people related digital services, was robust enough to support the rapidly increasing requirements of remote working. The HR teams across the organization were able to swiftly adopt to technology and deliver on the key objectives without compromise.

Employee Engagement

Strong employee engagement is especially important in maintaining robust business delivery in times of change. Due to the COVID-19 outbreak, the workplace and employee engagement dynamics witnessed a significant shift, which the world termed as "New Normal". In order to proactively understand employee engagement dynamics under the New Normal, we introduced fortnightly pulse surveys. Based on the outcome of the surveys, we planned various interventions to sustain and improve employee productivity and engagement levels. Most notably, these interventions included consistent and more personal level communication by the CEO and Senior Leadership team members with the employees digitally, orientation on physical and mental well-being, awareness to gain maximum productivity while working from home, inclusion of employees' families in remote engagement activities etc. Based on our last pulse check survey for the year 2019-20, around 80% of employees and their team leaders reported that their individual productivity had either increased or remained the same.

Vision & Values

As our business took the stride of transformation, our Vision and Values provided us with a point of reference to shape the tone of how we work. Over the last 2 years, HUBCO has been able to successfully develop employees' mindset around Values, which would help us to cohesively move towards achieving our aspirational goals. This year we embarked on the journey of aligning organizational behaviors with our Values. As part of "Living the Values" campaign, we prepared internal Value Champions and empowered them to cascade the desired behavioral change throughout out the Organization with the help of structured change management programs.

Learning & Development

HUBCO's learning and development philosophy focuses on developing business & functional leaders to ensure optimum talent density in the organization. Employee trainings continued in line with employee's Training Need Analysis. Strong emphasis was placed on developing internal training capability and based on this, most trainings were conducted through HUBCO's internal faculty. The restrictions caused by COVID-19 outbreak did not impact our delivery on employee training and development goals. A comprehensive online training program was launched to provide maximum learning opportunities to all employees, who were either working on Sites or at home. Furthermore, the reskilling of talent from our Base Business for utilization in Growth Projects has been progressing as planned and will be providing opportunities to employees to advance their careers by working on future technologies.

Providing learning opportunities to students i.e. internships, career counselling etc. has always been a key focus area for HUBCO. Due to the limitations and risks of COVID-19, these opportunities significantly reduced for students in the corporate sector. In line with our philosophy of contributing to the society, we decided to amend our flagship summer internship program "StarTrack" to provide best possible learning experience to students. The program is completely based on Working from Home setting and caters to students across the country. The key elements of the program such as exposure to real life business projects, mentorship by experienced professionals, career counselling based on structured psychological assessments etc. have all remained intact with the help of digital collaboration tools.

In a nutshell, even amidst the extreme socio-economic challenges locally and globally, our commitment to people remained a top priority. The commitment not only helped us in ensuring business continuity in turbulent times, it also resulted in motivating people to deliver results beyond expectations.

CORPORATE GOVERNANCE

Issues Raised at Last AGM

The 28th Annual General Meeting of the Company was held on October 24, 2019. The meeting included business matters (both ordinary and special) and general clarifications on the Company's published financial statements which were duly sought by the shareholders.

Stakeholders' Engagement

The Company upholds the loyalty and positive perception of its stakeholders and engages with its stakeholders through transparent and continued relationships. The Company also safeguards fair dealings with banks and lenders, improved risk management, compliance with laws and regulations, enhanced corporate recognition, improved commitment and participation of valued and competent human resource and places a lot of emphasis on building excellent image in front of public at large.

Frequency of Engagements

The occurrence of engagements is based on business and corporate requirements as specified by the Code of Corporate Governance, contractual obligations or on requirement basis, with the following stakeholders:

- Investors / Shareholders
- WAPDA and Suppliers
- Financial Analysts
- Banks and other lenders
- Media
- Regulators
- Employees
- Local Community and General Public

Code of Business Ethics

As we strive to improve our performance in a fast-changing, competitive world, we endeavor to always remain true to our Code of Business Ethics. They are a bedrock of our success, in tough times and good times, governing how the Company conducts its affairs. The code of ethics describes the behavior HUBCO expects of its employees and what our employees can expect from the Company.
The code is more than a set of rules. It underlines the core principles that the Company expects it employees to live by, such as honesty, integrity and respect for people. The conduct of employees is evaluated on how our employees continue to live by these core principles both in intention and spirit.

The key task for every employee of the Company is to ensure sustainability and reliability of our business, strengthening the relationship with the customer and building on the Company's image of a good corporate citizen. We ensure that we maintain a stellar reputation amongst our shareholders, customers, 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. This ensures that the Company maintains good reputation by dealing and being seen to deal with all our business contacts in a professional and acceptable way. Unethical practices of any sort are not allowed to find their way into the business.

We believe that employees have a duty to themselves and to the Company to raise any matters of business conduct or ethics which causes concern. Employees are not allowed to commit an illegal or unethical act, nor instruct and or encourage another employee to do so. The known laws and regulations of the country should always be followed. Business Ethics followed by the Company help to protect both the employees and the Company from unfounded accusations of deception and fraud and ensures that where corruption and fraud have or might have taken place, it is properly investigated and dealt with in a timely manner.
As a general rule, we treat our employees as Company's ambassadors to all our stakeholders and, therefore, employees are expected to promote the Company's best interests whilst maintaining the highest standards of personal integrity and business practice in all their dealings.

Employees must always act in the interest of the Company's shareholders and must abide by the Company's stated standards of environmental, safety and management practices. The application of these principles is underpinned by a comprehensive set of assurance procedures, which are designed to make sure that our employees understand the principles and confirm that they act in accordance with them. We believe that the code of business ethics has been fundamental in the manner we have conducted our business and ourselves with respect to the environment in which we operate and living by them remains crucial to our continued success.

Anti-Corruption Measures

The Company severely rejects corrupt business practices and does not give or receive bribes in any manner, shape or form in order to retain or bestow business or financial advantages. All employees of the Company are directed that any demand for or offer of such bribe must be immediately rejected and reported to the management.

Business Continuity Planning

Despite our rapid expansion and the complexity of risk that it accompanies, HUBCO endures rigorous crisis management planning for all its plants and site facilities. Our BCP ensures endurance of our business operations in face of a natural calamity or an incident.

Our action plan formulated in advance with the aim to prevent the stoppage of important and crucial Company operations or restore and restart them in as little time as possible. To mitigate the risks associated with such an event or occurrence we have formulated BCPs for different types of crisis such as natural disasters, plant breakdown, political problems, etc.

HUBCO is fully equipped to immediately initiate its BCP protocols based on these categories and work to ensure the continuity of its operations.

CEO'S Performance Review

The CEO was re-appointed by the Board of Directors for a term of three years from October 15, 2018. Each year, the Board reviews the performance of the CEO against pre-determined operational and strategic goals. 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.

Role of Chairman

The Chairman's primary role is to ensure that the Board is effective in its tasks of setting and implementing the Company's vision and strategy.

The Chairman of the Board ensures effective operations of the Board and its committees in conformity with the highest standards of corporate governance and ensures that all Board committees are properly established, composed and operated. He is also responsible for setting the agenda, style and tone of the Board discussions to promote constructive debate and effective decision-making.
The Chairman also plays an integral role in promoting effective relationships and communications between nonexecutive directors.

Role of Chief Executive

The Company is run by its Board of Directors and its affairs are managed on a day to day basis by the Chief Executive under the direction and control of the Board.

In performing his task, the Chief Executive is required to protect and improve the shareholders' value and the long-term health of the Company.

The Chief Executive is responsible for implementing the Company's long and short-term plans. He acts as a direct liaison between the Board and management of the Company and communicates to the Board on behalf of management and is also the focal point for the liaison with Government offices and their agencies, press, environmental and other interest groups.

Speak Up Policy

The Company believes in the conduct of the affairs of its constituents in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behavior. This has always been our core strength and is reinforced through voluntary reporting of irregularities and implementation of ethics related policies.

The Company is committed to develop a culture where it is safe for all employees, customers and vendors to raise concerns about any poor or unacceptable practice and any event of misconduct.

The purpose of our Speak Up Policy is to provide a framework to promote a responsible and secure manner to speak up. It protects employees, customers and vendors wishing to raise any concern regarding business ethics, safety, environmental performance, harassment and other possible breaches of compliance. The policy neither releases employees from their duty of confidentiality in the course of their work, nor a route for taking up a grievance about a personal situation.

IT Policy

Our IT policy outlines the responsibilities of all the users at the Company. The policy safeguards the information security when it is stored and transmitted and guards the data from unauthorized or accidental modification or destruction, and disclosure. The purpose of our IT Governance Policy is also to guarantee the continuity of IT operations and electronic communication. Under this policy, the Company keeps the IT infrastructure abreast with relevant updates and system upgrades and enhances the system security to minimize risk of malicious attacks. The policy also provides an outline for effective and efficient data and infrastructure backup system as part of Disaster Recovery Management.

HR Policy and Succession Planning

Our HR policy is designed to develop a performance culture based on excellence, providing association between an employee's performance and company's goals. The policy also provides for our desired organizational culture. The Company has formed a vigorous Succession Plan for the positions of CEO, CEO Direct Reports and Business Critical Roles, in order to ensure the continued business excellence. The plan is approved & managed by the Board Compensation Committee (BCC) whereby the successors are categorized into the following categories:

- Immediate: Candidates ready to take the leadership positions;
- Medium Term: Candidates ready in 1 to 2 Years; and
- Long Term: Candidates ready in 3 to 5 years.

FINANCIAL PERFORMANCE

FINANCIAL RATIOS

		2020	2019	2018	2017	2016	2015
Profitability Ratios							
Gross Profit Margin	%	65.01	32.37	12.78	11.86	17.11	10.94
Net Profit Margin	%	36.94	22.17	11.17	10.50	13.40	7.49
Operating cost to turnover	%	34.99	67.63	87.22	88.14	82.89	89.06
Fuel cost to turnover	%	16.30	49.61	79.22	89.24	73.27	81.97
EBITDA Margin to Sales	%	80.31	41.89	16.91	15.41	20.47	13.16
Operating Leverage Ratio	Times	(2.17)	(0.38)	(3.39)	3.46	(0.06)	(1.62)
Return on Equity	%	27.13	30.86	43.57	35.08	39.10	31.44
Return on Capital Employed	%	30.28	29.42	35.71	26.82	28.85	26.76
Liquidity Ratios							
Current Ratio	Times	1.09	0.92	0.96	0.96	1.03	1.08
Quick / Acid Test Ratio	Times	1.00	0.85	0.89	0.90	0.97	1.01
Cash to Current Liabilities	Times	0.006	0.073	0.004	0.014	0.037	0.006
Cash Flow from Operations to Sales	%	1.51	0.32	9.05	4.22	14.93	10.24
Working capital	Rs. in million	8,237	(7,906)	(3,666)	(3,697)	2,352	6,296
Activity / Turnover Ratios							
No. of Days in Inventory	Days	207	76	23	14	15	9
Inventory Turnover	Times	1.77	4.78	15.78	25.90	23.75	39.98
No. of Days in Receivables	Days	939	750	372	352	318	212
Receivables Turnover	Times	0.39	0.49	0.98	1.04	1.15	1.72
No. of Days in Payables	Days	3,002	1,392	403	328	351	196
Payables Turnover	Times	0.12	0.26	0.91	1.11	1.04	1.86
Operating Cycle	Days	(1,856)	(566)	(8)	38	(18)	25
Total Asset Turnover	Times	0.17	0.24	0.56	0.68	0.64	1.04
Fixed Assets Turnover	Times	2.27	2.65	4.98	4.55	2.36	3.39
Working Capital Turnover	Times	3.34	(4.58)	(20.92)	(21.26)	36.74	20.88
Investment / Market Ratios							
Earnings Per Share	Rs.	7.84	6.70	7.15	8.29	10.00	8.51
Weighted Average No. of Ordinary Shares	No. in million	1,297	1,199	1,198	1,157	1,157	1,157
Price Earning Ratio	Times	9.25	11.75	12.89	14.17	12.01	11.00
Price to Book Ratio	Times	2.20	2.93	5.57	6.97	5.04	3.42
Dividend Yield	%	0.00	0.00	8.03	6.39	9.16	10.15
Dividend Payout Ratio	Times	0.00	0.00	1.03	0.90	1.10	1.12
Dividend Cover Ratio	Times	0.00	0.00	0.97	1.11	0.91	0.90
Cash Dividend Per Share - Interim	Rs.	0.00	0.00	4.60	5.00	8.00	4.00
Cash Dividend per share - Final	Rs.	0.00	0.00	2.80	2.50	3.00	5.50
Cash Dividend per share - Total	Rs.	0.00	0.00	7.40	7.50	11.00	9.50
Market Value Per Share							
Year end	Rs.	72.50	78.75	92.16	117.43	120.06	93.57
High	Rs.	103.21	98.13	125.88	145.43	122.88	97.84
Low	Rs.	57.40	68.84	89.90	103.15	96.03	57.60
Breakup Value /(Net assets/share)	Rs.	32.90	26.90	16.55	16.84	23.84	27.34
Capital Structure Ratios							
Financial Leverage Ratio	Times	0.82	0.72	0.74	0.40	0.76	0.71
Weighted Average Cost of Debt	%	14.55	9.85	6.99	5.45	8.74	11.77
Debt to Equity Ratio	Ratio	45:55	42:58	42:58	29:71	43:57	42:58
Interest Cover Ratio	Times	2.14	2.67	4.90	5.71	4.77	3.21
No. of Ordinary Shares	No. in million	1,297	1,297	1,157	1,157	1,157	1,157

DUPONT ANALYSIS

Ratios	2020	2019	Comments
Tax Burden/Efficiency (Net Income/ PBT)	94.59	97.11	Declined mainly due to tax charged on income from management services.
Interest Burden/Efficiency (PBT/EBIT)	53.36	62.52	Declined mainly due to increase in finance cost pertaining to long term and short term borrowings during the year.
Operating Income Margin (EBIT/Sales)	73.19	36.51	Increased mainly due to higher income from management services and lower turnover.
Asset Turnover (Sales/Assets)	0.17	0.24	Declined mainly due to lower turnover during the year.
Leverage Ratio (Assets/Equity)	3.85	4.76	Declined mainly due to higher equity balance as no dividend was paid to the shareholders during the year.
Return on Equity (Net Income/Equity)	27.13	30.86	Declined mainly due to higher average equity balance on account of no dividend paid to shareholders during the year.

HORIZONTAL AND VERTICAL ANALYSIS OF STATEMENT OF PROFIT OR LOSS

Horizontal Analysis	2020 (Rs. Million)	20 Vs 19 %	2019 (Rs. Million)	19 Vs 18 %	2018 (Rs. Million)	18 Vs 17 %
Turnover	27,524	(24.07)	36,249	(52.72)	76,676	(2.44)
Operating costs	(9,630)	(60.72)	(24,516)	(63.34)	(66,873)	(3.46)
Gross Profit	17,894	52.51	11,733	19.69	9,803	5.22
Other income	3,162	26.08	2,508	12.52	2,229	43.16
General and administration expenses	(757)	(13.19)	(872)	(3.11)	(900)	46.34
Finance costs	(9,395)	89.38	(4,961)	4,410	(110)	43.32
Other operating expenses	(155)	17	(133)	(94)	(2,248)	26
Taxation	(582)	144.54	(238)	13.88	(209)	46.77
Profit after tax from continuing operations	10,167	26.50	8,037	(6.16)	8,565	3.74
Profit after tax from discontinued operations	-	-	-	-	-	(100)
Profit for the year	10,167	26.50	8,037	(6.16)	8,565	(10.78)

Vertical Analysis	2020 (Rs.Million)	% of turnover	2019 (Rs. Million)	% of turnover	2018 (Rs. Million)	% of turnover
Turnover	27,524	100	36,249	100	76,676	100
Operating costs	(9,630)	(34.99)	(24,516)	(67.63)	(66,873)	(87.22)
Gross Profit	17,894	65.01	11,733	32.37	9,803	12.78
Other income	3,162	11.49	2,508	6.92	2,229	2.91
General and administration expenses	(757)	(2.75)	(872)	(2.41)	(900)	(1.17)
Finance costs	(9,395)	(34.13)	(4,961)	(13.69)	(110)	(0.14)
Other operating expenses	(155)	(0.56)	(133)	(0.37)	(2,248)	(2.93)
Taxation	(582)	(2.11)	(238)	(0.66)	(209)	(0.27)
Profit after tax from continuing operations	10,167	36.94	8,037	22.17	8,565	11.17
Profit after tax from discontinued operations	-	-	-	-	-	(100)
Profit for the year	10,167	36.94	8,037	22.17	8,565	11.17

2017 (Rs. Million)	17 Vs 16 %	2016 (Rs. Million)	16 Vs 15 %	2015 (Rs. Million)	15 Vs 14 %	2014 (Rs. Million)
78,590	(9.06)	86,415	(34.28)	131,484	(18.74)	161,807
(69,273)	(3.29)	(71,627)	(38.83)	(117,093)	(21.97)	(150,070)
9,317	(37.00)	14,788	2.76	14,391	22.61	11,737
1,557	7.79	1,444	(5.72)	1,532	1,745.88	83
(615)	(33.54)	(925)	0.52	(921)	39.26	(661)
(77)	(97.53)	(3,109)	589.69	(451)	100.00	-
(1,784)	277	(473)	(89.57)	(4,538)	(1.45)	(4,605)
(142)	(4.23)	(149)	(7.12)	(160)	3,902.23	(4)
8,256	(28.68)	11,576	17.48	9,853	50.43	6,550
1,344	-	-	-	-	-	-
9,600	(17.07)	11,576	17.48	9,853	50.43	6,550

2017		2016		2015		2014
(Rs. Million)	% of turnover	(Rs. Million)	% of turnover	(Rs. Million)	% of turnover	(Rs. Million)
78,590	100.00	86,415	100.00	131,484	100.00	161,807
(69,273)	(88.14)	(71,627)	(82.89)	(117,093)	(89.06)	(150,070)
9,317	11.86	14,788	17.11	14,391	10.94	11,737
1,557	1.98	1,444	1.67	1,532	1.17	83
(615)	(0.78)	(925)	(1.07)	(921)	(0.70)	(661)
(77)	(0.10)	(3,109)	(3.60)	(451)	(0.34)	-
(1,784)	(2.27)	(473)	(0.55)	(4,538)	(3.45)	(4,605)
(142)	(0.18)	(149)	(0.17)	(160)	(0.12)	(4)
8,256	10.50	11,576	13.40	9,853	7.49	6,549
1,344	-	-	-	-	-	-
9,600	12.22	11,576	13.40	9,853	7.49	6,550

HORIZONTAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION

	2020 (Rs. Million)	20 Vs 19 %	2019 (Rs. Million)	19 Vs 18 %	2018 (Rs. Million)	18 Vs 17 %
ASSETS						
NON-CURRENT ASSETS						
Fixed Assets						
Property, Plant and equipments	12,146	(11.13)	13,667	(11.26)	15,401	(10.78)
Intangibles	26	(50.00)	52	(5.45)	55	22.22
Long term investments	56,549	16.95	48,355	133.84	20,679	85.06
Long term loan and advance	-	-	-	-	-	-
Long term deposits and prepayments	22	-	22	4.76	21	(84.21)
	68,743	10.70	62,096	71.74	36,156	26.36
CURRENT ASSETS						
Stores, spares and consumables	1,722	(6.97)	1,851	(5.32)	1,955	(0.26)
Stock-in-trade	6,319	38.09	4,576	(19.55)	5,688	104.16
Trade debts	75,031	12.61	66,629	(19.42)	82,683	12.24
Loan and advances	160	(78.14)	732	713.33	90	(37.06)
Prepayments and other receivables	12,035	14.27	10,532	9.50	9,618	45.93
Cash and bank balances	511	(93.01)	7,312	1,612.41	427	(65.09)
	95,778	4.52	91,632	(8.79)	100,461	16.32
Non-current asset held for sale	-	-	-	-	-	(100.00)
TOTAL ASSETS	164,521	7.02	153,728	12.52	136,617	18.81
EQUITY AND LIABILITIES						
SHARE CAPTIAL AND RESERVE						
Share Capital						
Authorised	17,000	-	17,000	-	17,000	41.67
Issued, subscribed and paid-up	12,972	-	12,972	12.10	11,572	-
Capital Reserve						
Share Premium	5,600	-	5,600	100.00	-	-
Revenue Reserve						
Unappropriated profit	24,108	76.09	13,691	65.83	8,256	4.32
TOTAL EQUITY	42,680	32.29	32,263	62.71	19,828	1.76
NON-CURRENT LIABILITIES						
Long term loans	34,006	55.09	21,927	73.17	12,662	133.10
Long term lease liabilities	294	100.00	-	-	-	-
	34,300	56.43	21,927	73.17	12,662	133.10
CURRENT LIABILITIES						
Trade and other payables	55,981	(0.52)	56,273	(29.50)	79,821	20.54
Unclaimed dividend	208	9.47	190	35.71	140	8.53
Unpaid dividend	44	(45.00)	80	(67.61)	247	(75.83)
Interest/mark-up accrued	809	42.43	568	259.49	158	(38.52)
Short term borrowings	29,914	(27.24)	41,112	88.80	21,776	8.39
Current maturity of long term loans	562	(57.26)	1,315	(33.75)	1,985	(15.35)
Current maturity of long term lease liabilities	23	100.00	-	-	-	-
	87,541	(12.05)	99,538	(4.41)	104,127	15.61
TOTAL EQUITY AND LIABILITIES	164,521	7.02	153,728	12.52	136,617	18.81

2017 (Rs. Million)	17 Vs 16 %	2016 (Rs. Million)	16 Vs 15 %	2015 (Rs. Million)	15 Vs 14 %	2014 (Rs. Million)
17,262	(52.82)	36,587	(5.75)	38,818	(5.83)	41,223
45	2.27	44	1,366.67	3	(75.00)	12
11,174	90.16	5,876	19.48	4,918	5.22	4,674
-	-	-	-	-	(100.00)	63
133	533.33	21	10.53	19	(9.52)	21
28,614	(32.72)	42,528	(2.81)	43,758	(4.86)	45,993
1,960	(20.33)	2,460	16.53	2,111	32.02	1,599
2,786	8.70	2,563	(26.14)	3,470	45.25	2,389
73,663	(5.25)	77,747	6.97	72,683	(9.01)	79,879
143	(42.11)	247	128.70	108	38.46	78
6,591	27.21	5,181	55.35	3,335	18.35	2,818
1,223	(62.71)	3,280	577.69	484	(81.91)	2,676
86,366	(5.59)	91,478	11.30	82,191	(8.10)	89,439
4	100.00	-	-	-	-	-
114,984	(14.19)	134,006	6.40	125,949	(7.00)	135,432
12,000	-	12,000	-	12,000	-	12,000
11,572	-	11,572	-	11,572	-	11,572
-	-	-	-	-	-	-
7,914	(50.56)	16,007	(20.22)	20,063	3.03	19,473
19,486	(29.34)	27,579	(12.82)	31,635	1.90	31,045
5,432	(68.60)	17,301	(6.07)	18,419	(8.06)	20,034
-	-	-	-	-	-	-
5,432	(68.60)	17,301	(6.07)	18,419	(8.06)	20,034
66,222	0.34	65,997	10.19	59,895	(4.40)	62,654
129	4.88	123	19.42	103	15.73	89
1,022	(52.92)	2,171	3,847.27	55	7.84	51
257	(50.10)	515	(32.50)	763	(34.11)	1,158
20,091	21.47	16,540	50.87	10,963	(35.05)	16,878
2,345	(37.96)	3,780	(8.16)	4,116	16.83	3,523
-	-	-	-	-	-	-
90,066	1.05	89,126	17.43	75,895	(10.03)	84,353
114,984	(14.19)	134,006	6.40	125,949	(7.00)	135,432

VERTICAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION

	2020		2019		2018	
	(Rs. Million)	%	(Rs. Million)	%	(Rs. Million)	%
ASSETS						
NON-CURRENT ASSETS						
Fixed Assets						
Property, Plant and equipments	12,146	7.38	13,667	8.89	15,401	11.27
Intangibles	26	0.02	52	0.03	55	0.04
Long term investments	56,549	34.37	48,355	31.45	20,679	15.14
Long term loan and advance	-	-	-	-	-	-
Long term deposits and prepayments	22	0.01	22	0.01	21	0.02
	68,743	41.78	62,096	40.39	36,156	26.47
CURRENT ASSETS						
Stores, spares and consumables	1,722	1.05	1,851	1.20	1,955	1.43
Stock-in-trade	6,319	3.84	4,576	2.98	5,688	4.16
Trade debts	75,031	45.61	66,629	43.34	82,683	60.52
Loan and advances	160	0.10	732	0.48	90	0.07
Prepayments and other receivables	12,035	7.32	10,532	6.85	9,618	7.04
Cash and bank balances	511	0.31	7,312	4.76	427	0.31
	95,778	58.22	91,632	59.61	100,461	73.53
Non-current asset held for sale	-	-	-	-	-	-
TOTAL ASSETS	164,521	100.00	153,728	100.00	136,617	100.00
EQUITY AND LIABILITIES						
SHARE CAPTIAL AND RESERVE						
Share Capital						
Authorised	17,000	-	17,000	-	17,000	-
Issued, subscribed and paid-up	12,972	7.88	12,972	8.44	11,572	8.47
Capital Reserve						
Share Premium	5,600	3.40	5,600	3.64	-	-
Revenue Reserve						
Unappropriated profit	24,108	14.65	13,691	8.91	8,256	6.04
TOTAL EQUITY	42,680	25.94	32,263	20.99	19,828	14.51
NON-CURRENT LIABILITIES						
Long term loans	34,006	20.67	21,927	14.26	12,662	9.27
Long term lease liabilities	294	0.18	-	-	-	-
	34,300	20.85	21,927	14.26	12,662	9.27
CURRENT LIABILITIES						
Trade and other payables	55,981	34.03	56,273	36.61	79,821	58.43
Unclaimed dividend	208	0.13	190	0.12	140	0.10
Unpaid dividend	44	0.03	80	0.05	247	0.18
Interest/mark-up accrued	809	0.49	568	0.37	158	0.12
Short term borrowings	29,914	18.18	41,112	26.74	21,776	15.94
Current maturity of long term loans	562	0.34	1,315	0.86	1,985	1.45
Current maturity of long term lease liabilities	23	0.01	-	-	-	-
	87,541	53.21	99,538	64.75	104,127	76.22
TOTAL EQUITY AND LIABILITIES	164,521	100.00	153,728	100.00	136,617	100.00

2017 (Rs. Million)	%	2016 (Rs. Million)	%	2015 (Rs. Million)	%	2014 (Rs. Million)
17,262	15.01	36,587	27.30	38,818	30.82	41,223
45	0.04	44	0.03	3	0.00	12
11,174	9.72	5,876	4.38	4,918	3.90	4,674
-	-	-	-	-	-	63
133	0.12	21	0.02	19	0.02	21
28,614	24.89	42,528	31.74	43,758	34.74	45,993
1,960	1.70	2,460	1.84	2,111	1.68	1,599
2,786	2.42	2,563	1.91	3,470	2.76	2,389
73,663	64.06	77,747	58.02	72,683	57.71	79,879
143	0.12	247	0.18	108	0.09	78
6,591	5.73	5,181	3.87	3,335	2.65	2,818
1,223	1.06	3,280	2.45	484	0.38	2,676
86,366	75.11	91,478	68.26	82,191	65.26	89,439
4	-	-	-	-	-	-
114,984	100.00	134,006	100.00	125,949	100.00	135,432
12,000	-	12,000	-	12,000	-	12,000
11,572	10.06	11,572	8.64	11,572	9.19	11,572
-	-	-	-	-	-	-
7,914	6.88	16,007	11.94	20,063	15.93	19,473
19,486	16.95	27,579	20.58	31,635	25.12	31,045
5,432	4.72	17,301	12.91	18,419	14.62	20,034
-	-	-	-	-	-	-
5,432	4.72	17,301	12.91	18,419	14.62	20,034
66,222	57.59	65,997	49.25	59,895	47.55	62,654
129	0.11	123	0.09	103	0.08	89
1,022	0.89	2,171	1.62	55	0.04	51
257	0.22	515	0.38	763	0.61	1,158
20,091	17.47	16,540	12.34	10,963	8.70	16,878
2,345	2.04	3,780	2.82	4,116	3.27	3,523
-	-	-	-	-	-	-
90,066	78.33	89,126	66.51	75,895	60.26	84,353
114,984	100.00	134,006	100.00	125,949	100.00	135,432

SIX YEARS STATEMENT OF PROFIT OR LOSS AT A GLANCE

	2020	2019	2018	2017	2016	2015
			(Rs. Millions)			
Turnover	27,524	36,249	76,676	78,590	86,415	131,484
Operating costs	(9,630)	(24,516)	(66,873)	(69,273)	(71,627)	(117,093)
Gross Profit	17,894	11,733	9,803	9,317	14,788	14,391
Other income	3,162	2,508	2,229	1,557	1,444	1,532
General and administration expenes	(757)	(872)	(900)	(615)	(925)	(921)
Finance costs	(9,395)	(4,961)	(2,248)	(1,784)	(3,109)	(4,538)
Other operating expenses	(155)	(133)	(110)	(77)	(473)	(451)
Taxation	(582)	(238)	(209)	(142)	(149)	(160)
Profit after tax from continuing operations	10,167	8,037	8,565	8,256	11,576	9,853
Profit after tax from discontinued operations	-	-	-	1,344	-	-
Profit for the year	10,167	8,037	8,565	9,600	11,576	9,853
Basic and diluted earnings per share (Rupees)	7.84	6.70	7.15	8.29	10.00	8.51
Weighted Average No. of Ordinary Shares	1,297	1,199	1,198	1,157	1,157	1,157

	2020	2019	2018	2017	2016	2015
			(Rs. Millions)			
EBITDA						
Profit after tax for the year (from continuing operations)	10,167	8,037	8,565	8,256	11,576	9,853
Finance costs	9,395	4,961	2,248	1,784	3,109	4,538
Depreciation	1,931	1,914	1,910	1,903	2,837	2,741
Amortization	30	35	37	26	20	8
Taxation	582	238	209	142	149	160
EBITDA	22,105	15,185	12,969	12,111	17,691	17,300

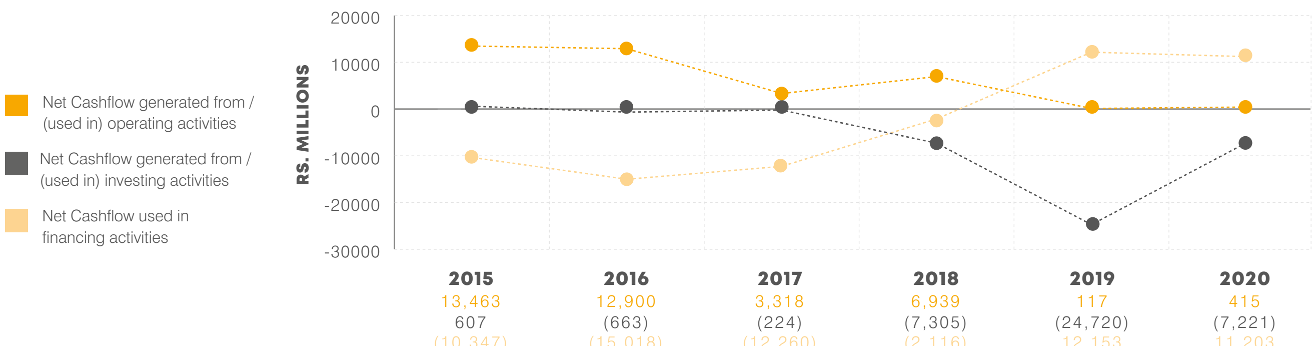
	2020	2019	2018	2017	2016	2015
			(Rs. Millions)			
EBIT						
Profit after tax for the year (from continuing operations)	10,167	8,037	8,565	8,256	11,576	9,853
Finance costs	9,395	4,961	2,248	1,784	3,109	4,538
Taxation	582	238	209	142	149	160
EBIT	20,144	13,236	11,022	10,182	14,834	14,551

SIX YEARS STATEMENT OF FINANCIAL POSITION AT A GLANCE

	2020	2019	2018	2017	2016	2015
			(Rs. Millions)			
ASSETS						
NON-CURRENT ASSETS						
Fixed Assets						
Property, plant and equipment	12,146	13,667	15,401	17,262	36,587	38,818
Intangibles	26	52	55	45	44	3
Long term investments	56,549	48,355	20,679	11,174	5,876	4,918
Long term loan and advance	-	-	-	-	-	-
Long term deposits and prepayments	22	22	21	133	21	19
	68,743	62,096	36,156	28,614	42,528	43,758
CURRENT ASSETS						
Stores, spares and consumables	1,722	1,851	1,955	1,960	2,460	2,111
Stock-in-trade	6,319	4,576	5,688	2,786	2,563	3,470
Trade debts	75,031	66,256	82,683	73,662	77,747	72,683
Loans and advances	160	732	90	143	247	109
Prepayments and other receivables	12,035	10,905	9,618	6,591	5,181	3,335
Cash and bank balances	511	7,312	427	1,223	3,280	484
	95,778	91,632	100,461	86,365	91,478	82,191
Non-current asset classified as held for sale	-	-	-	4	-	-
TOTAL ASSETS	164,521	153,728	136,617	114,983	134,006	125,949
EQUITY AND LIABILITIES						
SHARE CAPTIAL AND RESERVE						
Share Capital						
Authorised	17,000	17,000	17,000	12,000	12,000	12,000
Issued, subscribed and paid-up	12,972	12,972	11,572	11,572	11,572	11,572
Capital Reserve						
Share premium	5,600	5,600	-	-	-	-
Revenue Reserve						
Unappropriated profit	24,108	13,691	8,256	7,914	16,007	20,063
TOTAL EQUITY	42,680	32,263	19,828	19,486	27,579	31,635
NON-CURRENT LIABILITIES						
Long term loans	34,006	21,927	12,662	5,432	17,301	18,419
Long term lease liabilities	294	-	-	-	-	-
	34,300	21,927	12,662	5,432	17,301	18,419
CURRENT LIABILITIES						
Trade and other payables	55,981	56,273	79,821	66,222	65,997	59,895
Unclaimed dividend	208	190	140	129	123	103
Unpaid dividend	44	80	247	1,022	2,171	55
Interest / mark-up accrued	809	568	158	257	515	763
Short term borrowings	29,914	41,112	21,776	20,091	16,540	10,963
Current maturity of long term loans	562	1,315	1,985	2,345	3,780	4,116
Current maturity of long term lease liabilities	23	-	-	-	-	-
	87,541	99,538	104,127	90,065	89,126	75,895
COMMITMENTS AND CONTINGENCIES						
TOTAL EQUITY AND LIABILITIES	164,521	153,728	136,617	114,983	134,006	125,949

SUMMARY OF SIX YEARS CASH FLOW AT A GLANCE

	2020	2019	2018	2017	2016	2015
			(Rs. Millions)			
Opening	(33,799)	(21,349)	(18,867)	(13,260)	(10,479)	(14,202)
Net Cashflow generated from / (used in) operating activities	415	117	6,939	3,318	12,900	13,463
Net Cashflow generated from / (used in) investing activities	(7,221)	(24,720)	(7,305)	(224)	(663)	607
Net Cashflow generated from / (used in) financing activities	11,203	12,153	(2,116)	(12,260)	(15,018)	(10,347)
Cash and cash equivalents transferred to NEL		–	–	3,558	–	–
Closing	(29,402)	(33,799)	(21,349)	(18,867)	(13,260)	(10,479)



Comments on Unconsolidated Statement of Profit or Loss

The decrease in turnover by 24% compared to the last year is mainly due to the lower Net Electrical Output on account of low load demanded by CPPA(G).

The decrease in operating cost by 61% compared to the last year is mainly because of lower fuel cost due to lower generation and lower repair and maintenance expenses.

The increase in other income was mainly attributable to higher income from management services.

The increase in finance cost was mainly due to higher utlization of short term borrowings because of delay in payment from CPPA(G), issuance of short term Sukuks and utlization of sub-limit finance for growth projects. Furthermore, additional long term borrowing obtained during the year for investment in growth projects have also contributed to the increase in finance cost.

The current year net profit increased by 26% compared to the last year resulting in increase in earnings per share from Rs. 6.70 to Rs. 7.84 mainly due to depreciation of Rupee against USD, higher income from management services, lower repair and maintenance expenditures and lower administrative expenses partly offset higher financing costs.

Comments on Unconsolidated Statements

During the year, the Company has made additional investments in HPHL of Rs. 6,861 million, TEL Rs. 833 million and SECMC of Rs. 272 million.

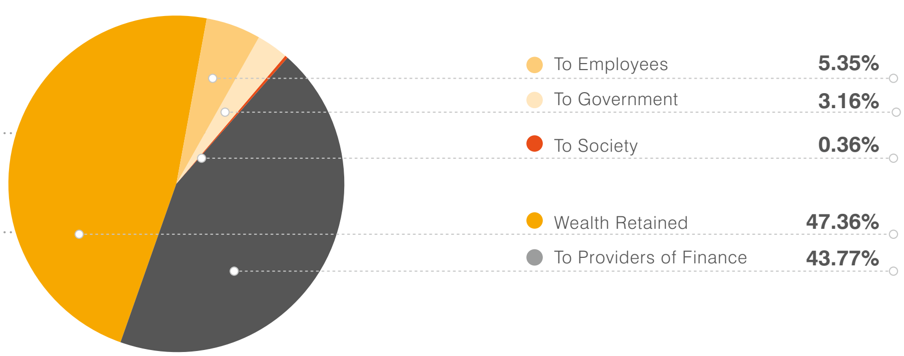
To finance investments in growth projects, the Company has obtained additional long term loan amounting to Rs. 480 million, issued long term sukuks amounting to Rs. 12,000 million and short term Sukuks amounting to Rs. 4,500 million.

Due to delayed payments by CPPA(G), the Company has delayed payments to PSO. The Company maintains working capital facilities to meet is short term funding requirements.

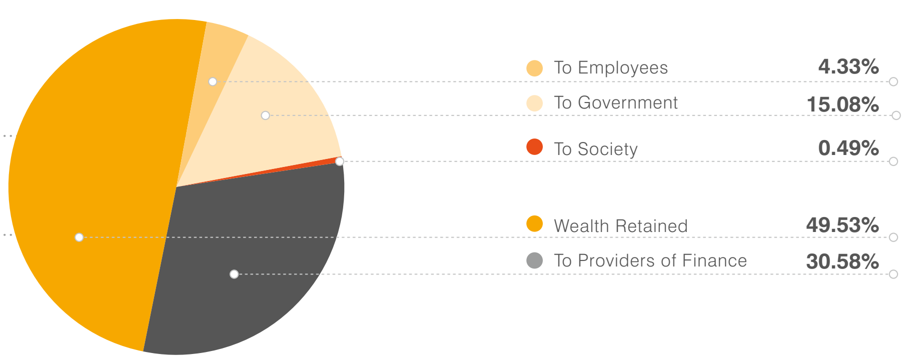
STATEMENT OF VALUE ADDITION

	2020 (Rs. Million)	2020 %	2019 (Rs. Million)	2019 %
Wealth Created				
Total Revenue inclusive of sales tax and other income	31,075	144.76	40,924	252.23
Less: Operating cost & other general expenses	(9,608)	(44.76)	(24,699)	(152.23)
	21,467	100.00	16,225	100.00
Wealth Distributed				
To employees				
Salaries, wages and other benefits	1,149	5.35	702	4.33
To government				
Sales tax	96	0.45	2,208	13.61
Income tax	582	2.71	239	1.47
To society				
Donation / Corporate Social Responsibility	78	0.36	80	0.49
To providers of finance as financial charges	9,395	43.77	4,961	30.58
Dividend to Shareholders	–	–	–	—
Wealth Retained	10,166	47.36	8,036	49.53
	21,467	100.00	16,225	100.00

Wealth Distribution
2020

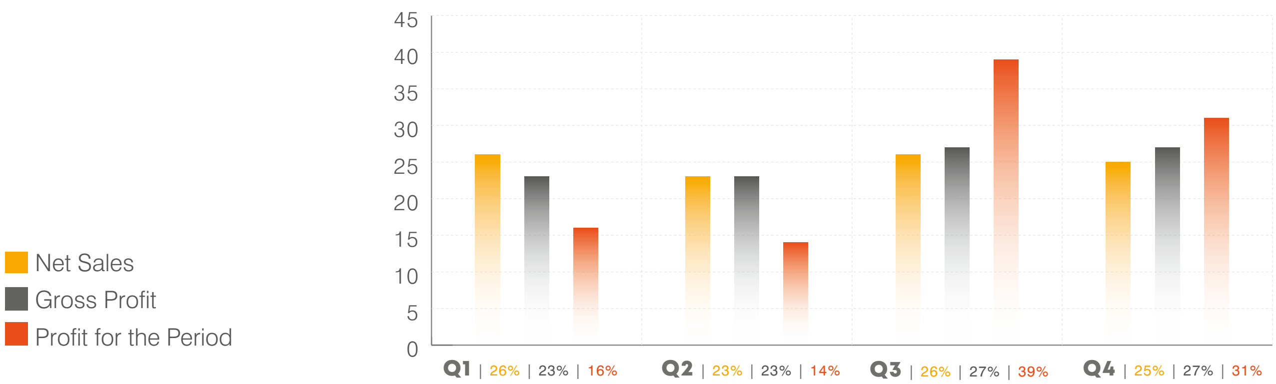


Wealth Distribution
2019



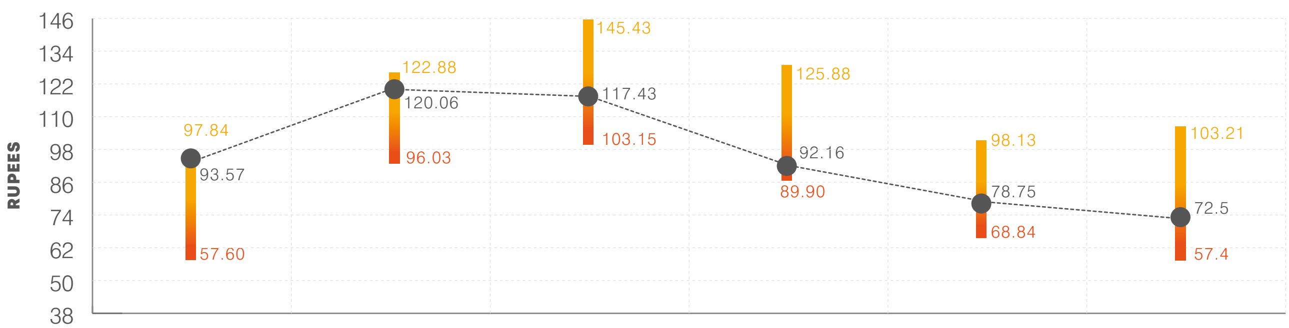
QUARTERLY FINANCIAL ANALYSIS

	Jul - Sep 2019 Q1		Oct - Dec 2019 Q2		Jan - Mar 2020 Q3		Apr - Jun 2020 Q4		Jul - Jun 2020 FY	
	PKR in '000	%	PKR in '000	%	PKR in '000	%	PKR in '000	%	PKR in '000	%
Net Sales	7,252,030	26%	6,443,253	23%	7,059,511	26%	6,768,771	25%	27,523,565	100%
Gross Profit	4,108,918	23%	4,133,986	23%	4,807,138	27%	4,843,252	27%	17,893,294	100%
Profit for the period	1,606,595	16%	1,424,684	14%	3,966,049	39%	3,169,411	31%	10,166,739	100%



Share Price Sensitivity Analysis

Share price in the stock market moves due to various factors such as company performance, general market sentiments, economic events and interest rates, etc. Being a responsible and law-compliant company, HUBCO circulates price sensitive information to the stock exchange in accordance with the requirements of listing regulations on timely manner. During the year 2019-20, Company's share price has touched the peak of Rs. 103.21 while the lowest recorded price was Rs. 57.40 with a closing price of Rs. 72.50 at the end of the year.



	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Highest	97.84	122.88	145.43	125.88	98.13	103.21
Closing	93.57	120.06	117.43	92.16	78.75	72.5
Lowest	57.60	96.03	103.15	89.90	68.84	57.4

STATEMENT OF CASH FLOW - DIRECT METHOD

For the Year Ended June 30, 2019

	2020	2019
	(PKR in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	18,835,000	54,098,000
Paid to suppliers / service provider - net	(8,816,636)	(49,101,743)
Paid to employees	(930,474)	(490,950)
Interest income received	61,908	23,438
Interest / mark-up paid	(8,599,270)	(4,298,936)
Staff gratuity paid	(62,415)	(22,000)
Taxes paid	(73,302)	(91,139)
Net cash inflow from operating activities	414,811	116,670
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(80,156)	(256,192)
Sale proceeds from disposal of Fixed Assets	6,830	84,521
Long term investment made	(7,965,628)	(26,952,504)
Dividend received from subsidiaries	818,242	2,405,015
Long-term deposits and prepayments	(197)	(1,087)
Net cash outflow from investing activities	(7,220,909)	(24,720,247)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(16,944)	(3,358,478)
Proceeds from issuance of shares	–	7,000,000
Share issuance cost	–	(71,098)
Proceeds from long term loans	12,603,448	10,568,876
Repayment of long term loans	(1,323,683)	(1,986,471)
Repayment of long term lease liabilities	(59,441)	–
Net cash outflow from financing activities	11,203,380	12,152,829
Net decrease in cash and cash equivalents	4,397,282	(12,450,748)
Cash and cash equivalents at the beginning of the year	(33,799,974)	(21,349,226)
Cash and cash equivalents at the end of the year	(29,402,692)	(33,799,974)

Materiality Approach Adopted by the Management

Determination of materiality levels, other than those provided under the regulations, is judgmental and varies between organizations. In general, matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company. Materiality levels are reviewed periodically and are appropriately updated.

Powers of the Board of Directors and the Management of the Company have been defined with special reference to, and in compliance with the Companies Act 2017, the Code of Corporate Governance, the Articles of Association of the Company, guidelines and frameworks issued by professional bodies and best practices.

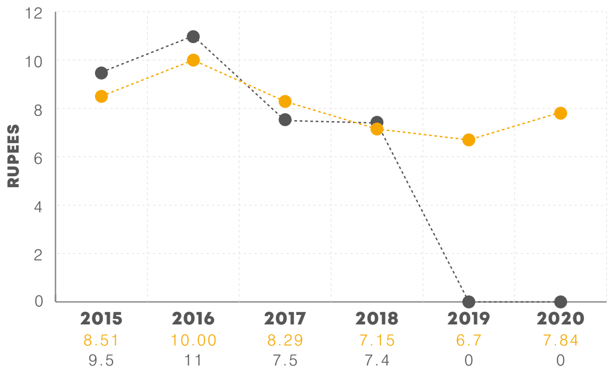
The Board powers include approvals for capital expenditure, disposal of fixed assets, annual business plans, policy formulation, risk management, human resource management, donations, matters relating to health, safety and environment and other matters required by law or internal policies.

Authorizations for transactions and delegation of powers have also been defined clearly and carried out through formalized processes keeping in view defined materiality levels.

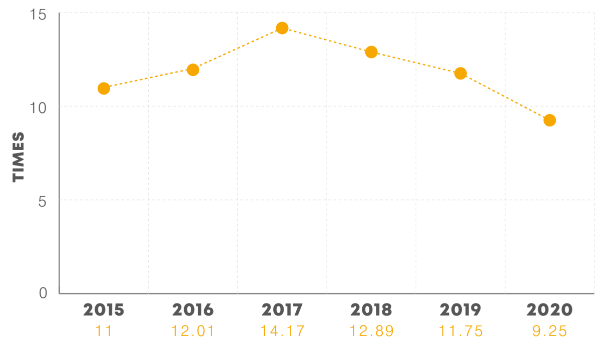
GRAPHICAL PRESENTATION

EPS VS DIVIDEND PER SHARE

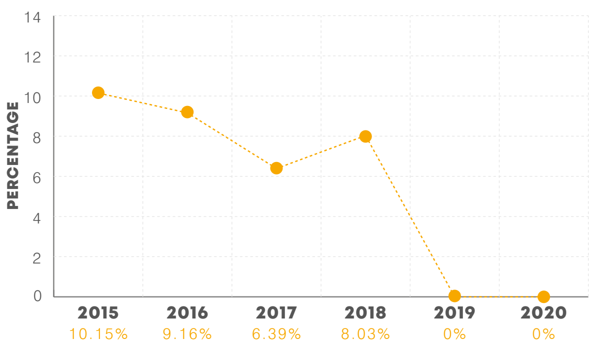
EPS Dividend per share



PE RATIO

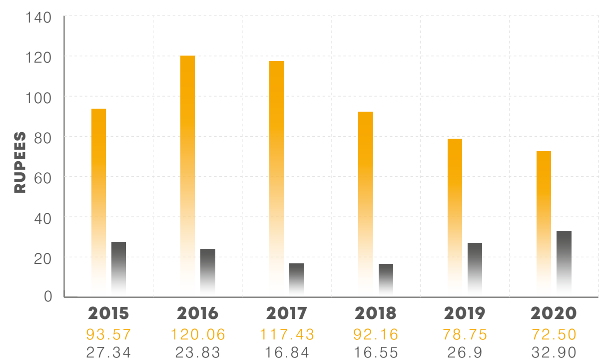


DIVIDEND YIELD



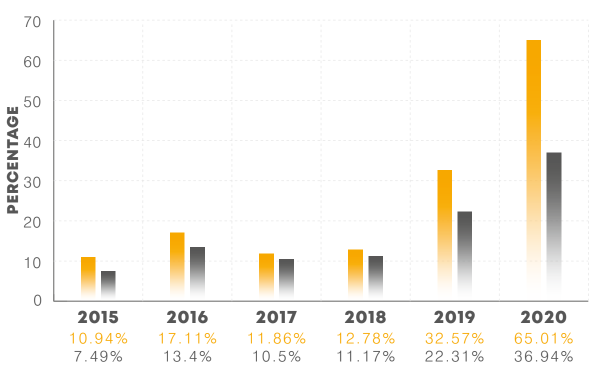
MARKET VALUE VS BREAK UP VALUE

Market Value Break up Value



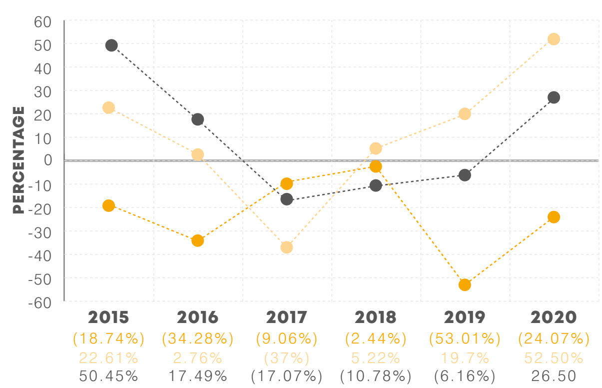
GP % VS NP %

Gross Profit Ratio Net Profit Ratio



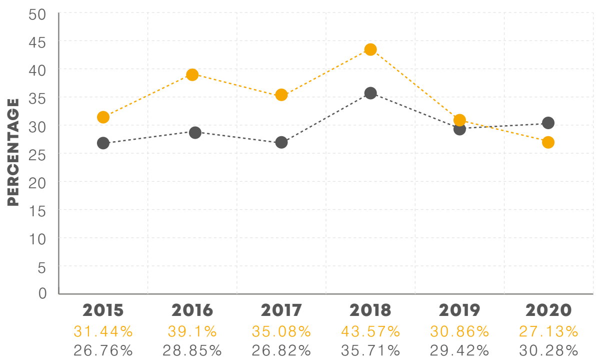
GROWTH OF TURNOVER AND PROFITABILITY

Growth in Sales Growth in Gross Profit Growth In Net Income



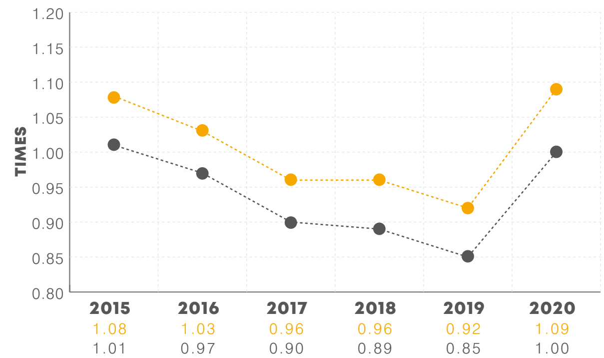
PROFITABILITY RATIO

■ Return On Equity ■ Return on Capital Employed



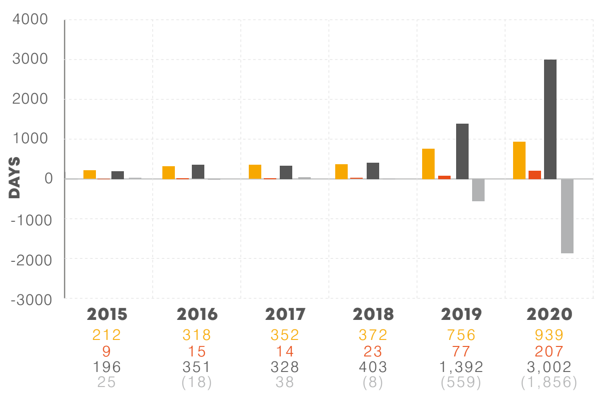
CURRENT RATIO VS QUICK / ACID TEST RATIO

■ Current Ratio ■ Quick / Acid Test Ratio



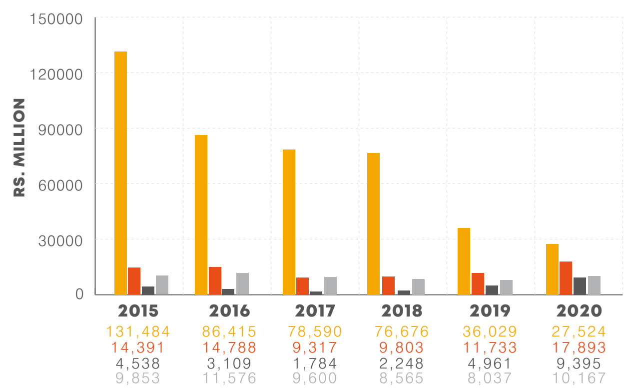
OPERATING CYCLE

■ No. of Days in Receivables ■ No. of Days in Inventory
■ No. of Days in Payables ■ Operating Cycle



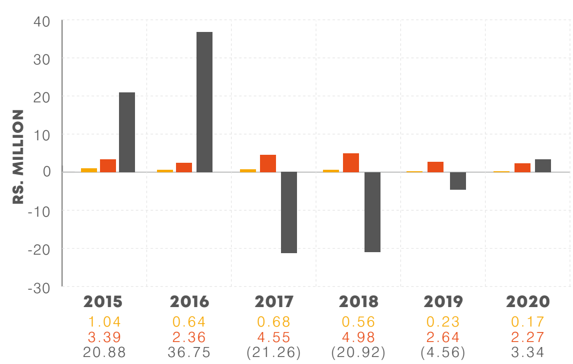
TURNOVER & PROFITABILITY

■ Turnover ■ Gross Profit
■ Finance costs ■ Profit for the year



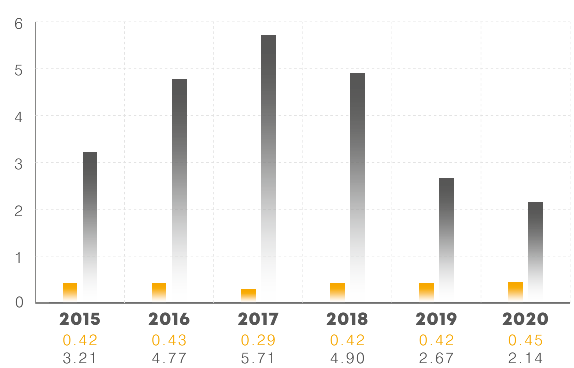
TURNOVER RATIO

■ Total Assets Turnover ■ Fixed Assets Turnover
■ Working Capital turnover



DEBT MANAGEMENT

■ Debt to Equity Ratio (Ratio) ■ Interest Cover Ratio (Times)

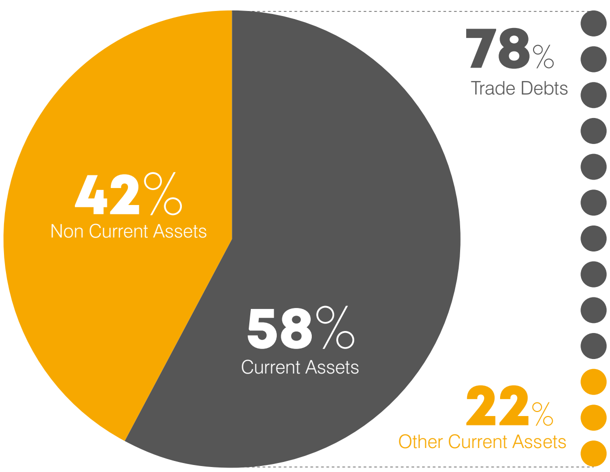


GRAPHICAL PRESENTATION

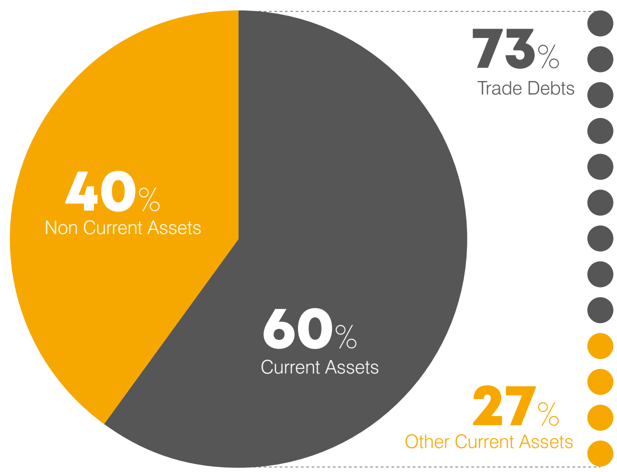
COMPOSITION OF TOTAL ASSETS

Current Assets   Non Current Assets

2020



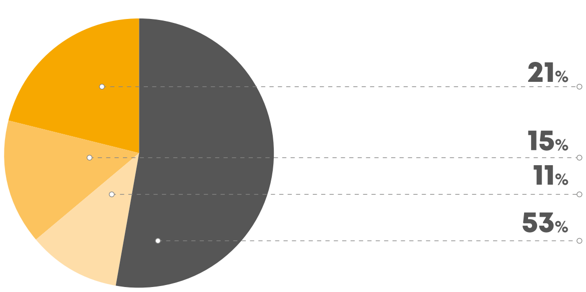
2019



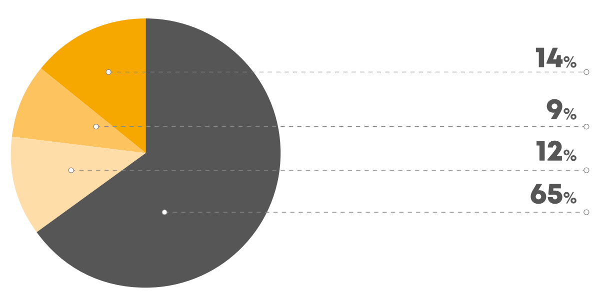
CAPITAL STRUCTURE

Paid up Share Capital   Retained Earning   Non Current Liabilities   Current Liabilities

2020



2019



UNCONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30,2020

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INDEPENDENT AUDITOR'S REPORT

To the members of The Hub Power Company Limited
Report on the Audit of Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of The Hub Power Company Limited (the Company), which comprise the unconsolidated statement of financial position as at June 30, 2020, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2020 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
(i)	***Application of IFRS 16 'Leases'***	
	[Refer note 2.2 and 24 to the unconsolidated financial statements] IFRS 16 'Leases' became effective for the Company for the first time for the current year and replaces IAS 17 'Leases'. The application of the new standard gives rise to recognition of the 'right-of-use asset' and a corresponding increase in 'lease liabilities'. The Company has chosen to apply the new standard using the modified retrospective transition approach as permitted under IFRS 16. The 'right-of-use assets' as at July 1, 2019 amounting to Rs. 336,484 thousand were measured at the amount equal to lease liabilities, adjusted for any related prepaid or accrued lease payments previously recognized. On application of IFRS 16, the comparatives have not been restated, as permitted under the specific transitional provisions of IFRS 16.	Our audit procedures, amongst others, included the following: (i) evaluated management's implementation process and checked the updated accounting policy and policy elections; (ii) computed the right-of-use asset" and corresponding lease liabilities independently and compared the results to that of the management; (iii) assessed the reasonableness of the management's assumptions used especially in respect of determination of discount rate and the assessment of the renewal and the termination options contained in the lease agreements/arrangements;

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KARACHI LAHORE ISLAMABAD

	Key audit matters	How the matter was addressed in our audit
	The carrying values of 'right-of-use assets' and 'lease liabilities' as at June 30, 2020 is Rs. 292,809 thousand and Rs. 317,945 thousand, respectively. The assessment of the impact of the new standard is significant to our audit, as the amounts recorded are material. Further, the measurement of 'right-of-use asset' and 'lease liabilities' is based on assumptions such as discount rates and lease terms, including termination and renewal options, which requires management to exercise its judgement. Therefore, we have considered this as a key audit matter.	(iv) checked the accuracy of the underlying lease data by agreeing the leases to the original contract and other supporting information and checked the integrity and mechanical accuracy of the IFRS 16 calculations; and (v) assessed the adequacy of the related disclosures made in the unconsolidated financial statements with regard to the applicable accounting and reporting standards.
(ii)	***Contingent Liabilities***	
	[Refer notes 28.4 to 28.6 and 28.9 to the unconsolidated financial statements] The Company has significant contingent liabilities in respect of Income Tax, Sales Tax, Federal Excise Duty (FED), Workers Profit Participation Fund (WPPF) and First Fill claim matters, which are pending adjudication at various appellate forums. These are based on a range of issues such as disallowance of certain expenses for income tax purposes, apportionment of input sales tax claims, applicability of FED on services, applicability of WPPF on the operations of the Company and demand / claim by Central Power Purchasing Agency Guarantee Limited (CPPA-G). Contingencies require management to make judgments and estimates in relation to the interpretation of laws, statutory rules, regulations and the probability of outcome and financial impact, if any, on the Company for disclosure and recognition and measurement of any provision that may be required against such contingencies. Due to the significance of the amounts involved, inherent uncertainties with respect to the outcome of the matters and use of significant management judgments and estimates to assess the same including related financial impacts, we have considered contingent liabilities as a key audit matter.	Our audit procedures, amongst others, included the following: i) obtained an understanding of the Company's process and controls over litigations through meetings with management and review of minutes of the meetings of Board of Directors and Board Audit Committee; ii) obtained and assessed details of the pending tax, FED, WPPF and First Fill claim matters and discussed the same with the Company's management; iii) circularized confirmations to the Company's external legal and tax counsels for their views on legal position of the Company in relation to these pending matters; iv) involved internal tax professionals to assess management's conclusion on contingent tax, FED and WPPF matters and evaluated consistency of such conclusions with the views of management and external tax and legal counsels engaged by the Company; v) checked correspondence of the Company with the relevant authorities including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved; and vi) assessed the adequacy of the related disclosures made in the unconsolidated financial statements in this respect with regard to the applicable accounting and reporting standards.

	Key audit matters	How the matter was addressed in our audit
(iii)	***Receivable from Central Power Purchasing Agency Guarantee Limited (CPPA-G)***	
	Receivable from Central Power Purchasing Agency Guarantee Limited (CPPA-G) [Refer note 18 to the unconsolidated financial statements] The Company under the Power Purchase Agreement (PPA) is required to sell the electricity to the sole customer i.e. CPPA-G, and recognises revenue based on the output delivered and capacity available. Continuous delays by CPPA-G in settlement of invoices raised by the Company under the PPA, have resulted in buildup of trade debts aggregating to Rs. 75,031 million as at June 30, 2020 including overdue trade debts of Rs. 66,079 million. Due to delays in recovery, the Company has financed its operations through short term financing arrangements and by delaying the settlement of trade and other payables. In view of the significant delay in settlement, materiality of the trade debts, the various financing arrangements there against and the consequential impact on the operations / financial strength of the Company, we have considered this as a key audit matter.	Our audit procedures, amongst others, included the following: i) assessed whether the revenue and related trade debt have been recognised in accordance with the accounting policies of the Company; ii) verified that the invoices raised by the Company during the year are in accordance with the requirements of PPA; iii) obtained direct confirmations of trade debts from CPPA-G; iv) made inquiries with the management of the Company and read minutes of the meetings of the Board of Directors and committees formed thereunder to ascertain actions taken and planned for remediation and management of trade debts; v) checked Implementation Agreement and assessed whether trade debts are secured against guarantee from the Government of Pakistan and whether any impairment is required to be recognised thereagainst as per the applicable accounts and reporting standards; and vi) assessed adequacy of the related disclosures made in the unconsolidated financial statements, with regards to applicable accounting and reporting standards.
(iv)	***Income under Thar Energy Services Agreement (TESA) with Thar Energy Limited (TEL)***	
	[Refer note 8 to the unconsolidated financial statements] The Company entered into TESA with TEL on August 29, 2017 for providing management services and design, installation, testing and commissioning of water system facility for TEL's power project.	i) obtained and checked the TESA with TEL and assessed that the related income for the year has been recognized in accordance with the accounting policy of the Company; ii) obtained and verified the supports for the verification of the achievement of the financial close by TEL and the cost incurred under the TESA upto the reporting date;

	Key audit matters	How the matter was addressed in our audit
	As a result of achievement of financial close by TEL on January 30, 2020, the Company has recognized income for the year amounting to Rs. 1,863 million against project management services and water system facility services, respectively, provided to TEL under the TESA. Such income has been recognized on the basis of input method i.e. on the percentage of cost incurred upto the reporting date to the estimated cost of services to be provided to TEL under the TESA, as per the requirements of IFRS 15 'Revenue from Contracts with Customers'. Due to the significance of the amounts involved and the use of significant management judgments and estimates in the assumptions for the determination of the income and the estimated total cost of the services to be provided to TEL under TESA, we have considered this as a key audit matter.	iii) assessed the reasonableness of the assumptions used in the determination of the estimated cost to complete the services under the TESA with TEL; iv) obtained confirmation from the project expert team of the Company for the assumptions used in the determination of the total estimated cost to complete the services under the TESA with TEL; v) ensured the accuracy of the amount recorded as income during the year is as per the requirement of IFRS 'Revenue from Contracts with Customers'; and vi) assessed the adequacy of disclosures made in the unconsolidated financial statements, with regards to the applicable accounting and reporting standards.

Information other than the Financial Statements and Auditor's Report thereon

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

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

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

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

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

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

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

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

(a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

(d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Waqas Aftab Sheikh.

A.F. Ferguson & Co
Chartered Accountants
Karachi
Date: August 21, 2020

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2020

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
Turnover	5	27,523,565	36,249,070
Operating costs	6	(9,630,271)	(24,515,617)
GROSS PROFIT		17,893,294	11,733,453
General and administration expenses	7	(756,542)	(872,136)
Other income	8	3,162,199	2,508,008
Other operating expenses	9	(154,734)	(132,712)
PROFIT FROM OPERATIONS		20,144,217	13,236,613
Finance costs	10	(9,395,265)	(4,961,109)
PROFIT BEFORE TAXATION		10,748,952	8,275,504
Taxation	11	(582,213)	(238,523)
PROFIT FOR THE YEAR		10,166,739	8,036,981
Basic and diluted earnings per share (Rupees)	36	7.84	6.70

The annexed notes from 1 to 45 form an integral part of these unconsolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2020

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
Profit for the year		10,166,739	8,036,981
Other comprehensive income for the year:			
Items that will not be reclassified to Profit or Loss in subsequent periods			
Gain / (loss) on remeasurement of post employment benefit obligation	20.3	21,842	(13,116)
Gain on revaluation of equity investment at fair value through other comprehensive income	37	227,778	723,447
		249,620	710,331
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		10,416,359	8,747,312

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	12	12,146,305	13,666,909
Intangibles	13	25,562	52,318
Long term investments	14	56,548,645	48,355,239
Long term deposits and prepayments	15	22,167	21,970
		68,742,679	62,096,436
CURRENT ASSETS			
Stores, spares and consumables	16	1,722,145	1,850,864
Stock-in-trade	17	6,318,866	4,575,810
Trade debts	18	75,030,992	66,256,064
Loans and advances	19	159,953	732,469
Prepayments and other receivables	20	12,035,212	10,904,069
Cash and bank balances	21	511,446	7,312,080
		95,778,614	91,631,356
TOTAL ASSETS		164,521,293	153,727,792
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised	22	17,000,000	17,000,000
Issued, subscribed and paid-up		12,971,544	12,971,544
Capital Reserve			
Share premium		5,600,000	5,600,000
Revenue Reserve			
Unappropriated profit		24,108,136	13,691,777
		42,679,680	32,263,321
NON-CURRENT LIABILITIES			
Long term loans	23	34,005,668	21,926,752
Long term lease liabilities	24	294,602	–
		34,300,270	21,926,752
CURRENT LIABILITIES			
Trade and other payables	25	55,980,892	56,272,876
Unclaimed dividend		207,797	189,516
Unpaid dividend		44,380	79,605
Interest / mark-up accrued	26	809,275	567,840
Short term borrowings	27	29,914,138	41,112,054
Current maturity of long term loans	23	561,518	1,315,828
Current maturity of long term lease liabilities	24	23,343	-
		87,541,343	99,537,719
TOTAL EQUITY AND LIABILITIES		164,521,293	153,727,792
COMMITMENTS AND CONTINGENCIES	28		

The annexed notes from 1 to 45 form an integral part of these unconsolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		10,748,952	8,275,504
Adjustments for:			
Depreciation		1,930,659	1,913,531
Amortisation		30,142	35,441
Dividend income from subsidiaries		(1,232,003)	(2,405,015)
Gain on disposal of fixed assets		(3,631)	(40,853)
Provision against slow moving stores, spares and consumables		154,010	123,281
Staff gratuity		36,041	34,089
Interest income		(62,452)	(23,344)
Interest / mark-up expense		8,840,705	4,709,129
Mark-up on lease liabilities		43,076	–
Amortisation of transaction costs		44,841	12,674
Operating profit before working capital changes		20,530,340	12,634,437
Working capital changes	34	(11,442,450)	(8,129,130)
Cash generated from operations		9,087,890	4,505,307
Interest income received		61,908	23,438
Interest / mark-up paid		(8,599,270)	(4,298,936)
Staff gratuity paid		(62,415)	(22,000)
Taxes paid		(73,302)	(91,139)
Net cash generated from operating activities		414,811	116,670
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from subsidiaries		818,242	2,405,015
Fixed capital expenditure		(80,156)	(256,192)
Proceeds from disposal of fixed assets		6,830	84,521
Long term investments made		(7,965,628)	(26,952,504)
Long term deposits and prepayments		(197)	(1,087)
Net cash used in investing activities		(7,220,909)	(24,720,247)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(16,944)	(3,358,478)
Proceeds from issuance of shares		–	7,000,000
Share issuance cost		–	(71,098)
Proceeds from long term loans - net		12,603,448	10,568,876
Repayment of long term loans		(1,323,683)	(1,986,471)
Repayment of long term lease liabilities		(59,441)	–
Net cash generated from financing activities		11,203,380	12,152,829
Net increase / (decrease) in cash and cash equivalents		4,397,282	(12,450,748)
Cash and cash equivalents at the beginning of the year		(33,799,974)	(21,349,226)
Cash and cash equivalents at the end of the year	35	(29,402,692)	(33,799,974)

The annexed notes from 1 to 45 form an integral part of these unconsolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2020

	Note	**2020** (Rs. '000s)	2019 (Rs. '000s)
ISSUED CAPITAL			
Balance at the beginning of the year		12,971,544	11,571,544
Issued Nil (2019: 140,000,000) ordinary shares of Rs. 10 each		–	1,400,000
Balance at the end of the year	22	12,971,544	12,971,544
SHARE PREMIUM			
Balance at the beginning of the year		5,600,000	–
On issuance of Nil (2019: 140,000,000) ordinary shares		–	5,600,000
Balance at the end of the year		5,600,000	5,600,000
UNAPPROPRIATED PROFIT			
Balance at the beginning of the year		13,691,777	8,255,595
Profit for the year		10,166,739	8,036,981
Other comprehensive income for the year		249,620	710,331
Total comprehensive income for the year		10,416,359	8,747,312
Transactions with owners in their capacity as owners			
Final dividend for the fiscal year 2018-2019 @ Rs. Nil (2017-2018 @ Rs. 2.80) per share		–	(3,240,032)
Share issuance cost		–	(71,098)
Balance at the end of the year		24,108,136	13,691,777
TOTAL EQUITY		42,679,680	32,263,321

The annexed notes from 1 to 45 form an integral part of these unconsolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2020

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. The shares of the Company are listed on the Pakistan Stock Exchange (PSX). 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).

Head Office:

The Company's registered office is situated at 11th Floor, Ocean Tower, G-3, Block-9, Main Clifton Road, Karachi.

Hub Plant:

Hub Plant is situated at Mouza Kund, Post Office Gaddani, District Lasbela, Balochistan.

The Company has the following subsidiaries and associates:

Subsidiaries

– Laraib Energy Limited (LEL) - Holding of 74.95%;
– Hub Power Services Limited (HPSL) - Holding of 100%;
– Hub Power Holdings Limited (HPHL) - Holding of 100%;
– Narowal Energy Limited (NEL) - Holding of 100%; and
– Thar Energy Limited (TEL) - Holding of 60%.

Associates

– China Power Hub Generation Company (Private) Limited (CPHGC) - Holding of 47.5%; and
– ThalNova Power Thar (Private) Limited (TNPTL) - Holding of 38.3%.

Further information of subsidiaries and associates is disclosed in note 14 to these unconsolidated financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Changes in accounting standards and interpretations

Standards, interpretations and amendments to published approved accounting and reporting standards which became effective during the year:

The Company has adopted the accounting standard which became effective for the current year, these standards did not have any material effect on these unconsolidated financial statements except for the following:

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

First time adoption of IFRS 16 'Leases' (effective for annual periods beginning on or after January 1, 2019)

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases- Incentive" and SIC-27 "Evaluating the substance of transactions involving the legal form of a Lease". It results in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases has been removed. Under the new standard, an asset (the right of use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

The Company has adopted IFRS 16 by applying the modified retrospective approach along with transitional provision provided under IFRS 16 according to which the Company is not required to restate the prior period results and no impact of adoption of IFRS 16 on opening equity has been recognised by the Company. The Company has used a single discount rate to a portfolio of leases with reasonably similar characteristics (i.e. lessee's incremental borrowing rate of 13.5%) and used hindsight in determining the lease term if the contracts contain options to extend or terminate the lease.

Following is the impact of IFRS 16 on these annual unconsolidated financial statements:

	June 30, 2020 (Rs. '000s)	July 01, 2019 (Rs. '000s)
Impact on statement of financial position		
Property, plant and equipment - increased by	292,809	336,484
Prepayments and other receivables - decreased by	(2,280)	(2,174)
Lease liabilities - increased by	317,945	334,310
Current portion of long term lease liabilities - increased by	(23,343)	(16,456)
Long term lease liabilities - increased by	294,602	317,854

	2020 (Rs. '000s)
Impact on statement of profit or loss	
General and administration expenses	
- Increase in depreciation	(43,475)
- Decrease in rent expense	58,463
	14,988
Increase in finance cost	(43,075)
Decrease in profit before taxation	(28,087)
Decrease in taxation	–
Decrease in profit for the year	(28,087)

The Company, as a lessee, recognises a right of use asset and a lease liability on the lease commencement date.

Upon initial recognition, the right of use asset is measured as the amount equal to initially measured lease liability adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently, the right of use asset is measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter of estimated useful lives of the right of use assets or the lease term.

The lease liability was measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate. Subsequently, lease liability is measured at amortised cost using the effective interest rate method.

2.3 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policy notes.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

3.1.1 Operating fixed assets 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 12.1 to these unconsolidated financial statements. Depreciation on additions is charged for the full month in which an asset is available for use and on disposals up to the month immediately preceding the disposals. Gains and losses on disposals are taken to the statement of profit or loss.

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

Spare parts and servicing equipment are classified as operating fixed assets under plant and machinery rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Available for use capital spares and servicing equipment are depreciated over their useful lives, or the remaining life of principal asset, whichever is lower.

The residual value, depreciation method and the useful lives of the significant items of operating fixed assets are reviewed and adjusted if required, at each reporting date.

3.1.2 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any. Items are transferred to operating fixed assets as and when they are available for use.

3.2 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 13 to these unconsolidated financial statements.

3.3 Investments

Subsidiaries

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

Others

On initial recognition, the Company designate investments in equity instruments as at Fair Value Through Other Comprehensive Income (FVTOCI) if the equity investment is not held for trading or if it is contingent consideration recognised in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in retained earnings.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

3.4 Impairment of non-current assets

The carrying amounts of non-current assets are reviewed at each reporting 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 statement of profit or loss. 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.

3.5 Stores, spares and consumables

These are valued at the lower of moving average cost and net realisable value except for the items in transit which are stated at cost. Cost of stock-in-transit represents the invoice value plus other charges incurred thereon till the reporting date. Provision is made for slow moving and obsolete items, if any.

3.6 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.

3.7 Share capital

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

3.8 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.

3.9 Staff retirement benefits

Defined benefit plan

The Company operates a funded defined benefit gratuity plan covering eligible employees whose period of service with the Company is at least five years. The liabilities relating to defined benefit plans are determined through actuarial valuation using the Projected Unit Credit Method. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of these benefits, such estimates are subject to certain uncertainties.

Defined contribution plan

The Company operates a recognised contributory provident fund covering all its employees who are eligible for the plan. Equal monthly contributions are made by the Company and the employees in accordance with fund's rules.

3.10 Revenue recognition

3.10.1 Sale of electricity

Revenue from the sale of electricity to the Central Power Purchasing Agency (Guarantee) Limited [CPPA(G)], the sole customer of the Company, is recorded based upon the output delivered and capacity available at rates as specified under the Power Purchase Agreement (PPA) with CPPA(G), as amended from time to time. PPA with CPPA(G) is a contract over a period of 30 years starting from 1997. Late payment interest, as per the PPA, on receivables from CPPA(G) is recorded on accrual basis.

3.10.2 Dividend income

Dividend income is recognised when the Company's right to receive payment has been established.

3.10.3 Management services income

Revenue is recorded when the services are rendered to the customer and when performance obligations are fulfilled.

Revenue for management services is recognised to the extent it is probable that the economic benefits will flow to the Company and amount of revenue can be measured reliably.

3.10.4 Interest income

Interest income is recorded on accrual basis.

3.11 Functional and presentation currency

Items included in these unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. These unconsolidated financial statements are presented in Pak Rupees which is the Company's functional currency, unless otherwise stated.

3.12 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees 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 reporting 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 translation are included in statement of profit or loss.

3.13 Taxation

Income of the Company is not liable to taxation in Pakistan, to the extent, provided in the Implementation Agreement 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.

3.14 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which it is approved.

3.15 Financial instruments

3.15.1 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.

3.15.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, payorders in hand, cash with banks on savings, call and term deposit accounts and short term borrowings. Short term borrowings are shown in current liabilities.

3.15.3 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 statement of profit or loss over the period of the borrowings using the effective interest rate method.

3.15.4 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.

3.16 Impairment of financial assets

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

Securities and Exchange Commission of Pakistan (SECP) exempted the application of Expected Credit Loss (ECL) model under IFRS – 9 “Financial Instruments” in respect of debts due from Government of Pakistan, through S.R.O. 985(I) / 2019 dated September 2, 2019, for a limited period of three years up to June 30, 2021. Accordingly, the Company has applied the requirements of IAS – 39 “Financial Instruments: Recognition and Measurement” for trade debts for the preparation of these unconsolidated financial statements.

For financial assets other than trade debts, lifetime ECL is used when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

3.17 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.

3.18 Off-setting

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

4. 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.

Following are the significant areas where management used estimates and judgements other than those which have been disclosed elsewhere in these unconsolidated financial statements.

a) Determining the residual values and useful lives of property, plant and equipment and intangibles;

b) Distinguishing between capital spares, servicing equipment and stores and spares;

c) Provisions;

d) Recognition of taxation;

e) Recognition of provision for staff retirement benefits;

f) Impairment of trade debts and other receivables;

g) Commitments and contingencies;

h) Determining the fair value of equity instruments designated as FVTOCI;

i) Recognition of lease liabilities and right of use assets under IFRS 16; and

j) Recognition of income from management services under IFRS 15.

		Note	**2020** (Rs. '000s)	2019 (Rs. '000s)
5.	**TURNOVER**			
	Capacity Purchase Price (CPP)		20,947,569	17,026,066
	Energy Purchase Price (EPP)		719,548	15,045,229
	Late Payment Interest (LPI)		5,856,476	5,634,932
	Startup Charges (SC)		29,702	131,611
	Part Load Adjustment Charges (PLAC)		66,484	567,208
			27,619,779	38,405,046
	Less: Sales tax on EPP		(96,214)	(2,155,976)
			27,523,565	36,249,070
6.	**OPERATING COSTS**			
	Fuel cost		791,510	13,572,291
	Late payment interest to fuel supplier		3,694,294	4,411,145
	Stores and spares		228,195	458,451
	Operations and maintenance	6.1	975,500	1,660,200
	Salaries, benefits and other allowances	6.2 & 6.3	398,065	–
	Insurance		818,580	622,688
	Depreciation	12.4	1,863,355	1,879,229
	Amortisation	13.1	29,002	31,998
	Repairs, maintenance and other costs		831,770	1,879,615
			9,630,271	24,515,617

6.1 This represents services rendered by HPSL (a subsidiary company) under Operations and Maintenance (O&M) Agreement.

6.2 Effective January 01, 2020, the Company entered into a Secondment Agreement with HPSL, whereby certain employees of HPSL were seconded to the Company. This amount represents salaries, wages and benefits of employees seconded from HPSL to the Company. As at June 30, 2020, number of seconded employees were 268 (2019: Nil).

6.3 This includes a sum of Rs. 36 million (2019: Rs. Nil) in respect of staff retirement benefits. The retirement benefit plans of the seconded employees are maintained by HPSL.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

		Note	2020 (Rs. '000s)	2019 (Rs. '000s)
7.	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries, benefits and other allowances	7.1 & 6.2	457,879	521,958
	Travel and transportation		16,692	25,478
	Fuel and power		10,167	9,046
	Property, vehicles and equipment rentals		562	26,975
	Repairs and maintenance		28,286	24,606
	Legal and professional charges		39,773	64,549
	Office running costs		13,829	13,912
	Insurance		12,355	6,851
	Fee and subscription		12,057	15,329
	Training and development		3,933	8,390
	Auditors' remuneration	7.2	6,372	5,515
	Donations	7.3	37,621	36,236
	Corporate social responsibility		40,423	43,276
	Printing and stationery		10,734	6,835
	Depreciation	12.4	60,278	29,300
	Amortisation	13.1	854	3,339
	Miscellaneous		4,727	30,541
		7.4	756,542	872,136

7.1 This includes a sum of Rs. 41 million (2019: Rs. 32 million) in respect of staff retirement benefits.

		2020 (Rs. '000s)	2019 (Rs. '000s)
7.2	**Auditors' remuneration**		
	Statutory audit	2,959	2,818
	Half yearly review	914	870
	Other services	2,156	1,503
	Out-of-pocket expenses	343	324
		6,372	5,515

7.3 No directors or their spouses had any interest in any donee to which donations were made. During the year, the Company made donation to The Citizens Foundation amounting to Rs. 33 million (2019: Rs. 34 million).

7.4 This includes net effect of cost of Rs. 51 million (2019: Rs. 59 million) allocated to subsidiary companies / associate and cost of Rs. Nil (2019: Rs. 25 million) allocated by a subsidary company.

		Note	2020 (Rs. '000s)	2019 (Rs. '000s)
8.	**OTHER INCOME**			
	Financial assets			
	Interest income		62,452	23,344
	Non-financial assets			
	Gain on disposal of fixed assets - net	12.2	3,631	40,853
	Dividend income from LEL		1,057,003	1,338,638
	Dividend income from HPSL		175,000	282,000
	Dividend income from NEL		–	784,377
	Income from management services	8.1	1,862,681	38,796
	Exchange gain		1,432	–
			3,099,747	2,484,664
			3,162,199	2,508,008
8.1	**Income from management services**			
	Services income		2,539,869	399,116
	Cost of services	8.1.1	(677,188)	(360,320)
			1,862,681	38,796

The Company has entered into services agreements with TEL (a subsidiary company) and TNPTL (an associate company). In accordance with the terms of the agreements, the Company provides assistance to TEL and TNPTL in performance of their obligations under relevant project agreements including Power Purchase Agreements, Coal Supply Agreements, Water Use Agreements, Implementation Agreements, EPC Contracts and O&M Agreements.

8.1.1 This includes a sum of Rs. 17 million (2019: Rs. 32 million) in respect of staff retirement benefits.

		Note	2020 (Rs. '000s)	2019 (Rs. '000s)
9.	**OTHER OPERATING EXPENSES**			
	Workers' profit participation fund	9.1	154,734	122,191
	Exchange loss		–	10,521
			154,734	132,712
9.1	**Workers' profit participation fund**			
	Provision for Workers' profit participation fund	28.4	545,184	419,885
	Workers' profit participation fund recoverable from CPPA(G)		(390,450)	(297,694)
			154,734	122,191

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		Note	2020 (Rs. '000s)	2019 (Rs. '000s)
10.	**FINANCE COSTS**			
	Interest / mark-up on long term loans		4,296,011	1,737,836
	Mark-up on long term lease liabilities		43,076	–
	Mark-up on short term borrowings		4,544,694	2,971,293
	Amortisation of transaction costs		44,841	12,674
	Other finance costs		466,643	239,306
			9,395,265	4,961,109
11.	**TAXATION**			
	Current			
	- For the year	11.1	582,213	238,523
11.1	**Relationship between tax expense and accounting profit**			
	Profit before taxation		10,748,952	8,275,504
	Tax calculated at the rate of 29% (2019: 29%)		3,117,196	2,399,896
	Effect of reduced rate of tax on dividend income		(278,006)	(538,228)
	Effect of exempt income		(2,759,915)	(1,702,442)
	Effect of minimum tax		502,938	36,080
	Impact of super tax		–	43,217
			582,213	238,523

11.2 The Company opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001. For this purpose, the Group consists of:

– The Hub Power Company Limited (the holding company);

– Hub Power Services Limited (HPSL) - 100% owned subsidiary; and

– Hub Power Holdings Limited (HPHL) - 100% owned subsidiary.

		Note	2020 (Rs. '000s)	2019 (Rs. '000s)
12.	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating fixed assets	12.1	11,962,435	13,489,316
	Capital work-in-progress (CWIP)	12.5	183,870	177,593
			12,146,305	13,666,909

12.1 Operating fixed assets

	Freehold land	Building on freehold land	Right of use asset (2.2)	Leasehold property	Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Total
					(Rs. '000s)				
Cost:									
As at June 30, 2018	15,048	430,187	–	862	50,649,157	96,277	281,608	31,827	51,504,966
Additions / transfers from CWIP	–	1,536	–	–	136,227	–	16,270	–	154,033
Disposals	–	–	–	–	(164,102)	–	(49,930)	–	(214,032)
As at June 30, 2019	15,048	431,723	–	862	50,621,282	96,277	247,948	31,827	51,444,967
Additions / transfers from CWIP	–	2,199	336,484	–	51,204	1,368	14,040	1,682	406,977
Disposals	–	–	–	–	(2,652)	–	(12,946)	–	(15,598)
As at June 30, 2020	15,048	433,922	336,484	862	50,669,834	97,645	249,042	33,509	51,836,346
Accumulated depreciation:									
As at June 30, 2018	–	256,177	–	683	35,722,557	69,007	152,029	12,031	36,212,484
Charge for the year	–	31,348	–	29	1,808,042	15,227	53,676	5,209	1,913,531
Disposals	–	–	–	–	(125,012)	–	(45,352)	–	(170,364)
As at June 30, 2019	–	287,525	-	712	37,405,587	84,234	160,353	17,240	37,955,651
Charge for the year	–	30,433	43,675	29	1,799,022	9,793	42,857	4,850	1,930,659
Disposals	–	–	–	–	(2,604)	–	(9,795)	–	(12,399)
As at June 30, 2020	–	317,958	43,675	741	39,202,005	94,027	193,415	22,090	39,873,911
Net book value as at June 30, 2020	15,048	115,964	292,809	121	11,467,829	3,618	55,627	11,419	11,962,435
Net book value as at June 30, 2019	15,048	144,198	–	150	13,215,695	12,043	87,595	14,587	13,489,316
Depreciation rate % per annum	–	3.33 to 25	10 to 20	3.33	3.33 to 33.33	20	25	20	
Cost of fully depreciated assets as at June 30, 2020	–	64,219	–	–	615,070	85,502	73,829	6,685	845,305
Cost of fully depreciated assets as at June 30, 2019	–	29,493	–	–	537,498	20,286	40,961	2,455	630,693

12.2 Details of disposal of operating fixed assets:

Assets	Cost	Accumulated depreciation	Net book value	Sale price	Gain	Mode of disposal	Particulars of buyer/ Relationship
			(Rs. '000s)				
Vehicle	1,591	961	630	640	10	Company policy	Mr. Ali Saeed / employee
Vehicle	2,516	419	2,097	2,419	322	Insurance claim	EFU General Insurance Ltd
Items having a net book value not exceeding Rs. 500,000 each							
Plant & machinery	2,652	2,604	48	299	251	Various	Various
Vehicles	8,839	8,415	424	3,472	3,048	Various	Various
Total - June 30, 2020	15,598	12,399	3,199	6,830	3,631		
Total - June 30, 2019	214,032	170,364	43,668	84,521	40,853		

12.3 Details of the Company's immovable fixed assets:

Particulars	Area	Location
Freehold land and building	1,143 Acres	Hub Plant - District Lasbela, Balochistan
Freehold land	2.5 Acres	Mauza Maira Bagwal Tehsil and District, Islamabad
Leasehold property	94.88 square yards	Marine Corner, Clifton, Karachi

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
12.4 Depreciation charge for the year has been allocated as follows:			
Operating costs	6	1,863,355	1,879,229
General and administration expenses	7	60,278	29,300
Other income - Cost of management services		7,026	5,002
		1,930,659	1,913,531
12.5 Capital work-in-progress			
Opening balance		177,593	108,375
Additions during the year		52,010	222,139
Transfers during the year		(45,733)	(152,921)
		183,870	177,593

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
13. INTANGIBLES - Computer software			
Cost			
Opening balance		212,171	179,230
Additions / transfers from CWIP		3,386	32,941
		215,557	212,171
Accumulated amortisation			
Opening balance		(159,853)	(124,412)
Charge for the year	13.1	(30,142)	(35,441)
		(189,995)	(159,853)
Net book value		25,562	52,318
Amortisation rate % per annum		33.33	33.33
Cost of fully amortised intangibles		133,768	107,026
13.1 Amortisation charge for the year has been allocated as follows:			
Operating costs	6	29,002	31,998
General and administration expenses	7	854	3,339
Other income - Cost of management services		286	104
		30,142	35,441
14. LONG TERM INVESTMENTS			
Investment in subsidiaries - unquoted			
Laraib Energy Limited (LEL)	14.1	4,674,189	4,674,189
Hub Power Services Limited (HPSL)	14.2	100	100
Hub Power Holdings Limited (HPHL)	14.3	38,995,534	32,135,034
Narowal Energy Limited (NEL)	14.4	3,921,883	3,921,883
Thar Energy Limited (TEL)	14.5	6,412,503	5,579,436
		54,004,209	46,310,642
Others - unquoted			
Equity investment at fair value through other comprehensive income			
- Sindh Engro Coal Mining Company Limited (SECMC)	14.6	2,544,436	2,044,597
		56,548,645	48,355,239

14.1 Laraib Energy Limited (LEL)

The Company has 74.95% controlling interest in LEL, which was incorporated in Pakistan on August 9, 1995 as a public limited company. The subsidiary owns 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 plant commenced operations on March 23, 2013.

In connection with investment in the LEL, 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 LEL'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 LEL; and
- **(b)** all its rights, title and interest from time to time (whether present or future) in the Assigned Subordinated Loans 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.

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

Pursuant to the SSA in connection with the investment in LEL, the Company entered into a facility agreement with a bank and provided an LC of USD 23 million to LEL's lenders for cost overruns and debt repayment. The LC amount has been reduced to USD 9.487 million which the Company is committed to continue to maintain till the last repayment of debt (expected in 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 of NEL; and (iv) present and future shares acquired in LEL including bonus shares and right shares.

14.2 Hub Power Services Limited (HPSL)

HPSL, a wholly owned subsidiary, was incorporated in Pakistan on March 26, 2015 as a public limited company. The principal activities of the subsidiary are to manage operations & maintenance of the power plants.

14.3 Hub Power Holdings Limited (HPHL)

HPHL, a wholly owned subsidiary, was incorporated in Pakistan on March 10, 2015 as a public limited company. The principal activities of the subsidiary are to invest in new business opportunities.

14.3.1 China Power Hub Generation Company (Private) Limited (CPHGC)

In 2019, HPHL exercised the call option under Amended and Restated Shareholders' Agreement to increase its shareholding in CPHGC from 26% to 47.5%. Accordingly, as at June 30, 2020, HPHL has 47.5% legal ownership interest in China Power Hub Generation Company (Private) Limited (CPHGC), the principal business of which is to own, operate and maintain two coal-fired power generation units of 660 MW each with ancillary Jetty in the province of Balochistan. The project achieved its Commercial Operation Date (COD) on August 17, 2019.

Pursuant to Memorandum of Understanding (MOU) dated December 23, 2016 with Government of Balochistan (GoB), HPHL and China Power International (Pakistan) Investment Limited (CPIPI) are committed to transfer 3% equity shareholding in CPHGC (1.5% each by the Company and CPIPI) to GoB. The transfer was required to be executed by COD. The legal process for transfer of shares is yet to be completed. Thereafter, HPHL will have an effective shareholding of 46% in CPHGC.

Sponsors' support for CPHGC

Pursuant to Sponsor Support Agreement entered into with the lenders of CPHGC, the Company is committed to arrange for working capital financing through HPHL amounting to USD 90.25 million in case CPHGC fails to arrange for working capital facility for its operations. This commitment is valid till the full repayment of project loans of CPHGC.

The Company has provided a project completion Guarantee amounting to USD 150 million which is valid until November 23, 2021.

Shares held by HPHL in CPHGC are pledged in favour of the Security Trustee in order to secure HPHL's obligations under the financing documents of CPHGC.

14.3.2 ThalNova Power Thar (Private) Limited (TNPTL)

TNPTL is a private limited company, incorporated in Pakistan on April 18, 2016. The principal activities of TNPTL are to develop, own, operate and maintain a 1 x 330 MW mine-mouth coal fired power plant (the Project) which is under construction at Thar Block II, Thar Coal Mine, Sindh.

In 2019, the Company, through HPHL, acquired 38.3% equity interest in TNPTL pursuant to Share Subscription Agreement (SSA) / Shareholders Agreement (SHA) entered between HPHL, TNPTL and its sponsors (Thal SPV and Nova SPV). As at June 30, 2020, the Company, through HPHL, has injected USD 36.31 million (Rs. 5,251 million) in TNPTL out of total equity commitment of USD 50.5 million based on the current estimated cost of the Project.

Project status and financial close of TNPTL

On August 19, 2019, Private Power and Infrastructure Board (PPIB) upon TNPTL's request approved the extension in Financial Closing Date from June 30, 2019 to December 31, 2019 and further on December 16, 2019 approved the request for extension in Financial Closing Date till April 30, 2020 subject to provision of prescribed fee and extension of performance guarantee at least three months beyond the extended Financial Closing Date. After completing the required conditions, PPIB on February 06, 2020, issued the amendment to the LOS, extending the Financial Closing Date to April 30, 2020. The Company has placed Rs. 245 million with a bank as a security for issuance of said LOS guarantee (refer note 21.3).

On January 31, 2020, CMEC (the EPC Contractor of TNPTL's project) notified TNPTL for Force Majeure Event (FME) due to outbreak of Coronavirus (COVID–19) in China and across the globe, the same was declared as pandemic by the World Health Organisation (WHO). Furthermore, this pandemic has also seriously affected the work of Chinese financial institutions, including China Development Bank. Accordingly, on March 16, 2020, TNPTL requested PPIB for further extension in Financial Closing Deadline till October 31, 2020. After fulfilling the required conditions, subsequently on July 28, 2020 PPIB approved the extension in Financial Closing Deadline till October 31, 2020. TNPTL is required to achieve Commercial Operation by March 31, 2021. TNPTL has the obligation to pay CPPA(G), Liquidated Damages (LDs), equivalent to the payment of proportionate Transmission Service Charges (TSC) payable by National Transmission and Despatch Company Limited (NTDC) to Pak Matiari-Lahore Transmission Company Limited, in case there is delay in COD of March 31, 2021. On March 12, 2019, TNPTL issued Limited Notice to Proceed (LNTP) to the EPC Contractor and work has commenced on the site. TNPTL expects to achieve COD by the mid of 2022, which will result in LDs amounting to USD 2.68 million for each month of delay. Considering the delay in COD, TNPTL has requested PPIB and CPPA(G) for extension in Commercial Operation Date.

PPIB is entitled to encash the performance guarantee in case TNPTL is not able to meet the conditions or TNPTL decides to exercise termination option, as defined in the LOS. Further, the Project agreements as well as the Project will automatically terminate on the expiration or termination of the LOS.

TNPTL has already executed Implementation Agreement with Government of Pakistan, Power Purchase Agreement with CPPA(G), Water Use Agreement with Government of Sindh, Coal Supply Agreement with SECMC and Engineering Procurement and Supply / Construction agreements for the Power Plant. A Land Lease Agreement with SECMC, Operation & Maintenance Agreement with HPSL (an associated company of the Company) and Project Management Agreement with the Company have also been executed.

During the year, TNPTL signed financing agreements including Syndicate Term Finance Facility Agreement amounting to Rs. 19,560 million and USD term facility amounting to USD 264 million. Furthermore, TNPTL has issued a letter of credit amounting to USD 8.25 million to CPPA(G) as required under clause 2.1 of PPA.

In connection with the availability of finance facilities for the development of the TNPTL's project and furthermore, pursuant to Sponsor Support Agreement, the Shareholders in general meeting held on March 31, 2020 approved the following:

i issue a sponsor Standby Letter of Credit (SBLC) of USD 14 million (but which could be higher) to cover Initial Debt Service Reserve Account shortfall. Such SBLC shall be for a period up till the first payment of the installment of the project's loan or such other date that may be prescribed under the Sponsor Support Agreement; and

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ii provide Additional Sponsor Support in an amount of up to USD 8 million for the benefit of TNPTL and Intercreditor Agent to guarantee an investment in the form of equity or subordinated debt to cover for funding shortfall that may arise due to unavailability of coal and/or delay in the commercial operations date. Such investment shall be valid till September 2022 or such other date as may be required under the Sponsor Support Agreement, whichever is later.

Company's commitment to TNPTL

Under the SSA and SHA the Company has following commitments:

- till the Financial Close of the Project, Thal SPV and Nova SPV shall not be required to inject further equity in TNPTL. Any additional contribution required by TNPTL for the purpose of achieving Financial Close of the Project will be provided by the Company, and the same will be treated as advance against equity or subordinate debt to TNPTL;

- for the purpose of extension of LOS, the Company has provided the performance guarantee on the basis of its shareholding in TNPTL as envisaged in SSA ; and

- subject to the term of financing documents, the Company is restricted to transfer or otherwise dispose the shares held in TNPTL or create encumbrance till the 6th anniversary of the Commercial Operations Date of TNPTL.

In connection with the development of TNPTL's project and pursuant to Shareholders' Agreement dated March 25, 2019, the Company has obtained following approvals from shareholders in general meeting on April 16, 2019 and is committed to:

(i) arrange and provide a Standby Letter of Credit to the Lenders of TNPTL or to TNPTL, directly or through its subsidiary HPHL, to cover for the equity investment of (and up to an amount not exceeding) USD 50.5 million (or PKR equivalent) to guarantee the subscription of equity. Such investment shall be for a period up till July 31, 2026 or such period until the liabilities/obligations of Sponsors are discharged, whichever is later. On January 09, 2020, the Company, through HPHL, issued equity SBLC amounting to Rs. 2,425 million (equivalent to remaining USD million) to the lenders of TNPTL which is valid till January 07, 2021 by placing cash security as lien.

(ii) undertake to the Lenders of TNPTL or to arrange and/or provide working capital financing to TNPTL, directly or through its subsidiary HPHL, equivalent to an aggregate amount of USD 23 million. Such investment shall be for a period up till August 31, 2033 or such period until the liabilities/obligations are discharged, whichever is later;

(iii) to assign its rights, benefits and interests in respect of any investment made in TNPTL by way of Subordinated loan (which loan is to be treated as subordinated to the debt of the Lenders of TNPTL) including the benefits of any indemnities, warranties and guarantees, in favour of the lenders of TNPTL, directly or through its subsidiary HPHL. Such investment shall be for a period up till August 31, 2033 or such period until the liabilities/obligations are discharged, whichever is later. To fulfil this requirement the Company has signed subordination agreement on July 24, 2019;

(iv) pledge its shares (if any) in TNPTL held by it from time to time, in favour of the Lenders of TNPTL, whether such shares are acquired directly by way of subscription or otherwise. Such investment shall be for a period up till August 31, 2033 or such period until the liabilities/obligations are discharged, whichever is later. During the year, the Company, through HPHL, has executed Share Pledge Agreement on November 08, 2019 to fulfil this condition;

(v) provide a guarantee (in the form of standby letter of credit) for the benefit of TNPTL and Intercreditor Agent for an aggregate amount of USD 20 million (or PKR equivalent) to guarantee an investment in the form of equity or subordinated debt to cover (a) cost overrun, (b) any obligation under financing documents prior to Project Completion Date ("PCD"), and (c) Commercial Operation Date ("COD") undertakings. Such investment shall be for a period up till the earlier of Project Completion Date or July 31, 2026. On January 08, 2020, the Company issued Cost Overrun SBLC amounting to USD 19.68 million to the lenders of TNPTL which is valid till December 31, 2024. The facility is secured by way of pari passu over all present and future assets of the Company other than current assets;

(vi) issue a sponsor standby letter of credit to cover for the Initial Debt Service Reserve Account Shortfall, of an amount estimated not to exceed USD 14 million (or PKR equivalent), but which could be higher as detailed in EOGM notice dated March 14, 2019. Such SBLC shall be for a period up till the earlier of first payment of the installment of the loan or January 31, 2024;

(vii) issue a sponsor standby letter of credit to cover for the Debt Service Reserve Account, of an amount estimated not to exceed USD 14 million (or PKR equivalent), but which could be higher as detailed in EOGM notice dated March 14, 2019. Such sponsor obligation shall be for a period earlier of the tenure of the project loan or August 31, 2033;

(viii) participate in the Put Option / Commercial Risk Guarantee ("Put Option / CRG") to be provided by local banks and financial institutions (including Habib Bank Limited) ("Put Option / CRG Financiers") in favour of the foreign lenders and contributing payment up to USD 10 million (or PKR equivalent) ("Put Option / CRG Contribution Amount") under the same as primary obligor in accordance with the terms of the Agreement Regarding Procedures Following Event of Default. Such sponsor obligation shall be valid till August 31, 2033. Accordingly, the Company has entered into a Put Option Sponsor Support Agreement dated July 22, 2019 and fulfilled the condition by providing pari passu charge on the Company's assets, other than current assets;

(ix) provide sponsor support to the Put Option / CRG Financiers for various exposures being assumed by the Put Option / CRG Financiers in respect of the Put Option / CRG to cover any shortfall that TNPTL is unable to provide to the Put Option / CRG Financiers (which includes any foreign exchange risk and mark-up / interest up to the extent of USD 7 million), or such other amount as may be agreed with the Put Option / CRG Financiers from time to time ("Put Option / CRG Support Amount"). Such Sponsor obligation shall be valid till August 31, 2033. Accordingly, the Company has entered into a Put Option Sponsor Support agreement dated July 22, 2019 and fulfilled the condition by providing pari passu charge on the Company's assets, other than current assets;

(x) provide security in form and substance acceptable to the Put Option / CRG Financiers or such other alternate/ additional security as the Put Option / CRG Financiers may require from time to time up to the Put Option / CRG Support Amount and Put Option / CRG Contribution Amount with such margin and on such terms as may be deemed appropriate by the Authorized Persons. Accordingly, the Company has entered into a Put Option Sponsor Support agreement dated July 22, 2019 and fulfilled the condition by providing pari passu charge on the Company's assets, other than current assets; and

(xi) provide (if required) a contractual commitment and a parent company guarantee to TNPTL guaranteeing the due and punctual performance of obligations by HPSL pursuant to the terms of the O&M Agreement. Such sponsor obligation shall be for a period the earlier of the tenure of the project loan or the expiry of the O&M Agreement. On September 17, 2019, the Company provided Parent Company Guarantee to TNPTL in the form of a corporate guarantee as per the terms of the O&M agreement.

14.4 Narowal Energy Limited (NEL)

NEL, a wholly owned subsidiary, was incorporated in Pakistan on November 03, 2015 as a public limited company. The principal activities of the subsidiary is to own, operate and maintain power plant. The subsidiary owns 214 MW (net) oil-fired power station in Punjab.

NEL has obtained a long-term loan amounting to Rs. 2,500 million which carries mark-up at the rate of three months KIBOR plus 0.75% per annum starting from the date of disbursement i.e. April 23, 2019 and is payable on quarterly basis in arrears. The loan is repayable in 12 equal installments on quarterly basis commencing from July 23, 2021.

Any late payment by NEL 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 fixed assets (excluding land & building) of the Company.

14.5 Thar Energy Limited (TEL)

The Company has 60% controlling interest in TEL, Fauji Fertilizer Company Limited (FFCL) has 30% interest and CMEC TEL Power Investments Limited has 10% interest. TEL was incorporated in Pakistan on May 17, 2016 as a public limited company. The principal activities of TEL are to develop, own, operate and maintain a 1 x 330 MW mine-mouth coal fired power plant to be established at Thar Block II, Thar Coal Mine, Sindh.

Project status and financial close

On January 30, 2020, PPIB on behalf of the Government of Pakistan notified the achievement of Financial Close (FC) of TEL.

In relation to the achievement of TEL's FC, a Deed of Undertaking (Deed) was signed between TEL and Habib Bank Limited (the Intercreditor Agent), pursuant to which TEL is required to procure the following no later than June 30, 2020, subject to the terms and conditions defined in the Deed:

i. An amendment in the Sponsor Support Agreement (SSA) executed between TEL, its shareholders and its lenders dated January 08, 2019 for Additional Sponsor Support up to maximum of USD 19.5 million in which the Company's share will be USD 11.7 million (based on the 60% equity stake); and

ii. An amendment in the Coal Supply Agreement (CSA) in a way that coal supply by SECMC is available by December 31, 2021.

Consequently, on March 31, 2020 the Company obtained approval from its shareholders in an Extraordinary General Meeting (EGM) to provide the additional sponsor support for the benefit of TEL and Intercreditor Agent for an aggregate amount of up to USD 12 Million (or PKR equivalent) to guarantee an investment in the form of equity and/or subordinated debt to cover for funding shortfall that may arise due to unavailability of coal and/or delay in the commercial operations date. Such 'investment' shall be valid till June 2022 or such other date as may be required under the Sponsor Support Agreement, whichever is later. The Company has executed the above-mentioned amendment in the SSA. Amendment for CSA is under negotiation with SECMC.

The outbreak of Novel Coronavirus (COVID-19) in China had been declared a public health emergency of international concern by the World Health Organization ("WHO"). It has materially and adversely affected the progress of the engineering, procurement and construction activities of the Project. The EPC contractor had therefore issued a claim to TEL for the Force Majeure Event (FME) under the Offshore and Onshore Supply and Services Agreements. TEL has also issued a notice claiming FME under Power Purchase Agreement (PPA) and Implementation Agreement (IA) in accordance with the terms of the respective agreements. Central Power Purchasing Agency [CPPA(G)] has also notified TEL of a Force Majeure Event under the PPA. TEL has requested CPPA(G) to provide them with more details, including the mitigation measures taken by CPPA(G). The impact of FME on project timeline and cost is under assessment.

Under the PPA, TEL's Required Commercial Operations Date (RCOD) is March 31, 2021. Any delay in achievement of COD beyond the RCOD will result in Liquidated Damages (LDs) amounting to USD 2.68 million for each month of delay. TEL expects to achieve COD by the end of 2021. Considering the delay in COD, TEL has requested PPIB and CPPA(G) for extension in RCOD.

Company's commitments for TEL - Sponsors' support

In addition to above additional sponsor support, the Company for the development of TEL's project and pursuant to Share Holder's Agreement dated March 15, 2018, has obtained following approvals from shareholders in general meeting and is committed to:

(i) make investments in TEL up to an amount not exceeding USD 78 million (or PKR equivalent) by way of a subscription of shares. Such investment shall be made within a period up till December 2022;

(ii) arrange and provide a Standby Letter of Credit (SBLC) to the Lenders of TEL or TEL to cover for the equity investment of (and up to an amount not exceeding) USD 78 million (or PKR equivalent) to guarantee the subscription of equity. Such SBLC shall be for a period up till December 2022. On November 11, 2019, the Company issued Equity SBLC amounting to Rs. 4,520 million (equivalent to remaining USD million) to the lenders of TEL which is valid till November 10, 2021. This SBLC was issued as a sublimit of the financing arrangement as mentioned in note 23.4.1 to these unconsolidated financial statements;

(iii) undertake to the Lenders of TEL and to arrange and/or provide working capital financing to TEL equivalent to an aggregate amount of USD 36 million. Such investment shall be for a period up till December 2032;

(iv) assign its rights in respect of any investment made in TEL by way of Subordinated loan (which loan is to be treated as subordinated to the debt of the Lenders of TEL), in favour of the Lenders of TEL. Such investment shall be for a period up till December 2032. In order to fulfil this condition, the Company has signed subordination agreement on December 20, 2018;

(v) execute the Share Pledge Agreement including all necessary documentation related thereto and for the said purpose do or cause to do all acts, deeds and things that may be necessary or required in connection therewith, as may be deemed appropriate and as mutually agreed with the Lenders of TEL including any amendments thereto, or as required by law. The Company has executed Share Pledge Agreement on July 08, 2019 to fulfil this condition;

(vi) provide a guarantee (in the form of standby letter of credit) for the benefit of TEL and Intercreditor Agent for an aggregate amount of USD 31 million (or PKR equivalent) to guarantee an investment in the form of equity or subordinated debt to cover (a) cost overrun, (b) any obligation under financing documents prior to Project Completion Date ("PCD"), and (c) COD undertakings. Such investment shall be for a period up till the earlier of Project Completion Date or December 2025. On November 15, 2019, the Company issued Cost Overrun SBLC amounting of USD 30.420 million to the lenders of TEL. The facility is secured by way of pari passu over all present and future assets of the Company, other than current assets;

(vii) issue a sponsor standby letter of credit to cover for the Initial Debt Service Reserve Account Shortfall, of an amount estimated not to exceed USD 20 million (or PKR equivalent), but which may be higher. Such SBLC shall be for a period up till the earlier of first payment of the instalment of the loan or December 2023;

(viii) issue a sponsor standby letter of credit to cover for the Debt Service Reserve Account, of an amount estimated not to exceed USD 20 million (or PKR equivalent), but which may be higher. Such SBLC shall be for a period up till the earlier of first payment of the installment of the loan or December 2032;

(ix) provide contractual commitments up to USD 22 million (or PKR equivalent) to Lenders for the purpose of TEL taking excess debt, which is over and above the cost approved by NEPRA. Such sponsor obligation shall be for a period earlier of the tenure of the project loan or December 2032;

(x) participate in the Put Option / Commercial Risk Guarantee ("Put Option / CRG") to be provided by local banks and financial institutions (including Habib Bank Limited) ("Put Option / CRG Financiers") to the foreign lenders and contributing payment of a sum not exceeding USD 15 million, ("Put Option / CG Contribution Amount") under the same as primary obligor and USD 10 Million as mark-up on the forced loan not settled by project company (if any) and any excess exposure on account of USD / PKR devaluation in accordance with the terms of the Put Option / CRG Agreement. Such sponsor obligation shall be valid till December 2032. Accordingly, the Company has entered into a Put Option Sponsor Support Agreement dated December 20, 2018 and fulfilled this condition by providing pari passu charge on the Company's assets, other than current assets; and

(xi) provide a contractual commitment and a parent company guarantee to TEL guaranteeing the due and punctual performance obligations by HPSL pursuant to the terms of the O&M Agreement. Such sponsor obligation shall be for a period the earlier of the tenure of the project loan or December 2032. The Company has provided Parent Company Guarantee to TEL in the form of a corporate guarantee as per the terms of the O&M agreement.

14.6 Sindh Engro Coal Mining Company Limited (SECMC)

SECMC is a public unlisted company, incorporated in Pakistan on October 15, 2009. The principle activity of SECMC is to develop, construct and operate open cast lignite mine in Block II Thar Coal Mine, Sindh.

Pursuant to Share Holder's Agreement, the Company agreed to invest the equivalent of USD 20 million at or soon after Financial Close of SECMC or at such later time or times as required by the Financing Agreements of SECMC at a share price of Rs. 14.82 per share. As at June 30, 2020 the Company has injected USD 13.51 million (Rs. 1,593 million) representing 8% equity stake in SECMC.

SECMC achieved its Commercial Operations Date (COD) for Phase-I on July 10, 2019 and achieved Financial Closure for Phase-II on December 31, 2019.

In addition to the USD 20 million equity, the Company is committed to:

- Sponsor Support Guarantee to cover cost overruns for an amount not exceeding USD 5 million (in equivalent Pak Rupees), if at any time prior to the Project Completion Date a funding shortfall occurs. Each Sponsor is obligated to pay the cost overrun amount in cash, by way of subscription of SECMC shares or at the option of the Sponsors collectively, by way of a subordinated debt to SECMC. The shareholders during the Extraordinary General Meeting held on January 14, 2016 approved the cost overrun support of USD 4 million and further approved the increase in cost overrun support to USD 5 million in the Extraordinary General Meeting held on June 22, 2018.

- Letter of credit to cover for the Initial Payment Service Reserve Account Shortfall ('PSRA') for an amount estimated not to exceed USD 6 million (which could be higher). If there is an Initial PSRA Shortfall, each sponsor shall procure and issue a PSRA Letter of Credit (LC) in proportion to its shareholding of Ordinary shares in SECMC. Upon a demand being made for payment under the PSRA LC and receiving such payment, the said amount may be treated as equity or at the option of the sponsors collectively, subordinated debt advanced in favor of SECMC in an amount equal to such portion of the PSRA LC that is called upon. During the Extraordinary General Meeting held on January 14, 2016, the PSRA support was approved by the members of the Company.

The investment in SECMC for the purposes of cost overrun and PSRA will only be made in the event there is an overrun or shortfall, respectively. If the entire amount of Sponsor Support Guarantee to cover cost overrun is called and the entirety of the payment under the standby letter of credit for PSRA shortfall is demanded, the maximum investment of the Company in SECMC shall be USD 31 million (in equivalent PKR).

On February 26, 2016, the sponsors, including the Company, entered into a SSA with Habib Bank Limited as a condition precedent for the availability of loan facilities to SECMC in connection with the project to develop, construct, operate and maintain an open pit coal mine in Sindh, Pakistan. Pursuant to the terms and conditions set forth in the SSA, the Company has provided Sponsor Equity Contribution Letter of Credit in the form of an Irrevocable Standby letter of Credit (SBLC) in favour of Habib Bank Limited, dated March 18, 2016 for a total amount not exceeding USD 12.650 million. As at June 30, 2020, the SBLC has been reduced to USD 8.562 million.

Additionally, a Share Pledge Agreement was also executed by the Shareholders of SECMC including the Company on March 09, 2016 in favour of the Security Trustee in accordance with the provisions of the Finance Documents where all shares of SECMC are pledged.

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
15. LONG TERM DEPOSITS AND PREPAYMENTS			
Deposits - non interest bearing		22,167	20,324
Prepayments		–	1,646
		22,167	21,970
16. STORES, SPARES AND CONSUMABLES			
In hand		2,077,499	2,052,208
Provision against slow moving stores, spares and consumables	16.1	(355,354)	(201,344)
		1,722,145	1,850,864
16.1 Movement in provision against slow moving stores, spares and consumables			
Opening balance		201,344	78,063
Provision for the year		154,010	123,281
Closing balance		355,354	201,344
17. STOCK-IN-TRADE			
Furnace oil	17.1	6,298,321	4,552,783
Diesel		20,545	23,027
		6,318,866	4,575,810

17.1 As at June 30, 2020, Furnace oil of Rs. 47 million (2019: Rs. Nil) is held by a third party.

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
18. TRADE DEBTS			
Considered good - Secured			
Capacity Purchase Price (CPP)		33,680,603	23,108,089
Energy Purchase Price (EPP)		7,870,008	12,515,171
Late Payment Interest (LPI)	18.1 & 28.9	31,800,586	28,694,110
Startup Charges (SC)		241,826	246,593
Part Load Adjustment Charges (PLAC)		694,270	848,401
Pass through item - WPPF		743,699	843,700
	18.2	75,030,992	66,256,064

18.1 This includes Rs. 6,703 million (2019: Rs. 3,438 million) related to LPI which is not yet billed by the Company.

18.2 This includes an amount of Rs. 66,079 million (2019: Rs. 59,178 million) receivable from CPPA(G) which is overdue but not impaired because the trade debts are secured by a guarantee from the GOP under the Implementation Agreement (IA). The delay in payments from CPPA(G) carries mark-up at SBP Reverse Repo rate plus 2% per annum compounded semi-annually for all overdue amounts except Late Payment Interest invoices.

The aging of these receivables is as follows:

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
Not yet due	18.1	8,952,394	7,078,428
Up to 6 months		9,315,058	16,662,949
6 months to 1 year		14,192,568	17,215,815
1 year to 2 years		25,948,888	8,855,905
Over 2 years		16,622,084	16,442,967
		75,030,992	66,256,064

19. LOANS AND ADVANCES

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
Considered good - non interest bearing			
Loans - unsecured			
Executives		9,291	6,224
Employees		1,672	767
		10,963	6,991
Advances - unsecured			
Executives		2,031	483
Employees		371	618
Suppliers		5,868	24,877
		8,270	25,978
Considered good - interest bearing (unsecured)			
Loan to NEL - a subsidiary company	19.1	140,720	699,500
		159,953	732,469

19.1 The Company has provided NEL an unsecured short term loan facility amounting up to Rs. 3,000 million, to meet its working capital requirements, which carries mark-up at the rate of 0.40% per annum above one month KIBOR. Any late payment is subject to an additional payment of 1.00% per annum above the normal mark-up rate. The maximum aggregate amount receivable at any month end during the year was Rs. 1,385 million (2019: Rs. 1,800 million).

20. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
Prepayments			
LC commission and other loan related costs		23,838	4,181
Others		18,530	15,150
		42,368	19,331
Other receivables			
Interest accrued		544	–
Income tax - refundable	20.1	1,403,436	1,912,347
Income tax - (Contractor tax refundable)	20.2	372,469	372,469
Sales tax		7,711,710	7,170,968
Staff gratuity	20.3	6,675	–
Receivable from LEL	20.4	439,735	14,527
Receivable from HPHL	20.4	75,013	14,873
Receivable from NEL	20.4	29,223	2,112
Receivable from TEL	20.4	32,765	9,925
Receivable from TNPTL	20.4	100,686	7,483
Receivable from TNPTL against services agreement	20.4	46,558	–
Workers' profit participation fund recoverable from CPPA(G)	28.4	1,766,384	1,375,934
Miscellaneous		7,646	4,100
		11,992,844	10,884,738
		12,035,212	10,904,069

20.1 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 ("ITAT") were decided against the Company. Against the decision of the ITAT, the Company filed appeals before the High Court ("HC") which were also decided against the Company in March 2012. Against the decision of the HC, the Company filed further appeals before the Honorable Supreme Court of Pakistan (SCP).

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 July 2014, the SCP decided the case in favor of the Company. Against the decision of the SCP, FBR filed review petitions which were dismissed by the SCP in June 2015. Consequently, an amount of Rs. 1,912 million became refundable from FBR. During the year, the Company has offset its tax liability against this refund.

20.2 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 CPPA(G), any tax paid by the Company on behalf of construction contractors and sub-contractors was to be reimbursed by CPPA(G).

Under the provisions of the IA between the Company and 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 Federal Board of Revenue (FBR) contended that Company was liable to pay tax at the rate of 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 CPPA(G). 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 Company's and other 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 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 the Company's 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.

		2020 (Rs. '000s)	2019 (Rs. '000s)
20.3	**STAFF GRATUITY**	6,675	–

Actuarial valuation was carried out as at June 30, 2020. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Actuarial Cost Method. The details of the actuarial valuation are as follows.

	2020 (Rs. '000s)	2019 (Rs. '000s)
Reconciliation of the net (asset) / liability recognised in the statement of financial position		
Present value of defined benefit obligation	310,449	262,337
Fair value of plan assets	(317,124)	(220,796)
Net (asset) / liability recognised in the statement of financial position	(6,675)	41,541
Reconciliation of the movements during the year in the net (asset) / liability recognised in the statement of financial position		
Opening net liability	41,541	16,336
Expense recognised	36,041	34,089
Remeasurement (gain) / loss recognised in Other Comprehensive Income (OCI)	(21,842)	13,116
Contributions to the fund made during the year	(62,415)	(22,000)
Closing net (asset) / liability	(6,675)	41,541
Expense recognised		
Current service cost	32,942	33,609
Past service cost	1,730	–
Net Interest	1,369	480
Expense recognised	36,041	34,089
Re-measurements recognised in OCI during the year		
Remeasurement (gain) / loss on defined benefit obligations	(16,709)	54
Remeasurement (gain) / loss on plan assets	(5,133)	13,062
	(21,842)	13,116
The movement in the defined benefit obligations are as follows		
Present value of defined benefit obligation at opening	262,337	209,793
Current service cost	32,942	33,609
Past service cost	1,730	–
Interest cost	34,473	18,881
Benefits paid	(4,324)	–
Remeasurement (gain) / loss recognised in OCI	(16,709)	54
Present value of defined benefit obligation at closing	310,449	262,337
The movement in fair value of plan assets		
Fair value of plan assets at opening	220,796	193,457
Expected return on plan assets	33,104	18,401
Contributions made	62,415	22,000
Benefits paid	(4,324)	–
Remeasurement gain / (loss) recognised in OCI	5,133	(13,062)
Fair value of plan assets at closing	317,124	220,796

	2020 (Rs. '000s)	2019 (Rs. '000s)
Actual return on plan assets	38,237	5,339

	2020 %	2020 (Rs. '000s)	2019 %	2019 (Rs. '000s)
Plan assets comprises of following:				
Pakistan Investment Bonds	71.13%	225,575	72.70%	160,521
Mutual funds	0.36%	1,140	13.30%	29,382
Term Finance Certificate	5.62%	17,807	7.69%	16,971
Treasury Bills	6.74%	21,388	–	–
Quoted shares	9.04%	28,665	–	–
Cash and cash equivalents	7.11%	22,549	6.31%	13,922
	100.00%	317,124	100.00%	220,796

	2020 (Rs. '000s)	2019 (Rs. '000s)
Contribution expected to be paid to the plan during the next year	33,588	35,663

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

	2020	2019
– Valuation discount rate per annum	8.50%	13.25%
– Expected rate of return on plan assets per annum	8.50%	13.25%
– Expected rate of increase in salary level per annum	5.50%	8.75%
– Mortality rates	SLIC 2001-05	SLIC 2001-05

Expected maturity analysis of undiscounted retirement benefit plan:

	Less than 1 year	Between 2–5 years	Between 6–10 years (Rs. '000s)	More than 10 year	Total
Retirement benefit plan	8,336	98,429	217,853	439,963	764,581

Historical information of retirement benefit plan:

	2020	2019	2018 (PKR in '000)	2017	2016
As at June 30					
Present value of defined benefit obligation	310,449	262,337	209,793	202,661	214,588
Fair value of plan assets	(317,124)	(220,796)	(193,457)	(185,012)	(139,149)
(Surplus) / Deficit	(6,675)	41,541	16,336	17,649	75,439

	2020 (Rs. '000s)	2019 (Rs. '000s)
Sensitivity analysis on significant actuarial assumptions		
- Impact on defined benefit obligation - decrease / (increase)		
- Discount rate +1%	24,822	19,125
- Discount rate -1%	(28,332)	(21,511)
- Salary increases +1%	(29,700)	(22,676)
- Salary increases -1%	26,582	20,460

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the Projected Unit Credit Method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

The plan exposes the Company to the actuarial risks such as:

Investment risks:

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risks:

The risk arises when the actual servicing period is longer than expected. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

20.4 The amounts receivable from subsidiaries / associate are neither past due nor impaired and are recoverable in ordinary course of business. The maximum aggregate amounts due at the end of any month during the year were as follows:

	2020 (Rs. '000s)	2019 (Rs. '000s)
LEL	439,735	14,527
HPSL	40,349	3,932
HPHL	110,808	14,873
NEL	359,033	12,377
TEL	1,648,699	9,925
TNPTL	147,244	7,483

		Note	**2020** (Rs. '000s)	2019 (Rs. '000s)
21.	**CASH AND BANK BALANCES**			
	At bank			
	Savings accounts	21.1 & 21.2	265,256	298,510
	Deposit account	21.3	245,000	–
	Right subscription account		–	7,000,000
			510,256	7,298,510
	In hand			
	Cash		390	165
	Payorders / cheques		800	13,405
			1,190	13,570
			511,446	7,312,080

21.1 Savings and deposits accounts carry mark-up rate of 5.50% (2019: 10.25%) per annum.

21.2 This includes Rs. 261 million (2019: Rs. 269 million) restricted for dividend payable.

21.3 This represents short term deposits placed with bank, at mark-up rates up to 6.75%, as a security for issuance of LOS guarantee in favour of TNPTL (refer note 14.3.2).

22. AUTHORISED, ISSUED, SUBSCRIBED AND PAID–UP CAPITAL

2020 (No of Shares)	2019 (No of Shares)		**2020** (PKR in '000)	2019 (PKR in '000)
		Authorised :		
1,700,000,000	1,700,000,000	Ordinary shares of Rs.10/– each	17,000,000	17,000,000
		Issued, subscribed and paid–up:		
		Ordinary shares of Rs.10/– each		
958,773,317	958,773,317	For cash	9,587,733	9,587,733
		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
1,297,154,387	1,297,154,387		12,971,544	12,971,544

22.1 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 of lenders are satisfied.

22.2 Associated undertakings held 260,513,522 (2019: 263,267,143) shares in the Company as at year end.

23. LONG TERM LOANS – Secured

From Banks / Financial Institutions	Note	As at July 01, 2019	Drawn	Repaid	Current portion	Amortisation of transaction costs	As at June 30, 2020
				(Rs. '000s)			
Hub plant							
Musharaka finance facility	23.1	312,500	–	(312,500)	–	–	–
Salary Refinance Scheme - SBP	23.2	–	318,000	–	(79,500)	–	238,500
		312,500	318,000	(312,500)	(79,500)	–	238,500
NEL investment							
Commercial facility	23.3	1,568,135	–	(1,011,183)	(556,952)	–	–
TEL / CPHGC / SECMC / TNPTL investment							
Syndicated term finance facility	23.4.1	16,000,000	479,717	–	–	–	16,479,717
Islamic finance facility	23.4.2	5,500,000	–	–	–	–	5,500,000
Long Term Sukuk certificates I	23.4.3	–	7,000,000	–	–	–	7,000,000
Long Term Sukuk certificates II	23.4.4	–	5,000,000	–	–	–	5,000,000
		21,500,000	12,479,717	–	–	–	33,979,717
Transaction costs		(138,055)	(194,269)	–	74,934	44,841	(212,549)
Total		23,242,580	12,603,448	(1,323,683)	(561,518)	44,841	34,005,668

From Banks / Financial Institutions	Note	As at July 01, 2018	Drawn	Repaid	Current portion	Amortisation of transaction costs	As at June 30, 2019
				(Rs. '000s)			
Hub plant							
Musharaka finance facility	23.1	937,500	–	(625,000)	(312,500)	–	–
NEL investment							
Commercial facility	23.2	2,456,325	–	(888,190)	(1,011,183)	–	556,952
LEL investment							
Syndicated term finance facility		388,948	–	(388,948)	–	–	–
Islamic finance facility		84,333	–	(84,333)	–	–	–
		473,281	–	(473,281)	–	–	–
TEL / CPHGC / SECMC / TNPTL investment							
Syndicated term finance facility	23.4.1	5,431,124	10,568,876	–	–	–	16,000,000
Islamic finance facility	23.4.2	5,500,000	–	–	–	–	5,500,000
		10,931,124	10,568,876	–	–	–	21,500,000
Transaction costs		(150,729)	–	–	7,855	12,674	(130,200)
Total		14,647,501	10,568,876	(1,986,471)	(1,315,828)	12,674	21,926,752

23.1 The Company entered into a long term Musharaka arrangement with a bank for an amount of Rs. 2,500 million (2019: Rs. 2,500 million) to finance boiler rehabilitation works at Hub Plant. The facility was repayable in sixteen equal installments on quarterly basis starting from March 30, 2016 at a mark-up rate of three month KIBOR plus 0.60% per annum. The mark-up was payable on quarterly basis in arrear. Any late payment by the Company is subject to a mark-up of 14% per annum. This loan was secured by way of second ranking / subordinated charge over all present and future assets of Hub plant. During the year, this loan was fully repaid.

23.2 During the year, the Company entered into a loan term loan agreement under the Salary Refinancing Scheme introduced by State Bank of Pakistan (SBP). The loan carries a mark-up of 1.50% per annum starting from the date of disbursement and is payable on quarterly basis in arrears. The loan is repayable in eight equal quarterly installments starting from January 2021. Any late payment by the Company is subject to the markup to be calculated at the prevailing rate of three month KIBOR plus 1.50%. The loan is secured against subordinate hypothecation charge over all present and future movable fixed assets of the Company (excluding land and building).

23.3 In order to finance the equity portion of the project cost of Narowal plant, the Company obtained this loan which 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 fixed charge over each of the following, namely:

(a) **(i)** Company's Tangible Moveable Property;

(ii) Company's Intellectual Property; and

(iii) All goodwill (including all brand names not otherwise subject to a fixed charge or assignment by or pursuant to supplemental Composite Security Agreement) presently belonging to the Hub plant,

(b) a floating charge on the whole of the Hub plant related undertaking and assets, present and future;

(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 the Hub plant only; and

(d) mortgage over the Hub plant land measuring 347 acres.

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.

23.4 In order to meet investment requirements in TEL / CPHGC / SECMC / TNPTL:

23.4.1 The Company entered into a long term financing arrangement with various banks for an amount of Rs. 21,000 million (2019: Rs. 21,000 million) to finance equity investment in CPHGC (via HPHL), TEL and SECMC. The loan is repayable in 40 installments on quarterly basis starting from November 18, 2021. Mark-up is charged at three month KIBOR plus 0.30% per annum. The loan is secured by way of all present and future assets of the Company other than current assets.

On May 10, 2019, the financing facility was amended to incorporate the sub limit facility amounting to Rs. 5,000 million as a short term finance for the period of 90 days. During the year, the sub limit facility was fully repaid.

23.4.2 In addition, the Company has also entered into a long term Musharaka arrangement with various banks amounting to Rs. 5,500 million to finance equity investment in CPHGC (via HPHL). The loan is repayable on quarterly basis starting from November 30, 2021. Mark-up is charged at three month KIBOR plus 0.30% per annum. The facility is secured by way of all present and future assets of the Company other than current assets.

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.

23.4.3 On August 22, 2019, the Company issued privately placed secured Sukuk Certificates amounting to Rs. 7,000 million at a mark-up of 1.9% per annum above three-month KIBOR. The mark-up on the Sukuk is payable on quarterly basis in arears and the principal is payable in four equal semi-annual installments commencing from February 22, 2022. The Sukuk Certificates are secured by:

(a) revolving corporate guarantee from NEL;

(b) subordinate hypothecation charge over receivables of NEL including but not limited to amounts receivable under the GOP guarantee;

(c) subordinate charge over all present and future movable fixed assets of the Company and NEL; and

(d) pledge of 100% shares of NEL.

23.4.4 On March 19, 2020, the Company issued privately placed secured Sukuk Certificates amounting to Rs. 5,000 million at a mark-up of 1.9% per annum above one-year KIBOR. The mark-up on the Sukuk is payable on semi-annual basis in arears and the principal is payable in four equal semi-annual installments commencing from September 19, 2022. The Sukuk Certificates are secured by:

(a) revolving corporate guarantee from NEL;

(b) subordinate hypothecation charge over all present and future movable fixed assets of NEL; and

(c) subordinate charge over all present and future movable current assets of the Company.

		Note	2020 (Rs. '000s)	2019 (Rs. '000s)
24.	**LONG TERM LEASE LIABILITIES**			
	Impact of initial application of IFRS 16	2.2	334,310	–
	Finance cost charge for the year		43,076	–
	Payments made during the year		(59,441)	–
			317,945	–
	Less: Current maturity of lease liabilities		(23,343)	–
	Long-term lease liabilities		294,602	–
25.	**TRADE AND OTHER PAYABLES**			
	Creditors			
	Trade - PSO	25.1	50,406,265	51,766,804
	Others		25,657	40,982
			50,431,922	51,807,786
	Accrued liabilities			
	Finance costs		40,338	1,362
	Miscellaneous		709,626	709,704
			749,964	711,066
	Unearned income	25.2	1,754,380	1,444,435
	Payable to HPSL		34,945	3,684
	Advance against management services	25.3	216,204	38,730
	Other payables			
	Workers' profit participation fund	28.4	2,748,055	2,202,871
	Staff gratuity	20.3	–	41,541
	Hub Power Services Limited - Pension Fund		11,279	–
	The Hub Power Company Limited - Employees' Provident Fund		2,629	–
	Hub Power Services Limited - Provident Fund		5,605	–
	Thar Energy Limited - Employees' Provident Fund		112	–
	Retention money		9,636	8,477
	Withholding tax		12,074	14,286
	Miscellaneous		4,087	–
			2,793,477	2,267,175
			55,980,892	56,272,876

25.1 This represents payable to Pakistan State Oil Company Limited (PSO), out of which overdue amount is Rs. 44,327 million (2019: Rs. 47,455 million).

The delay in payments to PSO carries mark-up at SBP Reverse Repo rate plus 2% per annum compounded semi-annually.

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

25.3 This represents advance received from TEL against management service agreement.

		Note	**2020** (Rs. '000s)	2019 (Rs. '000s)
26.	**INTEREST / MARK-UP ACCRUED**			
	Interest / mark-up accrued on long term loans		301,931	43,944
	Mark-up accrued on short term borrowings		507,344	523,896
			809,275	567,840
27.	**SHORT TERM BORROWINGS**			
	Secured			
	Running finance	27.1 & 27.2	25,285,138	24,213,535
	Short term / sub limit finance	23.4.1	–	5,000,000
			25,285,138	29,213,535
	Unsecured			
	Privately placed sukuks	27.3	4,500,000	8,500,000
	Commercial paper		–	3,398,519
	Short term loan facility	27.4	129,000	–
			4,629,000	11,898,519
			29,914,138	41,112,054

27.1 The facilities for running finance available from various banks / financial institutions amounted to Rs. 27,400 million (2019: Rs. 28,800 million) at mark-up ranging between 0.40% to 2.50% per annum above one / three month KIBOR. The mark-up on the facilities is payable on monthly / quarterly basis in arrear. The facilities will expire during the period from July 31, 2020 to June 30, 2021. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. The facilities are secured by way of charge over the trade debts and stocks of the Company for the Hub plant pari passu with the existing charge.

27.2 The Company has also entered into Musharaka agreements amounting to Rs. 1,400 million (2019: Rs. 1,400 million) at a mark-up ranging between 0.75% to 1.00% per annum above one month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrear. These facilities will expire during the period from July 31, 2020 to September 30, 2020. 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 27.1.

27.3 On May 19, 2020, the Company issued privately placed unsecured Sukuk certificates based on Musharaka amounting to Rs. 4,500 million at a mark-up of 1.50% per annum above three-month KIBOR. The mark-up on the Sukuk is payable on quarterly basis in arrear and the principal is payable on November 19, 2020. Any late payment by the Company is subject to mark-up at a rate of 2.00% per annum over three-month KIBOR.

27.4 The Company has arranged an unsecured short term loan facility for an amount of up to Rs. 500 million (June 2019: Rs. 500 million) from HPSL, to meet its working capital requirements. This facility carries mark-up at the rate of 0.75% per annum above one month KIBOR payable on quarterly basis. The maximum aggregate amount outstanding at any month end during the year was Rs. 129 million (June 2019: Rs. 145 million).

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

28. COMMITMENTS AND CONTINGENCIES

28.1 Commitments in respect of capital and revenue expenditures amounted to Rs. 1,023 million (2019: Rs. 243 million).

28.2 The CPPA(G) was unable to meet its obligation to provide a stand by letter of credit as required under the PPA. Consequently, the Company has been unable to meet its obligation to provide a stand by letter of credit to PSO under the Fuel Supply Agreement (FSA).

28.3 The Company has entered into Predictivity Enhancements and Performance Improvements (PEPI) Agreement with General Electric Global Services GmbH (GE), whereby GE has proposed to the Company PEPI solutions to improve the Facility net efficiency (heat rate) to achieve a guaranteed rate. Under PEPI Agreement, Steam Turbine Retrofits were implemented on two units.

If PEPI Agreement is terminated at any time prior to March 31, 2037, the Company will be liable to pay USD 1.5 million to GE along with residual value of the Steam Turbine Retrofits (proposed solution). However, non-renewal of PPA (which expires in 2027) will result in automatic termination of PEPI Agreement and the Company will have to pay GE USD 1.5 million and the residual value of approximately USD 0.6 million.

28.4 The Company had filed a petition in the Sindh High Court (SHC) on June 28, 2000 challenging the application of the Companies Profits (Workers' Participation) Act, 1968 (the Act) on the grounds, that since its inception, the Company had 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. The said notice demanded that the Company 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 PPA and against the CPPA(G) as a pro forma party in the matter.

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 new petition, which incorporated all the available grounds.

Both the Company and CPPA(G) agreed that this petition should proceed and a judgment obtained on merits. During the year ended June 30, 2011, the petition was dismissed by the SHC. Against the decision of the SHC, the Company filed petition for leave to appeal before the Supreme Court of Pakistan (SCP). In December 2011, the SCP set aside the judgement of the SHC and directed it to decide the case afresh. The matter is pending adjudication before the SHC.

As at June 30, 2020, the total financial exposure relating to the above case is Rs. 27,483 million (Rs. 3,136 million being the 5% of the profit and Rs. 24,347 million interest component and penalty on delayed payment). 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 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.

The Supreme Court of Pakistan (SCP) vide its judgement dated November 10, 2016 set aside the amendments made to the Act by Finance Acts of 2006, 2007 and 2008 as ultra vires to the provisions of the Constitution of Pakistan (the Constitution). Accordingly, the provisions of the Act are to be read as if the amendments brought about by the said

Finance Acts were never made and the defined term "Worker" reverted to its original definition of prior to Finance Act 2006. However, the Federal Board of Revenue (FBR) has filed a review petition with the SCP in respect of the said decision.

Pursuant to the 18th Amendment to the Constitution (the 18th Amendment), the Sindh Provincial Assembly passed the Sindh Companies Profits (Workers' Participation) Act, 2015 (the Sindh Act).

On February 12, 2018, SHC passed an Order (SHC Order) in respect of the Sindh Act, holding that for trans-provincial companies like the Company, the location of the workers should be considered, and an allocation should be made accordingly. The SHC Order further devised a mechanism to compute contributions for trans-provisional companies. In July 2018, the SCP suspended the SHC Order, however, SCP is yet to issue a detailed order on this matter. The interim order passed by SCP only applies inter partes and since the Company was not a party to the case filed in the SCP, it is the SHC Order which is binding on the Company.

In light of SHC Order, the Sindh Act applies insofar as the Company has any "Worker" in Sindh as defined under the Sindh Act, and the Act applies as a fractured provincial legislation to the Company insofar as Balochistan is concerned. Accordingly, the Company is of the view that it does not have any "Worker" as defined in the Act and there is no need to establish a Trust in Balochistan under the Act at this time.

Accordingly, following the enactment of the 18th Amendment, and amongst other things, labour matters have become a Provincial subject and pursuant to the Sindh Act and the SHC Order, the 1968 Act has been fractured into provisional legislation, the Fund created by the Company in 2007, became dysfunctional and was unable to carry out its objectives. Therefore, the Company recommended to the Trustees of the Fund that the same be dissolved. The Fund was dissolved on June 27, 2019 and the 5% WPPF allocated by the Company since July 1, 2015 and the interest earned on that allocated amount (Rs. 1,524 million allocated by the Company and Rs. 258 million interest earned by the Fund on the allocated amount) was transferred back to the Company. These funds are being utilized by the Company till a final decision of the Supreme Court or until Balochistan Provincial Assembly enacts its legislation and the Company will then comply with the Balochistan Law. In compliance with the Sindh Act, all formalities for the registration of WPPF Trust creation in Sindh are complete; only execution of the Trust Deed is pending, which cannot be completed at this time given the lock down on account of COVID-19. Following execution of the Trust Deed, the amount in proportion to the workers based in Sindh will be transferred to the new fund as per the calculation methodology given by SHC.

This course of action has been taken keeping in mind that the spirit of the law is to provide for welfare of the workers. The Company is entitled to claim a portion of the amount rightfully paid to the WPPF Trust from CPPA(G) as a pass-through item under the PPA.

28.5 **(i)** Under the IA with GOP and under the tax laws, the Company's interest income is exempt from income tax. However, the tax authorities issued a tax demand for the tax years 2006-2010 amounting to 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 appeals before the Honorable Islamabad High Court (IHC) which were also decided against the Company. Against the decision of the IHC, the Company filed appeals before the SCP which are pending adjudication. The Company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 364 million.

(ii) FBR also imposed 2% Workers Welfare Fund (WWF) for 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 filed appeals before the ATIR which were rejected. Against the order of the ATIR, the Company filed appeals before the IHC which held that the orders on WWF were void. The IHC also held that WWF would be applicable in accordance with the law prior to the changes made through Finance Act 2006 & 2008. Against the decision of the IHC, the Company filed appeals before the SCP which are pending adjudication. The Company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 16 million. WWF is a pass through under the PPA and is recoverable from the CPPA(G).

(iii) Under the IA with GOP and under the tax laws, the Company's interest income is exempt from income tax. However, during March 2014, the FBR issued tax demand for the tax year 2011 amounting to Rs. 3.2 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. Appeals filed by the Company before the CIR-A and thereafter with the ATIR were decided against the Company. Against the order of the ATIR, the Company filed appeal before the IHC which was also decided against the Company. Against the decision of the IHC, the Company filed appeal before the SCP which is pending adjudication. The Company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 6 million.

(iv) FBR also imposed 2% WWF for the tax year 2011 and issued a demand for Rs. 108.5 million. Appeals filed by the Company before the CIR-A and thereafter with the ATIR were decided against the Company. Against the order of the ATIR the Company filed appeal before the IHC which held that the order on WWF was void. The IHC also held that WWF would be applicable in accordance with the law prior to the changes made through Finance Act 2006 & 2008. Against the decision of the IHC the Company filed appeal before the SCP which is pending adjudication. The Company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 190 million. WWF is a pass through under the PPA and is recoverable from the CPPA(G).

(v) Under the IA with GOP and under the tax laws, the Company's interest income is exempt from income tax. However, during March 2015, the FBR issued tax demand for the tax year 2013 amounting to Rs. 4 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. The Company filed appeal before the CIR-A who deleted the tax demand. Against the order of CIR-A, the FBR filed appeal before the ATIR which is pending adjudication. The Company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 7 million.

(vi) FBR also imposed 2% WWF for the tax year 2013 and issued a demand for Rs. 162 million. The Company filed appeal before the CIR-A who remanded back the case to FBR for a fresh assessment. Against the order of CIR-A, the FBR filed appeal before the ATIR which is pending adjudication. The Company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 316 million. WWF is a pass through under the PPA and is recoverable from CPPA(G).

The management, tax and legal advisors are of the opinion that the position of the Company in respect of aforementioned matters is sound on technical basis and eventual outcome is expected 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.

28.6 **(i)** Under the IA with the GOP and under the tax law, the Company is exempt from the levy of minimum tax. In June 2012, the FBR issued demand notices amounting to Rs. 443 million relating to the tax years 2006 to 2008, 2010 and 2011. After the Company's appeals were rejected by the CIR-A, Islamabad, further appeals were filed with the ATIR, Islamabad which has decided the appeals in favour of the Company. Against ATIR orders, FBR has filed appeals in the IHC which are pending adjudication. The Company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 932 million.

(ii) In November 2012, the FBR passed an order for the recovery of sales tax amounting to Rs. 8,519 million relating to fiscal years ended June 2008 to 2011. In FBR's view the Company had claimed input tax in excess of what was allowed under the law. After dismissal of the Company's appeal at the CIR-A level, the Company filed appeal with the ATIR which decided the case in favour of the Company. Against the judgment of the

ATIR, the FBR filed a case with the IHC which is pending adjudication. The Company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 23,406 million.

(iii) In March 2014 the FBR passed an order for the recovery of sales tax amounting to Rs. 3,442 million relating to fiscal year ended June 2012. In FBR's view the Company had claimed input tax in excess of what was allowed under the law. After dismissal of the Company's appeal at the CIR-A level, the Company filed appeal with the ATIR which also decided the case against the Company. Against the decision of the ATIR, the Company filed appeal with IHC which is pending adjudication. The Company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 8,143 million.

(iv) In April 2014 the FBR issued a show cause notice to recover sales tax amounting to Rs. 3,692 million relating to fiscal year ended June 2013. In FBR's view, the Company had claimed input tax in excess of what was allowed under the law. The Company filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / LHC in other cases. Against this decision, the FBR has filed intra court appeal with IHC which is pending adjudication. The Company's maximum exposure as at June 30, 2020 is approximately Rs. 3,692 million.

(v) In January 2015 the FBR issued a show cause notice to recover sales tax amounting to Rs. 4,130 million relating to fiscal year ended June 2014. In FBR's view, the Company had claimed input tax in excess of what was allowed under the law. The Company filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / LHC in other cases. Against this decision, the FBR has filed intra court filed with IHC which is pending adjudication. The Company's maximum exposure as at June 30, 2020 is approximately Rs. 4,130 million.

(vi) In October 2018 the FBR issued a show cause notice to recover sales tax amounting to Rs. 3,483 million relating to fiscal year ended June 2016. In FBR's view, the Company had claimed input tax in excess of what was allowed under the law. The Company filed a Writ Petition in the IHC which asked the FBR not to pass a final order till next hearing. The Company's maximum exposure as at June 30, 2020 is approximately Rs. 3,483 million.

(vii) In November 2018 the FBR issued a show cause notice to recover sales tax amounting to Rs. 2,665 million relating to fiscal year ended June 2017. In FBR's view, the Company had claimed input tax in excess of what was allowed under the law. The Company filed a Writ Petition in the IHC which asked the FBR not to pass a final order till next hearing. The Company's maximum exposure as at June 30, 2020 is approximately Rs. 2,665 million.

(viii) Payment to PSO under the FSA including payment of Late Payment Interest (LPI) are exempt from withholding of income tax under the provisions of the tax law. During 2014, the FBR issued show cause notices to recover tax amounting to Rs. 1,677 million relating to the tax years 2012 to 2014 on the pretext that LPI paid to PSO under the FSA is a payment of "profit on debt". The Company filed Writ Petitions before the IHC which were decided against the Company. The Company filed further appeals with IHC which are pending adjudication. The Company's maximum exposure as at June 30, 2020 is approximately Rs. 1,677 million.

(ix) Under the O&M agreement with the ex-operator for the Hub plant, the Company used to pay fixed and variable fees to the operator. In January 2015, the FBR passed an order amounting to Rs. 1,034 million relating to the tax years 2010 to 2013 for the recovery of Federal Excise Duty (FED). The FBR viewed O&M as a franchise agreement and not a service agreement and decided that payments made thereon were in nature of technical fees which were subject to FED. After dismissal of the Company's appeal at the Commissioner Inland Revenue – Appeal & the ATIR, the Company filed appeals with the IHC which are pending adjudication. The Company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 2,263 million.

(x) Under the O&M agreement with the ex-operator for the Hub plant, the Company used to pay fixed and variable fees to the operator. In December 2017, the FBR issued a show cause notice for the recovery of Federal Excise Duty (FED) amounting to Rs. 911 million relating to the tax years 2014 to 2017. The FBR viewed O&M as a franchise agreement and not a service agreement and decided that payments made thereon were in nature of technical fees which were subject to FED. The Company filed a Writ Petition in the Islamabad High Court (IHC) which asked the FBR not to issue any demand till next hearing. The Company's maximum exposure as at June 30, 2020 is approximately Rs. 911 million.

(xi) Under the provisions of the Sales Tax Act, 1990 (STA), the Company is entitled to claim from FBR the Provincial Sales Tax (PST) on services paid under the provincial sales tax law. However, after the imposition of Balochistan Sales Tax (BST), the FBR did not allow the adjustment of BST amounting to Rs. 209 million in the Federal Sales Tax return. Against this, the Company filed appeal before the IHC which while allowing the appeal held that the refusal on the part of FBR to deny input tax adjustment against the sales tax on services paid under the Act of 2015 is without any lawful authority. The Company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 286 million.

(xii) In December 2018 the FBR issued a show cause notice for the recovery of sales tax amounting to Rs. 412 million on the ground that the Company has claimed excess input tax during different tax periods. In March 2019 on representation the FBR reduced the amount and issued demand notice amounting to Rs. 31 million. The Company filed appeal with the Commissioner Inland Revenue Appeal who remanded back the case to FBR for reassessment. The Company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 33 million.

(xiii) In October 2019 the FBR issued income tax demand of Rs 266 million relating to fiscal year ended June 2016. This is based on FBR's views that Company's receipt on account of supplemental charges are taxable and CPP is also liable for minimum tax. The FBR issued demand for WWF as well. The Company has filed appeal with the Commissioner Inland Revenue Appeal which is pending adjudication. The Company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 300 million.

(xiv) In December 2019 the FBR issued a demand of Rs 19 million relating to fiscal year ended June 2016. This is based on FBR's views that during the year the Company had not deducted tax on payments to supplier. The Company has filed appeal with the Commissioner Inland Revenue Appeal which is pending adjudication. The Company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 21 million.

(xv) Under the IA with GOP and under the tax laws, the Company's interest income is exempt from income tax. However, in June 2020, the FBR issued a tax demand on this issue on the grounds that current interest income is not covered under the exemption allowed under the tax law. Consequently, FBR also imposed 2% Workers Welfare Fund (WWF) on this interest income. The Company has filed appeal with the CIR-A which is pending adjudication. The Company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 27 million.

The matters, stated in (ii) to (vii) above in respect of claiming excess input tax has already been decided by the Honorable Lahore High Court, in favor of other IPPs in similar cases. Against this decision of the Honorable Lahore High Court, the FBR has filed appeal in the Honorable Supreme Court of Pakistan.

The management is of the opinion that the position of the Company is sound on technical basis and eventual outcome is expected 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.

28.7 The Company and its affiliates are committed to assist CPHGC in obtaining the required permits including environmental NOCs and approvals from government agencies. During 2017 two constitution petitions in the Honorable High Court of Balochistan, challenging the establishment of the Coal Power Plant along with an ancillary jetty in Balochistan were dismissed in favor of the Company on the grounds that Honorable High Court Balochistan did not have jurisdiction in view of the constitution of Environment Tribunal. Afterwards, one of the aggrieved parties in the above referred petitions approached the Environmental Protection Tribunal Balochistan praying for an order on environmental grounds to restrain the Company from execution of the Project. The management and their legal advisors are of the view that the position of the Company is sound on technical grounds and ultimate outcome of the case is expected be in favor of the Company.

28.8 In 2016, the Company received letter from the Power Purchaser stating that the Company did not maintain the requisite fuel stock at Hub plant as required under the PPA and has, therefore, incurred lower interest on working capital and, therefore, Power Purchaser is earmarking an estimated amount of Rs. 1,801 million for Hub Plant out of the Late Payment Interest invoices owed by the Power Purchaser. The Company has contested this claim.

28.9 Pursuant to the FSA dated August 03, 1992 between the Company and Pakistan State Oil Company Limited (PSO), PSO supplied 128,000 Metric Tons (MT) of Residual Furnace Oil (RFO) as “First Fill” at no charge to the Company in 1996. Since 1996, there had been correspondence exchanged amongst PSO, WAPDA and the Company. PSO, in earlier days, sought payment for the cost of the First Fill RFO from WAPDA and the Company. Both WAPDA and the Company refused to make payment, citing that PSO’s obligation under the FSA to supply First Fill RFO to the Company was at no charge.

PSO continued to claim the cost of the First Fill RFO from WAPDA. In fact, such cost was recorded in PSO’s audited accounts as a receivable due from WAPDA. The relevant disclosure in the PSO’s audited accounts explicitly stated that a letter was signed between PSO and WAPDA on August 5, 1992 under which WAPDA undertook to pay PSO the cost of First Fill. Later through the intervention of President of Pakistan, an interest free loan of Rs. 802 million was sanctioned to WAPDA to enable it to settle PSO’s claim for First Fill RFO. Following the payment to PSO, WAPDA started claiming reimbursement of the cost of the First Fill from the Company. The Company denied the same. The Company’s position was that it was under no obligation to pay to PSO under FSA.

In 2015, CPPA(G) through back to back arrangements with WAPDA succeeded all the rights and obligations of WAPDA under the existing Power Purchase Agreement. On November 1, 2017, CPPA(G) wrote to the Company requesting a meeting to discuss the payment of First Fill amounting to Rs. 802 Million, along with late payment interest. On November 10, 2017 the Company wrote to CPPA(G) that the Company is under no obligation for any payment with regards to the First Fill and considered the matter closed. Therefore, there was no point in meeting in relation to the matter. On June 13, 2018, CPPA(G) communicated to the Company that the CPPA(G) had decided to adjust the amount of Rs. 802 Million along with interest of Rs. 10,723 Million against the Company’s outstanding LPI invoices.

Due to the above-mentioned action of CPPA(G), the Company was constrained to file a suit before the Sindh High Court for a declarative injunction against CPPA(G). The Sindh High Court via its Order dated July 9, 2018, directed that status quo be maintained with respect to the amount demanded by CPPA(G) from the Company on account of the First Fill and restrained CPPA(G) from adjusting the First Fill claim amount.

Management along with its legal advisors are of an opinion that the position of the Company is sound on legal basis and eventual outcome is expected to be in favour of the Company. Pending the resolution of the matter stated above, no provision has been made in these unconsolidated financial statements.

28.10 On October 11, 2019, the Company received an invoice of Rs. 398.5 million from the Power Purchaser, CPPA(G) in respect of Liquidated Damages (LDs) due to non-availability of Hub Power Plant for electricity generation during the operating year April 1, 2018 to March 31, 2019. The LDs invoice is for the time period during which the Hub Power Plant was not available for electricity generation due to lack of fuel caused by delay in payments by CPPA(G) which resulted in the Company not being able to meet its payment obligations to Pakistan State Oil (PSO). PSO had stopped the supply of RFO to the Hub Power Plant due to delay in payments as well as non-provision of Standby Letter of Credit (SBLC) by the Company as required under the Fuel Supply Agreement (FSA). The Company did not establish the SBLC for PSO because CPPA(G) did not establish SBLC in favor of the Company as required under the Power Purchase Agreement (PPA) dated August 3, 1992 (refer note 28.2).

The Company is in a process of resolving the matter amicably with CPPA(G) and has been proactively deliberating the issue at the CPPA(G) Board level to ensure that the Company's Forced Outage Allowance is not wrongly utilized by CPPA(G). The Company has been defending the matter on the grounds that the Hub Power Plant ran out of fuel because of the CPPA(G)'s payment defaults and non-provision of SBLC as required under the PPA. As a result of continuous efforts by the Company, CPPA(G) informed the Company on November 27, 2019 that the LDs invoice has been withdrawn till a final decision is taken by the CPPA(G) Board.

In the past, similar cases arose where CPPA(G) attempted to impose LDs on other IPPs and they challenged such imposition of LDs and won at various legal forums including expert adjudication as well as International Arbitration.

Accordingly, the management is of the view that the position of the Company is sound on technical and legal basis and that the claim is without substance and merit and has been rejected. Pending the resolution of the matter stated above, no provision has been made in these unconsolidated financial statements. No dispute proceedings have been initiated as envisaged in the PPA as the matter remains currently pending at the CPPA(G) Board.

28.11 The Federal Government constituted a committee for the purpose of negotiating the Power Purchase Agreement (PPA). Negotiations are underway between the Committee and the Company in relation to the Hub Power Plant.

29. 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	2020 (Rs. '000s)	2019 (Rs. '000s)
		Chief Executive	
Managerial remuneration	29.1	82,700	72,771
Bonus		8,528	56,756
Other benefits		734	1,262
		91,962	130,789
Number of persons		1	1
		Directors	
Fees	29.2	4,250	7,900
Number of persons		11	10
		Executives	
Managerial remuneration		245,841	140,827
Bonus		28,886	112,158
House rent		100,890	61,174
Utilities		22,396	13,594
Retirement benefits		59,369	31,922
Other benefits		136,950	98,213
		594,332	457,888
Number of persons		111	43
		Total	
Managerial remuneration / Fees		332,791	221,498
Bonus		37,414	168,914
House rent		100,890	61,174
Utilities		22,396	13,594
Retirement benefits		59,369	31,922
Other benefits		137,684	99,475
		690,544	596,577
Number of persons		123	54

29.1 Retirement benefits to the Chief Executive are paid as part of monthly emoluments.

29.2 This represents fee paid to the Directors of the Company for attending meetings.

29.3 The Chief Executive and certain Executives are provided with the use of Company maintained automobiles and certain other benefits.

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

29.5 The above figures do not include cost allocated to subsidiary companies / associate amounting to Rs. 48 million (2019: Rs. 50 million).

30. RELATED PARTY TRANSACTIONS

Related parties comprise of subsidiaries, associates, retirement benefit funds, directors and key management personnel. Significant transactions with related parties during the year, other than those which have been disclosed elsewhere in these unconsolidated financial statements are as follows:

	2020 (Rs. '000s)	2019 (Rs. '000s)
Subsidiaries		
Laraib Energy Limited		
Reimbursable expenses incurred on behalf of subsidiary	71,391	33,123
Receipts against reimbursement of expenses from subsidiary	59,945	25,391
Dividend received	643,242	1,338,638
Hub Power Holdings Limited		
Investment in subsidiary	6,860,500	23,562,444
Reimbursable expenses incurred on behalf of subsidiary	319,524	23,551
Receipts against reimbursement of expenses from subsidiary	261,758	47,758
Reimbursable expenses incurred by subsidiary	8,970	31,915
Payments against reimbursement of expenses to subsidiary	11,344	29,689
Hub Power Services Limited		
Reimbursable expenses incurred on behalf of subsidiary	57,999	17,554
Receipts against reimbursement of expenses from subsidiary	62,062	18,136
Reimbursable expenses incurred by subsidiary	79,651	81,381
Payments against reimbursement of expenses to subsidiary	58,498	81,958
Amount paid for O&M services rendered	1,123,135	1,921,692
Dividend received	175,000	282,000
Interest expense on loan from subsidiary	9,688	5,938
Payments against interest on loan from subsidiary	7,615	5,938
Transfer of assets by subsidiary	30,759	–
Payments against transfer of assets by subsidiary	30,759	–
Transfer of liabilities by subsidiary	24,627	–
Receipts against transfer of liabilities by subsidiary	40,255	–

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
Narowal Energy Limited			
Reimbursable expenses incurred on behalf of subsidiary		381,327	39,933
Receipts against reimbursement of expenses from subsidiary		377,401	39,728
Dividend received		–	784,377
Interest income on loan to subsidiary		98,165	57,921
Receipts against interest on loan to subsidiary		74,981	57,898
Thar Energy Limited			
Investment in subsidiary		833,067	3,011,836
Reimbursable expenses incurred on behalf of subsidiary		30,519	15,738
Receipts against reimbursement of expenses from subsidiary		7,679	5,876
Services rendered to subsidiary		2,369,417	451,001
Amount received against services rendered to subsidiary		2,574,179	411,840
Other related parties			
Amount received against services rendered to TNPTL		140,000	–
Services rendered to TNPTL		170,452	–
Reimbursable expenses incurred on behalf of TNPTL		140,836	7,849
Receipts against reimbursement of expenses from TNPTL		47,634	250
Transfer of assets by TNPTL		–	116
Remuneration to key management personnel			
Salaries, benefits and other allowances		136,283	184,903
Retirement benefits		6,460	4,827
	30.1 & 30.3	142,743	189,730
Directors' fee	29.2	4,250	7,900
Contribution to staff retirement benefit plans of the Company		71,468	34,346
Contribution to staff retirement benefit plans of HPSL		3,995	–
Contribution to staff retirement benefit plans of TEL		280	–

30.1 Transactions with key management personnel are carried out under the terms of their employment. They are also provided with the use of Company maintained automobiles and certain other benefits.

30.2 The transactions with related parties are made under mutually agreed terms and conditions.

30.3 The above figures do not include cost allocated to subsidiary companies amounting to Rs. 18 million (2019: Rs. 24 million).

30.4 The Company has obtained an unsecured short term loan facility for an amount of up to Rs. 5,000 million from NEL, to meet its working capital requirements. This facility carries mark-up at the rate of 0.4% per annum above one month KIBOR payable on quarterly basis. The maximum aggregate amount outstanding at month end during the year was Rs. Nil.

31. RELATED PARTIES AND ASSOCIATED COMPANIES / UNDERTAKINGS

Following are the details of related parties and associated companies / undertakings with whom the Company had entered into transactions or had arrangements in place during the year, in accordance with the Companies Act, 2017:

Particulars	Relationship	% equity interest
Laraib Energy Limited	Subsidiary	74.95%
Hub Power Services Limited	Subsidiary	100%
Hub Power Holdings Limited	Subsidiary	100%
Narowal Energy Limited	Subsidiary	100%
Thar Energy Limited	Subsidiary	60%
Thalnova Power Thar (Private) Limited	Associate	38.3%
Sindh Engro Coal Mining Company Limited	Common Directorship	8%
Askari Bank Limited	Common Directorship	–
Fauji Fertilizer Company Limited	Common Directorship	–
Forbes Forbes Campbell & Co. (Private) Limited	Common Directorship	–
Reon Energy Limited	Common Directorship	–
Siemens (Pakistan) Engineering Company Limited	Common Directorship	–
Pakistan State Oil Company Limited	Interested Persons	–
Mr. Khalid Mansoor	Chief Executive / Director	–
Mr. Abdul Nasir	Key Management Personnel	–
Mr. Shaharyar Nashat	Key Management Personnel	–
Mr. Javed Akbar	Director	–
Mr. Nadeem Inayat	Director	–
Mr. Owais Shahid	Director	–
Mr. Muhammad Ejaz Sanjrani	Director	–
Mr. Manzoor Ahmed	Director	–
Mr. Syed Mohammad Ali	Director	–
Mr. Saad Iqbal	Director	–
The Hub Power Company Limited - Employees' Provident Fund	Retirement benefit fund	–
The Hub Power Company Limited - Staff Gratuity Fund	Retirement benefit fund	–
Hub Power Services Limited - Provident Fund	Retirement benefit fund	–
Hub Power Services Limited - Pension Fund	Retirement benefit fund	–
Thar Energy Limited - Employees' Provident Fund	Retirement benefit fund	–

32. PROVIDENT FUND TRUST

Contribution to defined contribution plan was transferred to Meezan Tahaffuz Pension Fund (MTPF), the voluntary pension system (VPS) with the consent of all members of provident fund with effect from July 2015 as allowed under clause (aa) of sub-rule (1) of Rule 103 of the Income Tax Rules, 2002.

	2020	2019
33. PLANT CAPACITY AND PRODUCTION		
HUB PLANT		
Theoretical Maximum Output	10,541 GWh	10,512 GWh
Total Output	36 GWh	827 GWh
Load Factor	0.34%	7.87%

Practical maximum output for the power plant taking into account all the scheduled outages is 9,886 GWh (2019: 9,396 GWh). Output produced by the plant is dependent on the load demanded by CPPA(G) and the plant availability.

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		Note	2020 (Rs. '000s)	2019 (Rs. '000s)
34.	**WORKING CAPITAL CHANGES**			
	(Decrease) / increase in current assets			
	Stores, spares and consumables		(25,291)	(19,337)
	Stock-in-trade		(1,743,056)	1,112,112
	Trade debts		(8,774,928)	16,427,614
	Loans, advances, prepayments and other receivables		(655,406)	(2,075,696)
			(11,198,681)	15,444,693
	Decrease in current liabilities			
	Trade and other payables		(243,769)	(23,573,823)
			(11,442,450)	(8,129,130)
35.	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	21	511,446	7,312,080
	Short term borrowings	27	(29,914,138)	(41,112,054)
			(29,402,692)	(33,799,974)

		2020	2019
36.	**BASIC AND DILUTED EARNINGS PER SHARE**		
36.1	**Basic**		
	Profit for the year (Rupees in thousands)	10,166,739	8,036,981
	Weighted average number of ordinary shares outstanding during the year	1,297,154,387	1,199,384,446
	Basic earnings per share (Rupees)	7.84	6.70

Basic earnings per share is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

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

37. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks namely 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 these risks on the Company's performance are as follows:

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or 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. 9 million (2019: Rs. 10 million) in foreign currencies which are subject to currency risk exposure and financial liabilities of the Company include Rs. 181 million (2019: Rs. 254 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:

	2020 (Rs. '000s)	2019 (Rs. '000s)
Fixed rate instruments at carrying amount:		
Financial assets		
Bank balances	510,256	298,510
Financial liabilities		
Long term loan	318,000	–
Variable rate instruments at carrying amount:		
Financial assets		
Trade debts	41,738,005	35,255,913
Financial liabilities		
Long term loans	34,249,186	23,242,580
Trade and other payables	23,332,277	24,722,275
Short term borrowings	29,914,138	41,112,054
Total	87,495,601	89,076,909

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 or 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 CPPA(G), the Company has delayed payments to PSO. The Company has also obtained short term borrowings to meet its short term funding requirements. The Company receives interest on delayed payments from CPPA(G) at variable rate provided under the PPA and pays interest on delayed payments to PSO at variable rate provided under the FSA. The rates on all these 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 order to finance investments in NEL, CPHGC (via HPHL), TNPTL (via HPHL), TEL and SECMC the Company entered into long term financing arrangements (refer note 23). The Company has to manage the related finance cost from its own sources which exposes the Company to the risk of change in KIBOR. As at June 30, 2020, 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. 292 million (2019: Rs. 176 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 reporting date was as follows:

	2020 (Rs. '000s)	2019 (Rs. '000s)
Deposits	22,167	20,324
Trade debts	75,030,992	66,256,064
Loans and other receivables	2,650,237	2,135,445
Bank balances	510,256	7,298,510
Total	78,213,652	75,710,343

Trade debts are recoverable from CPPA(G) under the PPA and are secured by guarantee from GOP under the IA. Further, the significant amount of other receivables is also recoverable from CPPA(G) and is secured under IA.

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.

Banks / Financial Institutions	Rating Agency	Ratings Short term	Long term
Conventional			
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Al-Habib Limited	PACRA	A1+	AA+
CitiBank, N.A.	Moody's	P-1	Aa3
Faysal Bank Limited	PACRA	A1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1+	AA-
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
Pak Brunei Investment Company Limited	JCR-VIS	A-1+	AA+
Samba Bank Limited	JCR-VIS	A-1	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Sumitomo Mitsui Banking Corporation Europe	Moody's	P-1	A1
United Bank Limited	JCR-VIS	A-1+	AAA
Shariah Compliant			
Meezan Bank Limited	JCR-VIS	A-1+	AA+
Dubai Islamic Bank Pakistan Ltd	JCR-VIS	A-1+	AA
Faysal Bank Limited	PACRA	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
BankIslami Pakistan Limited	PACRA	A-1	A+

(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 (refer note 27) to meet the short term funding requirements due to delay in payments by CPPA(G). The delay in payments by CPPA(G) is mainly offset by the delay in payments to PSO or by borrowing under running finance facilities.

The Company is exposed to liquidity risk because of the following:

(i) Delay in payment from Power Purchaser - CPPA(G);

(ii) the returns in the form of dividends from NEL may not be sufficient to meet the funding requirements for long term loans obtained for equity investment in NEL (refer note 23.3);

(iii) long term loans obtained for funding in TEL / CPHGC / TNPTL / SECMC (refer note 23.4) may not be sufficient to meet their respective equity requirement; and

(iv) repayment / non-availability of short term borrowings (refer note 27).

The Company manages this liquidity risk from its own sources and other alternative means.

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

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years (Rs. '000s)	Between 5 to 10 years	Total
2019-20					
Long term loans	2,821,584	2,001,771	35,787,628	9,461,250	50,072,233
Long term lease liabilities	30,627	31,374	254,404	197,480	513,885
Trade and other payables	51,466,383	–	–	–	51,466,383
Unclaimed dividend	207,797	–	–	–	207,797
Unpaid dividend	44,380	–	–	–	44,380
Short term borrowings	30,421,482	–	–	–	30,421,482
Total	84,992,253	2,033,145	36,042,032	9,658,730	132,726,160
2018-19					
Long term loans	1,604,001	1,267,928	14,285,668	13,733,938	30,891,535
Trade and other payables	52,566,059	–	–	–	52,566,059
Unclaimed dividend	189,516	–	–	–	189,516
Unpaid dividend	79,605	–	–	–	79,605
Short term borrowings	41,635,950	–	–	–	41,635,950
Total	96,075,131	1,267,928	14,285,668	13,733,938	125,362,665

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

Fair value estimation

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

Fair value of financial instruments

The fair value of the financial assets and liabilities is the amount at which the assets could be sold or the liability transferred in a current transaction between market participants at the reporting date, other than in a forced or liquidation sale. Investment in subsidiary companies and associates are carried at cost.

The fair value of investment in SECMC (unquoted shares) have been estimated using a valuation model. The valuation requires management to make certain assumptions about the model inputs, including forecasted dividends, the discount rate and market risk. The probabilities of the various estimates within the range are assessed and are used in management's estimate in order to determine the fair value of investment in SECMC. The fair value has been determined at Rs. 2,544 million resulting in gain of Rs. 228 million for the year.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

– Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

– Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3 - Inputs from the asset or liability that are not based on observable market data.

	Level 1	Level 2	Level 3	Total
		(Rs. '000s)		
June 2020				
Assets (Investment in SECMC)				
- At fair value through other comprehensive income	–	–	2,544,436	2,544,436
June 2019				
Assets (Investment in SECMC)				
- At fair value through other comprehensive income	–	–	2,044,597	2,044,597

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.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders. The Company also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, less cash and bank balances.

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2020 (Rs. '000s)	2019 (Rs. '000s)
Financial assets - at FVOCI		
Investment in SECMC	2,544,436	2,044,597
Financial assets - at amortised cost		
Deposits	22,167	20,324
Trade debts	75,030,992	66,256,064
Loans and other receivables	2,650,237	2,135,445
Cash and bank balances	511,446	7,312,080
Total	78,214,842	75,723,913
Financial Liabilities - at amortised cost		
Long term loans	34,869,117	23,286,524
Long term lease liabilities	317,945	–
Trade and other payables	51,466,383	52,566,059
Unclaimed dividend	207,797	189,516
Unpaid dividend	44,380	79,605
Short term borrowings	30,421,482	41,635,950
Total	117,327,104	117,757,654

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

39.1 Revised and amended standards and interpretation that are not yet effective and adopted in 2020

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

			Effective date (annual periods beginning on or after)
Amendments to standards			
IFRS 3	–	Business Combinations - Definition of Business	January 1, 2020
IAS 1	–	Presentation on Financial Statements (Amendments)	January 1, 2020
IAS 8	–	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020
IFRS 9	–	Financial Instruments (Amendments)	January 1, 2020
IFRS 7	–	Financial Instruments - Disclosures (Amendments)	January 1, 2020
IAS 1	–	Presentation of financial statements - Presentation of financial statements on classification of liabilities	January 1, 2020
IFRS 16	–	Leases - COVID -19 related rent concession	June 1, 2020

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

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

			Effective date (annual periods beginning on or after)
Standards or Interpretations			
IFRS 1	–	First-time Adoption of International Financial Reporting Standards	January 1, 2018
IFRS 17	–	Insurance Contracts	January 1, 2023

40. SHARIAH COMPLIANCE DISCLOSURE

	2020			2019		
	Conventional	Shariah Compliant	Total	Conventional	Shariah Compliant	Total
			(PKR in '000')			
Turnover						
Revenue	5,856,476	21,763,303	27,619,779	5,634,932	32,770,114	38,405,046
Other income						
Interest income	62,452	–	62,452	23,344	–	23,344
Dividend income	–	1,232,003	1,232,003	–	2,405,015	2,405,015
Income from management services	–	1,862,681	1,862,681	–	38,796	38,796
Finance cost						
Long term loans	2,397,237	1,898,774	4,296,011	1,149,141	588,695	1,737,836
Short term borrowings	3,228,224	1,316,470	4,544,694	2,510,311	460,982	2,971,293
Other finance costs	521,644	32,916	554,560	251,721	259	251,980
Assets						
Bank balances	510,256	–	510,256	7,298,510	–	7,298,510
Liabilities						
Long term loans	17,261,559	17,305,627	34,567,186	17,430,080	5,812,500	23,242,580
Accrued mark-up	440,548	368,727	809,275	475,599	92,241	567,840
Short term borrowings	24,015,785	5,898,353	29,914,138	31,213,515	9,898,539	41,112,054

Exchange gain earned during the year was Rs. 1 million (2019: Rs. Nil)

41. NUMBER OF EMPLOYEES

Total number of employees as at year end were 431 (2019: 137) and the average number of employees during the year were 284 (2019: 114). These include permanent and seconded employees.

42. ADDITIONAL DISCLOSURE

The World Health Organization has declared COVID-19 (the virus) a global pandemic. With the growing number of cases in Pakistan, the Government of Pakistan has provided directions to take measures to respond to the virus.

While the virus has impacted the global economy, the Company's operations and financial results have not been materially impacted, since all the revenue is receivable from CPPA(G) (see note 18.2). In future also, the Company does not foresee any adverse impact on its operations and financial results.

43. REPRESENTATION / RECLASSIFICATION

Certain prior year figures have been represented / re-classified to reflect a more appropriate presentation of events and transactions for the purpose of consistency.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2020

44. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on August 19, 2020 in accordance with the resolution of the Board of Directors.

45. GENERAL

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

M. Habibullah Khan	**Khalid Mansoor**	**Abdul Nasir**
Chairman	Chief Executive	Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30,2020

A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S REPORT

To the members of The Hub Power Company Limited
Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of The Hub Power Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
(i)	***Application of IFRS 16 'Leases'***	
	Refer note 2.2 and 25 to the consolidated financial statements] IFRS 16 'Leases' became effective for the Group for the first time for the current year and replaced IAS 17 'Leases'. The application of the new standard gives rise to recognition of the 'right-of-use asset' and a corresponding increase in 'lease liabilities'. The Group has chosen to apply the new standard using the modified retrospective transition approach as permitted under IFRS 16. The 'right-of-use assets' as at July 1, 2019 amounting to Rs. 420,414 thousand were measured at the amount equal to lease liabilities, adjusted for any related prepaid or accrued lease payments previously recognized. On application of IFRS 16, the comparatives have not been restated, as permitted under the specific transitional provisions of IFRS 16.	Our audit procedures, amongst others, included the following: (i) evaluated management's implementation process and checked the updated accounting policy and policy elections; (ii) computed the right-of-use asset" and corresponding lease liabilities independently and compared the results to that of the management; (iii) assessed the reasonableness of the management's assumptions used especially in respect of determination of discount rate and the assessment of the renewal and the termination options contained in the lease agreements/arrangements;

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KARACHI LAHORE ISLAMABAD

	Key audit matters	How the matter was addressed in our audit
	The carrying values of 'right-of-use assets' and 'lease liabilities' as at June 30, 2020 is Rs. 363,645 thousand and Rs. 322,042 thousand, respectively. The assessment of the impact of the new standard is significant to our audit, as the amounts recorded are material. Further, the measurement of 'right-of-use asset' and 'lease liabilities' is based on assumptions such as discount rates and lease terms, including termination and renewal options, which requires management to exercise its judgement. Therefore, we have considered this as a key audit matter.	(iv) checked the accuracy of the underlying lease data by agreeing the leases to the original contract and other supporting information and checked the integrity and mechanical accuracy of the IFRS 16 calculations; and (v) assessed the adequacy of the related disclosures made in the consolidated financial statements with regard to the applicable accounting and reporting standards.
(ii)	***Contingent Liabilities***	
	Contingent Liabilities [Refer notes 30.4 to 30.6, 30.9 and 30.11.3 to 30.11.5 to the consolidated financial statements] The Group has significant contingent liabilities in respect of Income Tax, Sales Tax, Federal Excise Duty (FED), Workers Profit Participation Fund (WPPF) and First Fill claim matters, which are pending adjudication at various appellate forums. These are based on a range of issues such as disallowance of certain expenses for income tax purposes, apportionment of input sales tax claims, applicability of FED on services, applicability of WPPF on the operations of the Group and demand / claim by Central Power Purchasing Agency Guarantee Limited (CPPA-G). Contingencies require management to make judgments and estimates in relation to the interpretation of laws, statutory rules, regulations and the probability of outcome and financial impact, if any, on the Group for disclosure and recognition and measurement of any provision that may be required against such contingencies. Due to the significance of the amounts involved, inherent uncertainties with respect to the outcome of the matters and use of significant management judgments and estimates to assess the same including related financial impacts, we have considered contingent liabilities as a key audit matter.	Our audit procedures, amongst others, included the following: i) obtained an understanding of the Group's process and controls over litigations through meetings with management and review of minutes of the meetings of Board of Directors and Board Audit Committee; ii) obtained and assessed details of the pending tax, FED, WPPF and First Fill claim matters and discussed the same with the Group's management; iii) circularized confirmations to the Group's external legal and tax counsels for their views on legal position of the Group in relation to these pending matters; iv) involved internal tax professionals to assess management's conclusion on contingent tax, FED and WPPF matters and evaluated consistency of such conclusions with the views of management and external tax and legal counsels engaged by the Group; v) checked correspondence of the Group with the relevant authorities including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved; and vi) assessed the adequacy of the related disclosures made in the consolidated financial statements in this respect with regard to the applicable accounting and reporting standards.

	Key audit matters	How the matter was addressed in our audit
(iii)	***Receivable from Central Power Purchasing Agency Guarantee Limited (CPPA-G) and National Transmission and Despatch Company Limited (NTDC)***	
	[Refer note 19 to the consolidated financial statements] The Group under the Power Purchase Agreement (PPA) is required to sell the electricity to CPPA-G and NTDC, and recognises revenue based on the output delivered and capacity available. Continuous delays by CPPA-G and NTDC in settlement of invoices raised by the Group Companies under the PPA, have resulted in buildup of trade debts aggregating to Rs. 99,700 million as at June 30, 2020 including overdue trade debts of Rs. 85,285 million. Due to delays in recovery, the Group has financed its operations through short term financing arrangements and by delaying the settlement of trade and other payables. In view of the significant delay in settlement, materiality of the trade debts, the various financing arrangements there against and the consequential impact on the operations / financial strength of the Group, we have considered this as a key audit matter.	i) assessed whether the revenue and related trade debt have been recognised in accordance with the accounting policies of the Group; ii) verified that the invoices raised by the Group during the year are in accordance with the requirements of PPA; iii) obtained direct confirmations of trade debts from CPPA-G and NTDC; iv) made inquiries with the management of the Group and read minutes of the meetings of the Board of Directors and committees formed thereunder to ascertain actions taken and planned for remediation and management of trade debts; v) checked Implementation Agreement and assessed whether trade debts are secured against guarantee from the Government of Pakistan and whether any impairment is required to be recognised thereagainst as per the applicable accounts and reporting standards; and vi) assessed adequacy of the related disclosures made in the consolidated financial statements, with regards to applicable accounting and reporting standards.

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

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

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

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

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Waqas Aftab Sheikh.

A.F. Ferguson & Co
Chartered Accountants
Karachi
Date: August 21, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended June 30, 2020

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
Turnover	5	48,321,335	58,349,317
Operating costs	6	(17,830,929)	(36,860,465)
GROSS PROFIT		30,490,406	21,488,852
General and administration expenses	7	(1,499,790)	(1,605,994)
Other income	8	410,289	526,966
Other operating expenses	9	(181,347)	(127,688)
PROFIT FROM OPERATIONS		29,219,558	20,282,136
Finance costs	10	(11,905,155)	(7,401,123)
Share of profit / (loss) from associates - net	11	13,700,361	(433,984)
Loss on shares to be transferred to GoB	27.4	(1,009,029)	-
PROFIT BEFORE TAXATION		30,005,735	12,447,029
Taxation	12	(3,944,865)	(516,722)
PROFIT FOR THE YEAR		26,060,870	11,930,307
Attributable to:			
– Owners of the holding company		25,044,209	11,240,837
– Non-controlling interests		1,016,661	689,470
		26,060,870	11,930,307
Basic and diluted earnings per share attributable to owners of the holding company (Rupees)	39	19.31	9.37

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended June 30, 2020

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
Profit for the year		26,060,870	11,930,307
Other comprehensive income for the year:			
Items that will not be reclassified to Profit or Loss in subsequent periods			
Gain / (loss) on remeasurement of post employment benefit obligation		61,224	(29,388)
Gain on revaluation of equity investment at fair value through other comprehensive income	40	227,778	723,447
		289,002	694,059
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		26,349,872	12,624,366
Attributable to:			
– Owners of the holding company		25,332,259	11,934,891
– Non-controlling interests		1,017,613	689,475
		26,349,872	12,624,366

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2020

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	13	75,600,686	68,487,309
Intangibles	14	1,441,399	1,472,145
Long term investments	15	54,026,930	36,302,726
Long term deposits, prepayments and others	16	35,531	69,362
		131,104,546	106,331,542
CURRENT ASSETS			
Stores, spares and consumables	17	2,893,526	3,124,509
Stock-in-trade	18	6,699,010	5,844,656
Trade debts	19	99,700,245	85,274,480
Loans and advances	20	46,873	52,685
Deposits, prepayments and other receivables	21	13,406,781	12,507,992
Cash and bank balances	22	6,537,425	12,131,754
		129,283,860	118,936,076
TOTAL ASSETS		260,388,406	225,267,618
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised	23	17,000,000	17,000,000
Issued, subscribed and paid-up		12,971,544	12,971,544
Capital Reserve			
Share premium		5,600,000	5,600,000
Revenue Reserve			
Unappropriated profit		57,715,017	32,427,157
Attributable to owners of the holding company		76,286,561	50,998,701
NON-CONTROLLING INTERESTS		7,644,781	6,424,007
		83,931,342	57,422,708
NON-CURRENT LIABILITIES			
Long term loans	24	48,137,934	33,399,225
Long term lease liabilities	25	2,405,269	2,533,131
Deferred taxation	26	3,170,595	–
		53,713,798	35,932,356
CURRENT LIABILITIES			
Trade and other payables	27	77,322,905	70,529,859
Unclaimed dividend		207,797	189,516
Unpaid dividend		182,662	87,615
Interest / mark-up accrued	28	1,697,711	1,558,324
Short term borrowings	29	38,861,671	53,478,425
Current maturity of long term loans	24	3,852,466	5,527,014
Current maturity of long term lease liabilities	25	576,095	501,192
Taxation-net		41,959	40,609
		122,743,266	131,912,554
TOTAL EQUITY AND LIABILITIES		260,388,406	225,267,618
COMMITMENTS AND CONTINGENCIES	30		

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		30,005,735	12,447,029
Adjustments for:			
Depreciation		4,168,108	4,694,874
Amortisation		34,314	41,953
Gain on disposal of fixed assets		(12,705)	(44,768)
Provision against slow moving stores, spares and consumables		176,568	144,069
Write-off of fixed assets		26,613	9,125
Staff gratuity		78,203	81,510
Interest income		(350,250)	(185,051)
Interest / mark-up expense		11,352,297	6,967,431
Amortisation of transaction costs		110,201	89,632
Share of (gain) / loss from associates		(13,700,361)	433,984
Loss on shares to be transferred to GoB		1,009,029	–
Operating profit before working capital changes		32,897,752	24,679,788
Working capital changes	37	(18,012,765)	(11,803,384)
Cash generated from operations		14,884,987	12,876,404
Interest received		351,794	185,703
Interest / mark-up paid		(11,305,848)	(6,189,056)
Staff gratuity paid		(110,173)	(79,062)
Taxes paid		(237,457)	(340,212)
Net cash generated from operating activities		3,583,303	6,453,777
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(3,876,229)	(4,934,828)
Proceeds from disposal of fixed assets		17,531	93,439
Long term investments made		(3,369,407)	(27,189,384)
Long term deposits, prepayments and others		26,531	(32,914)
Net cash used in investing activities		(7,201,574)	(32,063,687)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the holding company		(16,944)	(3,358,478)
Dividends paid to non controlling interest		(214,976)	(439,374)
Proceeds from long term loans - net		18,422,877	13,068,876
Repayment of long term loans		(5,534,561)	(7,915,424)
Proceeds from issuance of shares		–	7,000,000
Proceeds against issuance of shares to non controlling interest (TEL)		557,308	2,620,528
Repayment of long term lease liabilities		(551,647)	(393,734)
Share issuance cost		(21,361)	(168,700)
Net cash generated from financing activities		12,640,696	10,413,694
Net increase / (decrease) in cash and cash equivalents		9,022,425	(15,196,216)
Cash and cash equivalents at the beginning of the year		(41,346,671)	(26,150,455)
Cash and cash equivalents at the end of the year	38	(32,324,246)	(41,346,671)

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2020

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
ISSUED CAPITAL			
Balance at the beginning of the year		12,971,544	11,571,544
Issued Nil (2019: 140,000,000) ordinary shares of Rs. 10 each		–	1,400,000
Balance at the end of the year	23	12,971,544	12,971,544
SHARE PREMIUM			
Balance at the beginning of the year		5,600,000	–
On issuance of Nil (2019: 140,000,000) ordinary shares		–	5,600,000
Balance at the end of the year		5,600,000	5,600,000
UNAPPROPRIATED PROFIT			
Balance at the beginning of the year		32,427,157	23,878,200
Profit for the year		25,044,209	11,240,837
Other comprehensive income for the year		288,050	694,054
Total comprehensive income for the year		25,332,259	11,934,891
Transactions with owners in their capacity as owners			
Final dividend for the fiscal year 2018-2019 @ Rs. Nil			
(2017-2018 @ Rs. 2.80) per share		–	(3,240,032)
Share issuance cost		(44,399)	(164,082)
Disposal of partial interest in TEL		–	18,180
Balance at the end of the year		57,715,017	32,427,157
Attributable to owners of the holding company		76,286,561	50,998,701
NON-CONTROLLING INTERESTS (NCI)			
Balance at the beginning of the year		6,424,007	3,584,186
Total comprehensive income for the year		1,017,613	689,475
Dividends to NCI		(353,258)	(447,384)
Investments made		557,308	2,620,528
Disposal of partial interest in TEL		–	(18,180)
Share issuance cost		(889)	(4,618)
Balance at the end of the year		7,644,781	6,424,007
TOTAL EQUITY		83,931,342	57,422,708

The annexed notes from 1 to 48 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

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. The shares of the holding company are listed on the Pakistan Stock Exchange (PSX). 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).

The Group consists of The Hub Power Company Limited (the holding company) and following subsidiaries and associates:

Subsidiaries:

– Laraib Energy Limited (LEL) - Holding of 74.95%;
– Hub Power Services Limited (HPSL) - Holding of 100%;
– Hub Power Holdings Limited (HPHL) - Holding of 100%;
– Narowal Energy Limited (NEL) - Holding of 100%; and
– Thar Energy Limited (TEL) - Holding of 60%.

Associates:

– China Power Hub Generation Company (Private) Limited (CPHGC) - legal ownership interest of 47.5%; and
– ThalNova Power Thar (Private) Limited (TNPTL) - Holding of 38.3%.

Head Offices:

– The registered offices of the holding company, HPSL, HPHL, NEL and TEL are situated at 11th Floor, Ocean Tower, G-3, Block-9, Main Clifton Road, Karachi.

– The registered office of LEL is situated at Gerry's Center, 1-B, 3rd Floor, Service Road West, 7th Avenue, G-6/1, Islamabad.

Plants:

– Hub Plant is situated at Mouza Kund, Post Office Gaddani, District Lasbela, Balochistan.
– Narowal Plant is situated at Mouza Aroud Afghana, Muridkey Narowal Road, Narowal.
– Laraib Plant is situated at New Bong Escape Hydro-Electric Power Complex, Village Lehri, District Mirpur, Azad Jammu & Kashmir.

Laraib Energy Limited (LEL)

LEL was incorporated in Pakistan on August 9, 1995 as a public limited company which owns a 84 MW hydropower generating complex near the New Bong Escape, which is 8 km downstream of the Mangla Dam in Azad Jammu & Kashmir (AJK). The plant commenced operations on March 23, 2013.

In connection with investment in the LEL, 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 LEL'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 LEL; and
- **(b)** all its rights, title and interest from time to time (whether present or future) in the Assigned Subordinated Loans 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.

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

Pursuant to the SSA in connection with the investment in LEL, the holding company entered into a facility agreement with a bank and provided an LC of USD 23 million to LEL's lenders for cost overruns and debt repayment. The LC amount has been reduced to USD 9.487 million which the holding company is committed to continue to maintain till the last repayment of debt (expected in 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 of NEL; and (iv) present and future shares acquired in LEL including bonus shares and right shares.

Hub Power Services Limited (HPSL)

HPSL was incorporated in Pakistan on March 26, 2015 as a public limited company. The principal activities of the subsidiary are to manage operations & maintenance of power plants.

Hub Power Holdings Limited (HPHL)

HPHL was incorporated in Pakistan on March 10, 2015 as a public limited company. The principal activities of the subsidiary are to invest in new business opportunities.

Narowal Energy Limited (NEL)

NEL was incorporated in Pakistan on November 03, 2015 as a public limited company. The principal activities of the subsidiary are to own, operate and maintain a 214 MW (net) oil-fired power station in Punjab (Narowal plant).

Thar Energy Limited (TEL)

The holding company has 60% controlling interest in TEL, Fauji Fertilizer Company Limited (FFCL) has 30% interest and CMEC TEL Power Investments Limited has 10% interest. TEL was incorporated in Pakistan on May 17, 2016 as a public limited company. The principal activities of the subsidiary are to develop, own, operate and maintain a 1 x 330 MW mine-mouth coal fired power plant at Thar Block II, Thar Coal Mine, Sindh.

Project status and financial close

On January 30, 2020, PPIB on behalf of the Government of Pakistan notified the achievement of Financial Close (FC) of TEL.

In relation to the achievement of TEL's FC, a Deed of Undertaking (Deed) was signed between TEL and Habib Bank Limited (the Intercreditor Agent), pursuant to which TEL is required to procure the following no later than June 30, 2020, subject to the terms and conditions defined in the Deed:

i. An amendment in the Sponsor Support Agreement (SSA) executed between TEL, its shareholders and its lenders dated January 08, 2019 for Additional Sponsor Support up to maximum of USD 19.5 million in which the holding company's share will be USD 11.7 million (based on the 60% equity stake); and

ii. An amendment in the Coal Supply Agreement (CSA) in a way that coal supply by SECMC is available by December 31, 2021.

Consequently, on March 31, 2020 the holding company obtained approval from its shareholders in an Extraordinary General Meeting (EGM) to provide the additional sponsor support for the benefit of TEL and Intercreditor Agent for an aggregate amount of up to USD 12 Million (or PKR equivalent) to guarantee an investment in the form of equity and/or subordinated debt to cover for funding shortfall that may arise due to unavailability of coal and/or delay in the Commercial Operations Date (COD). Such 'investment' shall be valid till June 2022 or such other date as may be required under the Sponsor Support Agreement, whichever is later. The holding company has executed the above-mentioned amendment in the SSA. Amendment for CSA is under negotiation with SECMC.

The outbreak of Novel Coronavirus (COVID-19) in China had been declared a public health emergency of international concern by the World Health Organization ("WHO"). It has materially and adversely affected the progress of the engineering, procurement and construction activities of the Project. The EPC contractor had therefore issued a claim to TEL for the Force Majeure Event (FME) under the Offshore and Onshore Supply and Services Agreements. TEL has also issued a notice claiming FME under Power Purchase Agreement (PPA) and Implementation Agreement (IA) in accordance with the terms of the respective agreements. Central Power Purchasing Agency [CPPA(G)] has also notified TEL of a Force Majeure Event under the PPA. TEL has requested CPPA(G) to provide them with more details, including the mitigation measures taken by CPPA(G). The impact of FME on project timeline and cost is under assessment.

Under the PPA, TEL's Required Commercial Operations Date (RCOD) is March 31, 2021. Any delay in achievement of COD beyond the RCOD will result in Liquidated Damages (LDs) amounting to USD 2.68 million for each month of delay. TEL expects to achieve COD by the end of 2021. Considering the delay in COD, TEL has requested PPIB and CPPA(G) for extension in RCOD.

Holding company's commitments for TEL - Sponsors' support

In addition to above additional sponsor support, the holding company for the development of TEL's project and pursuant to Shareholder's Agreement dated March 15, 2018, has obtained following approvals from shareholders in general meeting and is committed to:

(i) make investments in TEL up to an amount not exceeding USD 78 million (or PKR equivalent) by way of a subscription of shares. Such investment shall be made within a period up till December 2022;

(ii) arrange and provide a Standby Letter of Credit (SBLC) to the Lenders of TEL or TEL to cover for the equity investment of (and up to an amount not exceeding) USD 78 million (or PKR equivalent) to guarantee the subscription of equity. Such SBLC shall be for a period up till December 2022. On November 11, 2019, the holding company issued Equity SBLC amounting to Rs. 4,520 million (equivalent to remaining USD million) to the lenders of TEL which is valid till November 10, 2021. This SBLC was issued as a sublimit of the financing arrangement as mentioned in note 24.4.1 to these consolidated financial statements;

(iii) undertake to the Lenders of TEL and to arrange and/or provide working capital financing to TEL equivalent to an aggregate amount of USD 36 million. Such investment shall be for a period up till December 2032;

(iv) assign its rights in respect of any investment made in TEL by way of Subordinated loan (which loan is to be treated as subordinated to the debt of the Lenders of TEL), in favour of the Lenders of TEL. Such investment shall be for a period up till December 2032. In order to fulfil this condition, the holding company has signed subordination agreement on December 20, 2018;

(v) execute the Share Pledge Agreement including all necessary documentation related thereto and for the said purpose do or cause to do all acts, deeds and things that may be necessary or required in connection therewith, as may be deemed appropriate and as mutually agreed with the Lenders of TEL including any amendments thereto, or as required by law. The holding company has executed Share Pledge Agreement on July 08, 2019 to fulfil this condition;

(vi) provide a guarantee (in the form of standby letter of credit) for the benefit of TEL and Intercreditor Agent for an aggregate amount of USD 31 million (or PKR equivalent) to guarantee an investment in the form of equity or subordinated debt to cover (a) cost overrun, (b) any obligation under financing documents prior to Project Completion Date ("PCD"), and (c) COD undertakings. Such investment shall be for a period up till the earlier of Project Completion Date or December 2025. On November 15, 2019, the holding company issued Cost Overrun SBLC amounting to USD 30.420 million to the lenders of TEL. The facility is secured by way of pari passu over all present and future assets of the holding company, other than current assets;

(vii) issue a sponsor standby letter of credit to cover for the Initial Debt Service Reserve Account Shortfall, of an amount estimated not to exceed USD 20 million (or PKR equivalent), but which may be higher. Such SBLC shall be for a period up till the earlier of first payment of the instalment of the loan or December 2023;

(viii) issue a sponsor standby letter of credit to cover for the Debt Service Reserve Account, of an amount estimated not to exceed USD 20 million (or PKR equivalent), but which may be higher. Such SBLC shall be for a period up till the earlier of first payment of the installment of the loan or December 2032;

(ix) provide contractual commitments up to USD 22 million (or PKR equivalent) to Lenders for the purpose of TEL taking excess debt, which is over and above the cost approved by NEPRA. Such sponsor obligation shall be for a period earlier of the tenure of the project loan or December 2032;

(x) participate in the Put Option / Commercial Risk Guarantee ("Put Option / CRG") to be provided by local banks and financial institutions (including Habib Bank Limited) ("Put Option / CRG Financiers") to the foreign lenders and contributing payment of a sum not exceeding USD 15 million, ("Put Option / CG Contribution Amount") under the same as primary obligor and USD 10 Million as mark-up on the forced loan not settled by project company (if any) and any excess exposure on account of USD / PKR devaluation in accordance with the terms of the Put Option / CRG Agreement. Such sponsor obligation shall be valid till December 2032. Accordingly, the holding company has entered into a Put Option Sponsor Support Agreement dated December 20, 2018 and fulfilled this condition by providing pari passu charge on the holding company's assets, other than current assets; and

(xi) provide a contractual commitment and a parent company guarantee to TEL guaranteeing the due and punctual performance obligations by HPSL pursuant to the terms of the O&M Agreement. Such sponsor obligation shall be for a period the earlier of the tenure of the project loan or December 2032. The holding company has provided Parent Company Guarantee to TEL in the form of a corporate guarantee as per the terms of the O&M agreement.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

2.2 Changes in accounting standards and interpretations

Standards, interpretations and amendments to published approved accounting and reporting standards which became effective during the year:

The Group has adopted the accounting standards which became effective for the current year, these standards did not have any material effect on these consolidated financial statements except for the following:

First time adoption of IFRS 16 'Leases' (effective for annual periods beginning on or after January 1, 2019)

IFRS 16 replaces existing guidance on accounting for leases, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases- Incentive" and SIC-27 "Evaluating the substance of transactions involving the legal form of a Lease". It results in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases has been removed. Under the new standard, an asset (the right of use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

The Group has adopted IFRS 16 by applying the modified retrospective approach along with transitional provision provided under IFRS 16 according to which the Group is not required to restate the prior period results and no impact of adoption of IFRS 16 on opening equity has been recognised by the Group. The Group has used a single discount rate to a portfolio of leases with reasonably similar characteristics (i.e. lessee's incremental borrowing rate of 10% to 13.5%) and used hindsight in determining the lease term if the contracts contain options to extend or terminate the lease.

Following is the impact of IFRS 16 on these consolidated financial statements:

	June 30, **2020** (Rs. '000s)	July 01, 2019 (Rs. '000s)
Impact on statement of financial position		
Property, plant and equipment - increased by	363,645	420,414
Prepayments and other receivables - decreased by	(7,235)	(6,679)
Long-term deposits and prepayments - decreased by	(6,911)	(7,300)
Trade and other payables - decreased by	1,428	–
Lease liabilities - increased by	382,134	406,435
Current portion of long term lease liabilities - increased by	(60,092)	(55,115)
Long term lease liabilities - increased by	322,042	351,320

	2020 (Rs. '000s)
Impact on statement of profit or loss	
Operating costs	
- Increase in depreciation	(1,817)
- Decrease in rent expense	1,817
	–
General and administration expenses	
- Increase in depreciation	(54,752)
- Decrease in rent expense	69,906
	15,154
Increase in finance cost	(47,032)
Decrease in profit before taxation	(31,878)
Decrease in taxation	–
Decrease in profit for the year	(31,878)

The Group, as a lessee, recognises a right of use asset and a lease liability on the lease commencement date.

Upon initial recognition, the right of use asset is measured as the amount equal to initially measured lease liability adjusted for lease prepayments, initial direct cost, lease incentives and the discounted estimated asset retirement obligation. Subsequently, the right of use asset is measured at cost net of any accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the shorter of estimated useful lives of the right of use assets or the lease term.

The lease liability was measured upon initial recognition at the present value of the future lease payments over the lease term, discounted with the specific incremental borrowing rate. Subsequently, lease liability is measured at amortised cost using the effective interest rate method.

2.3 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policy notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2020

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Further, the Group also considers whether:

- it has power to direct the relevant activities of the subsidiaries;
- is exposed to variable returns from the subsidiaries; and
- decision making power allows the Group to affect its variable returns from the subsidiaries.

All business combinations are accounted for using the acquisition 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 subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the holding company, using consistent accounting policies.

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

A change in the ownership interest of the subsidiaries, without a change of control, is accounted for as an equity transaction.

The subsidiary companies are consolidated from the date on which more than 50% voting rights are transferred to the holding company or power to govern the financial and operating policies of the subsidiaries are established and are excluded from consolidation from the date of disposal or cessation of control.

Non-controlling interest (NCI) is the equity in a subsidiary not attributable, directly or indirectly, to the holding company.

Associates

Associates are all entities over which the Group has significant influence but not control. Investment in associates is accounted for using equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates. The consolidated statement of profit or loss reflects the Group share of the results of the operations of the associates.

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

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

3.2 Property, plant and equipment

(a) Operating fixed assets 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 13.1 to the consolidated financial statements. Depreciation on additions is charged for the full month in which an asset is available for use and on disposals up to the month immediately preceding the disposals. Gains and losses on disposals are taken to the statement of profit or loss.

Maintenance and repairs are charged to the statement of profit or loss as and when incurred. Major renewals and improvements are capitalised.

Spare parts and servicing equipment are classified as operating fixed assets under plant and machinery rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Available for use capital spares and servicing equipment are depreciated over their useful lives, or the remaining life of principal asset, whichever is lower.

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 reporting date.

(b) Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any. Items are transferred to operating fixed assets as and when they are available for use.

3.3 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 acquired subsidiary at the date of acquisition. Goodwill is tested for impairment annually and whenever there is an indication that the value may be impaired, and carried at cost less accumulated 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 14.1 to these consolidated financial statements.

3.4 Investments

Investment in associates

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

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

Others

On initial recognition, the Group designate investments in equity instruments as at Fair Value Through Other Comprehensive Income (FVTOCI) if the equity investment is not held for trading or if it is contingent consideration recognised in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in retained earnings.

3.5 Impairment of non-current assets

The carrying amounts of non-current assets except goodwill are reviewed at each reporting 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 statement of profit or loss. 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.

3.6 Impairment of financial assets

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

Securities and Exchange Commission of Pakistan (SECP) exempted the application of Expected Credit Loss model under IFRS – 9 "Financial Instruments" in respect of debts due from Government of Pakistan, through S.R.O. 985(I) / 2019 dated September 2, 2019, for a limited period of three years up to June 30, 2021. Accordingly, the Group has applied the requirements of IAS – 39 "Financial Instruments: Recognition and Measurement" for trade debts for the preparation of these consolidated financial statements.

For financial assets other than trade debts, lifetime Expected Credit Losses (ECL) is used when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

3.7 Stores, spares and consumables

These are valued at the lower of moving average cost and net realisable value except for the items in transit which are stated at cost. Cost of stock-in-transit represents the invoice value plus other charges incurred thereon till the reporting date. Provision is made for slow moving and obsolete items, if any.

3.8 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.

3.9 Share capital

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

3.10 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.

3.11 Staff retirement benefits

Defined benefit plans

The holding company, TEL and HPSL operate funded defined benefit gratuity plans, covering eligible employees who have completed minimum service requirement with respective company. The liabilities relating to defined benefit plans are determined through actuarial valuation using the Projected Unit Credit Method. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of these benefits, such estimates are subject to certain uncertainties.

Defined contribution plans

LEL operates a funded defined contribution gratuity plan for the benefit of its employees, excluding Chief Executive of LEL. Monthly contributions are paid by LEL to the fund at the rate of 8.33% of basic salary. LEL is also required to pay gratuity of Chief Executive, as per terms of his employment, to the defined benefit gratuity fund maintained by the holding company.

The holding company, LEL, TEL and HPSL operate recognised contributory provident funds covering all employees who are eligible for the plan. Equal monthly contributions are made by the companies and the employees in accordance with the respective funds' rules.

In addition to above, HPSL also operates a defined contribution pension fund for employees who are eligible for the plan. HPSL is required to contribute 10% of the basic pay of the employees on monthly basis. The HPSL's contributions are recognised as employee benefit expense when they are due.

3.12 Revenue recognition

3.12.1 Sale of electricity

Revenue from the sale of electricity to the Central Power Purchasing Agency (Guarantee) Limited [CPPA(G)], the sole customer of the holding company, is recorded based upon the output delivered and capacity available at rates as specified under the Power Purchase Agreement (PPA) with CPPA(G), as amended from time to time. PPA with CPPA(G) is a contract over a period of 30 years starting from 1997. Late payment interest, as per the PPA, on receivables from CPPA(G) is recorded on accrual basis.

Revenue from the sale of electricity to the National Transmission and Despatch Company Limited (NTDC), the sole customer of NEL, 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. Late payment interest, as per the PPA, on receivables from NTDC is recorded on accrual basis.

Revenue from the sale of electricity to the NTDC, the sole customer of LEL, is recorded based upon the output delivered and average energy at rates as specified under the PPA. PPA is a contract over a period of 25 years starting from 2013. Late payment interest, as per the PPA, on receivables from NTDC is recorded on accrual basis.

3.12.2 Services income

Revenue from service income is recongised on accrual basis as and when services are rendered upon satisfaction of performance obligation, in accordance with the terms of agreements.

Revenue for services is recognised to the extent it is probable that the economic benefits will flow to the Group and amount of revenue can be measured reliably.

3.12.3 Interest income

Interest income is recorded on accrual basis.

3.12.4 Other income

Revenue from sale of Certified Emission Reductions (CERs) is recognised upon delivery of the CERs.

3.13 Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pak Rupees which is the Group's functional currency, unless otherwise stated.

3.14 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee equivalents using the exchange rates at reporting date. 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 statement of profit or loss, except as follows:

In partial modification of S.R.O. 24(I)/2012 dated January 16, 2012, the SECP, vide S.R.O. 986(I)/2019 dated September 02, 2019, has granted exemption from the requirements of International Accounting Standard (IAS) 21 "The effects of changes in Foreign Exchange Rates" to the extent of capitalisation of exchange differences to all companies which have executed their Power Purchase Agreements before January 01, 2019. Accordingly, the exchange differences relating to foreign currency borrowings have been capitalized in the related 'operating property, plant and equipment' and are depreciated over the term of the PPA.

Had exchange differences, as allowed by the above mentioned S.R.O. not been capitalized, the profit for the year would have been higher by Rs. 92.22 million and the operating property, plant and equipment as at June 30, 2020 would have been lower by Rs. 3,797.78 million.

3.15 Taxation

3.15.1 Current

Income of the holding company, NEL, TEL and LEL 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.

Income of HPHL is subject to taxation in Pakistan in accordance with the provisions of the ITO. Accordingly, provision for taxation has been made after taking into account tax credits etc., if any.

Income of HPSL is subject to taxation in Pakistan in accordance with the provisions of the ITO and tax laws adopted by Azad Jammu and Kashmir (AJK). Accordingly, provision for taxation has been made after taking into account tax credits etc., if any. Presently, majority of HPSL's income is being taxed on minimum tax on service income. Hence, no deferred tax has been recognised in these consolidated financial statements.

3.15.2 Deferred

Deferred tax is recognised using the balance sheet method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

3.16 Dividend distribution

Dividend distribution to the holding company's shareholders and NCI is recognised as a liability in the period in which it is approved.

3.17 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.

3.18 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) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, payorders in hand, cash with banks on savings, call and term deposit accounts and short term borrowings. Short term borrowings are shown in current liabilities.

(c) 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 statement of profit or loss over the period of the borrowings using the effective interest rate method.

(d) 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.

3.19 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. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalization. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use.

3.20 Off-setting

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2020

4. 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.

Following are the significant areas where management used estimates and judgements other than those which have been disclosed elsewhere in these consolidated financial statements:

a) Determining the residual values and useful lives of property, plant and equipment and intangibles;

b) Distinguishing between capital spares, servicing equipment and stores and spares;

c) Provisions;

d) Recognition of taxation;

e) Recognition of provision for staff retirement benefits;

f) Impairment of goodwill, trade debts and other receivables;

g) Commitments and contingencies;

h) Determining the fair value of equity instruments designated as FVTOCI; and

i) Recognition of lease liabilities and right of use assets under IFRS 16.

		2020 (Rs. '000s)	2019 (Rs. '000s)
5.	**TURNOVER**		
	Capacity Purchase Price (CPP)	34,077,497	28,405,770
	Energy Purchase Price (EPP)	6,898,851	25,852,459
	Late Payment Interest (LPI)	8,243,831	7,075,199
	Startup Charges (SC)	29,702	131,611
	Part Load Adjustment Charges (PLAC)	66,484	567,208
	Pass through items (taxes)	–	50,099
		49,316,365	62,082,346
	Less: Sales tax on EPP	(995,030)	(3,733,029)
		48,321,335	58,349,317

		Note	**2020** (Rs. '000s)	2019 (Rs. '000s)
6.	**OPERATING COSTS**			
	Fuel cost		5,441,846	21,883,187
	Late payment interest to fuel suppliers		3,783,326	4,435,700
	Salaries, benefits and other allowances	6.1	1,276,214	1,418,214
	Water use charges		153,608	127,362
	Stores and spares		481,409	927,941
	Insurance		1,236,782	960,461
	Depreciation	13.4	4,032,061	4,631,695
	Amortisation	14.2	32,615	37,581
	Repairs, maintenance and other costs		1,393,068	2,438,324
			17,830,929	36,860,465

6.1 This includes Rs. 115 million (2019: Rs. 107 million) in respect of staff retirement benefits.

		Note	**2020** (Rs. '000s)	2019 (Rs. '000s)
7.	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries, benefits and other allowances	7.1	871,904	948,711
	Travel and transportation		38,502	52,641
	Fuel and power		11,712	9,067
	Property, vehicles and equipment rentals		7,743	43,550
	Office running cost		86,476	92,191
	Repairs and maintenance		35,235	37,491
	Legal and professional charges		135,873	139,457
	Insurance		20,312	15,834
	Fee and subscription		12,491	15,643
	Training and development		4,646	10,330
	Auditors' remuneration	7.2	12,984	10,337
	Donations	7.3	38,422	36,513
	Corporate social responsibility		65,503	70,817
	Printing and stationery		12,777	12,132
	Depreciation	13.4	122,369	54,691
	Amortisation	14.2	1,413	4,268
	Miscellaneous		21,428	52,321
			1,499,790	1,605,994

7.1 This includes Rs. 74 million (2019: Rs. 57 million) in respect of staff retirement benefits.

7.2 Auditors' remuneration

The aggregate amount charged in respect of auditors' remuneration, including that of subsidiary companies, is as follows:

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
Statutory audits		5,998	5,698
Half yearly reviews		1,188	1,112
Other services		4,908	2,879
Out-of-pocket expenses		890	648
		12,984	10,337

7.3 No directors or their spouses had any interest in any donee to which donations were made. During the year, the holding company made donation to The Citizens Foundation amounting to Rs. 33 million (2019: Rs. 34 million).

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
8. OTHER INCOME			
Financial assets			
Interest income		350,250	185,051
Non-financial assets			
Gain on disposal of fixed assets - net		12,705	44,768
Income from sale of CERs - net		9,870	–
Income under shared facility agreement - net	8.1	3,176	11,837
Exchange gain		24,565	250,772
Others		9,723	34,538
		60,039	341,915
		410,289	526,966

8.1 This represents net income from provision of services to China Power Hub Generation Company (Private) Limited (CPHGC), an associate company, at Hub site in accordance with the terms of service agreement entered into between HPSL and CPHGC on August 30, 2016.

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
9. OTHER OPERATING EXPENSES			
Workers' profit participation fund	9.1	154,734	122,191
Fixed assets written-off		26,613	5,497
		181,347	127,688
9.1 Workers' profit participation fund			
Provision for Workers' profit participation fund	30.4	784,265	602,405
Workers' profit participation fund recoverable from CPPA(G) / NTDC		(629,531)	(480,214)
		154,734	122,191

		Note	2020 (Rs. '000s)	2019 (Rs. '000s)
10.	**FINANCE COSTS**			
	Interest / mark-up on long term loans		5,411,922	2,887,281
	Mark-up on short term borrowings		5,713,278	3,878,913
	Mark-up on long term lease liabilities		227,097	201,237
	Amortization of transaction cost		110,201	89,632
	Other finance costs		442,657	344,060
			11,905,155	7,401,123
11.	**SHARE OF PROFIT / (LOSS) FROM ASSOCIATES - NET**			
	- China Power Hub Generation Company (Private) Limited			
	- representing 47.5% (2019: 26%) equity shares		14,150,294	(447,607)
	- obligation in respect of profit on shares related to GoB		(450,585)	–
			13,699,709	(447,607)
	- ThalNova Power Thar (Private) Limited		652	13,623
			13,700,361	(433,984)
12.	**TAXATION**			
	Current			
	- For the year		779,423	516,735
	- Prior year		(5,153)	(13)
	Deferred		3,170,595	–
		12.1	3,944,865	516,722
12.1	**Relationship between tax expense and accounting profit**			
	Profit before taxation		30,005,735	12,447,029
	Tax calculated at the rate of 29% (2019: 29%)		8,701,663	3,609,638
	Effect of reduced rate of tax		(824,955)	–
	Effect of exempt income		(4,873,813)	(3,333,328)
	Effect of minimum tax		502,938	103,730
	Impact of super tax		–	53,951
	Others		439,032	82,744
			3,944,865	516,735

12.2 The holding company, HPSL and HPHL (wholly owned subsidiaries), have opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001.

		Note	2020 (Rs. '000s)	2019 (Rs. '000s)
13.	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating fixed assets	13.1	44,914,860	48,272,279
	Capital work-in-progress (CWIP):			
	Holding company	13.5	183,870	177,593
	NEL	13.6	600	22,301
	LEL	13.7	14,166	4,773
	TEL	13.8	30,486,331	19,993,656
	HPHL	13.9	–	9,907
	HPSL	13.10	859	6,800
			30,685,826	20,215,030
			75,600,686	68,487,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

13.1 Operating fixed assets

	Owned								Right of Use Asset			
	Freehold land	Building on freehold land	Building and civil structures on leasehold land	leasehold property	Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Leasehold land	Office building (note 2.2)	Plant & machine	Total
	(Rs. '000s)											
Cost:												
As at July 1, 2018	66,946	1,115,450	9,837,474	862	80,748,372	142,514	444,831	77,325	–	–	5,563,126	97,996,900
Additions / Transfers from												
CWIP (Note 13.1.1)	6,222	19,702	776,867	-	1,563,877	50,191	38,977	30,127	58,218	–	978,957	3,523,138
Disposals	–	–	–	–	(164,664)	(8,248)	(71,325)	(2,156)	–	–	–	(246,393)
As at June 30, 2019	73,168	1,135,152	10,614,341	862	82,147,585	184,457	412,483	105,296	58,218	–	6,542,083	101,273,645
Additions / Transfers from												
CWIP (Note 13.1.1)	–	2,199	48,115	81,731	146,389	21,002	39,896	6,905	–	420,414	53,508	820,159
Disposals	–	–	–	–	(12,783)	(215)	(36,459)	(1,152)	–	–	–	(50,609)
As at June 30, 2020	73,168	1,137,351	10,662,456	82,593	82,281,191	205,244	415,920	111,049	58,218	420,414	6,595,591	102,043,195
Depreciation:												
As at July 1, 2018	–	469,248	2,014,825	683	44,304,553	105,831	253,538	37,419	–	–	1,318,117	48,504,214
Charge for the year	–	79,310	576,012	29	3,452,802	20,434	81,319	15,295	–	–	469,673	4,694,874
Disposals	–	–	–	–	(125,573)	(8,211)	(62,329)	(1,609)	–	–	–	(197,722)
As at June 30, 2019	–	548,558	2,590,837	712	47,631,782	118,054	272,528	51,105	–	–	1,787,790	53,001,366
Charge for the year	–	79,111	423,027	12,288	3,205,792	24,786	68,416	19,593	1,802	56,769	276,524	4,168,108
Disposals	–	–	–	–	(8,037)	(110)	(32,250)	(742)	–	–	–	(41,139)
As at June 30, 2020	–	627,669	3,013,864	13,000	50,829,537	142,730	308,694	69,956	1,802	56,769	2,064,314	57,128,335
Net book value as at												
June 30, 2020	73,168	509,682	7,648,592	69,593	31,451,654	62,514	107,226	41,093	56,416	363,645	4,531,277	44,914,860
Net book value as at												
June 30, 2019	73,168	586,594	8,023,504	150	34,515,803	66,403	139,955	54,191	58,218	–	4,754,293	48,272,279
Depreciation rate % per annum	–	3.33 to 25	4 to 10	3.33 to 20	3.33 to 33.33	10 to 20	20-25	10 to 50	–	10 to 20	4 to 6.67	
Cost of fully depreciated												
assets as at June 30, 2020	–	65,211	–	–	722,296	104,092	116,992	17,335	–	–	–	1,025,926
Cost of fully depreciated												
assets as at June 30, 2019	–	29,493	–	–	623,617	33,833	81,752	7,333	–	–	–	776,028

13.1.1 Includes exchange loss capitalised amounting to Rs. 111 million (2019: Rs. 3,008 million).

13.2 Details of disposal of operating fixed assets:

Assets	Cost	Accumulated depreciation	Net book value	Sale price	Gain / (loss)	Mode of disposal	Particulars of buyer/ Relationship
			(Rs. '000s)				
Plant & machinery	8,194	3,550	4,644	–	(4,644)	Write-off	Not applicable
Vehicle	1,591	961	630	640	10	Company policy	Mr. Ali Saeed / employee
Vehicle	2,516	419	2,097	2,419	322	Insurance claim	EFU General Insurance Ltd
Items having a net book value not exceeding Rs. 500,000 each							
Plant & machinery	4,589	4,487	102	405	303	Various	Various
Vehicles	32,353	30,870	1,483	13,119	11,636	Various	Various
Furniture & fixtures	215	110	105	50	(55)	Various	Various
Office equipment	1,151	742	409	898	489	Various	Various
Total - June 30, 2020	50,609	41,139	9,470	17,531	8,061		
Total - June 30, 2019	246,393	197,722	48,671	93,439	44,768		

13.3 Details of Group's immovable fixed assets:

Particulars	Area	Location
Freehold land and building	1,143 Acres	Hub Plant - District Lasbela, Balochistan
Freehold land and building	10 Kanal 09 Marla	Narowal Plant - Tehsil and District Narowal, Punjab
Freehold land and building	4 Kanal 01 Marla	Narowal Plant - Tehsil and District Narowal, Punjab
Freehold land and building	67 Acres	Narowal Plant - Tehsil and District Narowal, Punjab
Freehold land	2.5 Acres	Mauza Maira Bagwal Tehsil and District, Islamabad
Leasehold property	94.88 square yards	Marine Corner, Clifton, Karachi
Leasehold property	2,454 Kanals	Laraib Plant - New Bong Escape, Village Lehri, Mirpur AJK
Leasehold land	244 Acres	Thar Coal Block II, Taluka Islamkot, Sindh

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
13.4 Depreciation charge for the year has been allocated as follows:			
Operating costs	6	4,032,061	4,631,695
General and administration expenses	7	122,369	54,691
Capital work-in-progress		13,678	8,488
		4,168,108	4,694,874
13.5 Capital work-in-progress - Holding company			
Opening balance		177,593	108,375
Additions during the year		52,010	222,139
Transfers during the year		(45,733)	(152,921)
		183,870	177,593

		Note	2020 (Rs. '000s)	2019 (Rs. '000s)
13.6	**Capital work-in-progress - NEL**			
	Opening balance		22,301	49,681
	Additions during the year		6,001	54,220
	Transfers during the year		(5,733)	(76,103)
	Written-off during the year		(21,969)	(5,497)
			600	22,301
13.7	**Capital work-in-progress - LEL**			
	Opening balance		4,773	3,628
	Additions during the year		14,166	44,888
	Transfers during the year		(4,773)	(40,115)
	Written-off during the year		–	(3,628)
			14,166	4,773
13.8	**Capital work-in-progress - TEL**			
	Opening balance		19,993,656	4,163,398
	Additions during the year:			
	Project development cost		7,419,241	14,200,917
	Project management cost		504,151	360,320
	Water pipeline cost		2,584	–
	Loan arrangement fee		723,075	295,093
	Legal and professional charges		768,595	342,463
	Borrowing cost		873,368	348,922
	Office development cost		17,274	5,774
	Other directly attributable costs	13.8.1	207,435	276,769
			10,515,723	15,830,258
	Transfers during the year		(23,048)	–
			30,486,331	19,993,656

13.8.1 This includes Rs. 11 million (2019: Rs. 14 million) in respect of staff retirement benefits.

		2020 (Rs. '000s)	2019 (Rs. '000s)
13.9	**Capital work-in-progress - HPHL**		
	Opening balance	9,907	–
	Additions during the year	39,068	9,907
	Transfers during the year	(48,975)	–
		–	9,907
13.10	**Capital work-in-progress - HPSL**		
	Opening balance	6,800	–
	Additions during the year	26,815	6,800
	Transfers during the year	(32,756)	–
		859	6,800

		Note	**2020** (Rs. '000s)	2019 (Rs. '000s)
14.	**INTANGIBLES**			
	Intangibles	14.1	1,441,399	1,472,145

14.1 Intangibles

	Goodwill (note 14.3)	Computer software (Rs. '000s)	Total
Cost			
As at July 1, 2018	1,414,096	215,972	1,630,068
Additions / transfers from CWIP	–	36,135	36,135
As at June 30, 2019	1,414,096	252,107	1,666,203
Additions / transfers from CWIP	–	3,568	3,568
As at June 30, 2020	1,414,096	255,675	1,669,771
Amortisation			
As at July 1, 2018	–	152,105	152,105
Charge for the year	–	41,953	41,953
As at June 30, 2019	–	194,058	194,058
Charge for the year	–	34,314	34,314
As at June 30, 2020	–	228,372	228,372
Net book value as at June 30, 2020	1,414,096	27,303	1,441,399
Net book value as at June 30, 2019	1,414,096	58,049	1,472,145
Amortisation rate % per annum	–	33.33	–
Cost of fully amortised intangibles as at June 30, 2020	–	170,510	170,510
Cost of fully amortised intangibles as at June 30, 2019	–	107,026	107,026

		Note	**2020** (Rs. '000s)	2019 (Rs. '000s)
14.2	**Amortisation charge for the year has been allocated as follows:**			
	Operating costs	6	32,615	37,581
	General and administration expenses	7	1,413	4,268
	Capital work-in-progress		286	104
			34,314	41,953

14.3 For impairment testing, goodwill has been allocated to '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, 2020. 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 LEL 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 4.18% (2019: 5.31%) 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	2020 (Rs. '000s)	2019 (Rs. '000s)
15.	**LONG TERM INVESTMENTS**			
	Investment in associates - unquoted			
	China Power Hub Generation Company (Private) Limited (CPHGC)	15.1	46,221,106	28,995,221
	ThalNova Power Thar (Private) Limited (TNPTL)	15.2	5,261,388	5,262,908
			51,482,494	34,258,129
	Others - unquoted			
	Equity investment at fair value through other comprehensive income			
	- Sindh Engro Coal Mining Company Limited (SECMC)	15.3	2,544,436	2,044,597
			54,026,930	36,302,726

15.1 China Power Hub Generation Company (Private) Limited (CPHGC)

	2020 (Rs. '000s)	2019 (Rs. '000s)
Opening investment	28,995,221	7,880,953
Investment during the year	3,097,346	21,597,414
Share of profit / (loss) from associate	14,150,294	(447,607)
Groups's share in share issue cost	(21,755)	(35,539)
	46,221,106	28,995,221

In 2019, HPHL exercised the call option under Amended and Restated Shareholders' Agreement to increase its shareholding in CPHGC from 26% to 47.5%. Accordingly, as at June 30, 2020, HPHL has 47.5% legal ownership interest in CPHGC, the principal business of which is to own, operate and maintain two coal-fired power generation units of 660 MW each with ancillary Jetty in the province of Balochistan. The project achieved its Commercial Operation Date (COD) on August 17, 2019.

Pursuant to Memorandum of Understanding (MOU) dated December 23, 2016 with Government of Balochistan (GoB), HPHL and China Power International (Pakistan) Investment Limited (CPIPI) are committed to transfer 3% equity shareholding in CPHGC (1.5% each by HPHL and CPIPI) to GoB. The transfer was required to be executed by COD. The legal process for transfer of shares is yet to be completed. However, in accordance with the terms of the MOU with GoB, obligation in respect of the loss arising on transfer of 1.5% of shareholding amounting to Rs. 1,009 million has been recognised by the Group as disclosed in note 27.4. The Group has also made an accrual for liability in respect of share of profit relating to such shares (refer note 11 and 27.4).

Sponsors' support for CPHGC

Pursuant to Sponsor Support Agreement entered into with the lenders of CPHGC, the holding company is committed to arrange for working capital financing through HPHL amounting to USD 90.25 million in case CPHGC fails to arrange for working capital facility for its operations. This commitment is valid till the full repayment of project loans of CPHGC.

The holding company has provided a project completion Guarantee amounting to USD 150 million which is valid until November 23, 2021.

Shares held by HPHL in CPHGC are pledged in favour of the Security Trustee in order to secure HPHL's obligations under the financing documents of CPHGC.

The summarised financial information of CPHGC is set out below:

	2020 (Rs. '000s)	2019 (Rs. '000s)
Non-current assets	268,890,442	219,212,730
Current assets	96,327,399	28,621,123
Total assets	365,217,841	247,833,853
Non-current liabilities	(225,564,465)	(151,773,056)
Current liabilities	(52,606,099)	(38,514,127)
Total liabilities	(278,170,564)	(190,287,183)
Net assets	87,047,277	57,546,670
Less: Advance received against issue of shares	–	(18,963,630)
Net assets of the associate available for distribution	87,047,277	38,583,040
Proportion of HPHL's interest in associate	47.5%	26%
	41,347,457	10,031,591
Advance received against issue of shares	–	18,963,630
Goodwill	4,873,649	–
Carrying amount of HPHL's interest in associate as at June 30	46,221,106	28,995,221
Profit / (loss) for the year	29,584,279	(1,721,566)

The associate had no material contingency as at June 30, 2020. Outstanding commitments as at June 30, 2020 amount to USD 20 million and Rs. 1,638 million (2019: USD 190 million).

		2020 (Rs. '000s)	2019 (Rs. '000s)
15.2	**ThalNova Power Thar (Private) Limited (TNPTL)**		
	Opening investment	5,262,908	–
	Investment during the year	–	5,250,379
	Share of profit from associate	652	13,623
	Groups's share in share issue cost	(2,172)	(1,094)
		5,261,388	5,262,908

TNPTL is a private limited company, incorporated in Pakistan on April 18, 2016. The principal activities of TNPTL are to develop, own, operate and maintain a 1 x 330 MW mine-mouth coal fired power plant (the Project) which is under construction at Thar Block II, Thar Coal Mine, Sindh.

In 2019, the holding company, through HPHL, acquired 38.3% equity interest in TNPTL pursuant to Share Subscription Agreement (SSA) / Shareholders Agreement (SHA) entered between HPHL, TNPTL and its sponsors (Thal SPV and Nova SPV). As at June 30, 2020, the holding company, through HPHL, has injected USD 36.31 million (Rs. 5,251 million) in TNPTL out of total equity commitment of USD 50.5 million based on the current estimated cost of the Project.

Project status and financial close of TNPTL

On August 19, 2019, Private Power and Infrastructure Board (PPIB) upon TNPTL's request approved the extension in Financial Closing Date from June 30, 2019 to December 31, 2019 and further on December 16, 2019 approved the request for extension in Financial Closing Date till April 30, 2020 subject to provision of prescribed fee and extension of performance guarantee at least three months beyond the extended Financial Closing Date. After completing the required conditions, PPIB on February 06, 2020, issued the amendment to the LOS, extending the Financial Closing Date to April 30, 2020. The holding company has placed Rs. 245 million with a bank as a security for issuance of said LOS guarantee (refer note 22.5).

On January 31, 2020, CMEC (the EPC Contractor of TNPTL's project) notified TNPTL for Force Majeure Event (FME) due to outbreak of Coronavirus (COVID–19) in China and across the globe, the same was declared as pandemic by the World Health Organisation (WHO). Furthermore, this pandemic has also seriously affected the work of Chinese financial institutions, including China Development Bank. Accordingly, on March 16, 2020, TNPTL requested PPIB for further extension in Financial Closing Deadline till October 31, 2020. After fulfilling the required conditions, subsequently on July 28, 2020 PPIB approved the extension in Financial Closing Deadline till October 31, 2020. TNPTL is required to achieve Commercial Operation by March 31, 2021. TNPTL has the obligation to pay CPPA(G), Liquidated Damages (LDs), equivalent to the payment of proportionate Transmission Service Charges (TSC) payable by National Transmission and Despatch Company Limited (NTDC) to Pak Matiari-Lahore Transmission Company Limited, in case there is delay in COD of March 31, 2021. On March 12, 2019, TNPTL issued Limited Notice to Proceed (LNTP) to the EPC Contractor and work has commenced on the site. TNPTL expects to achieve COD by mid of 2022 which will result in LDs amounting to USD 2.68 million for each month of delay. Considering the delay in COD, TNPTL has requested PPIB and CPPA(G) for extension in Commercial Operation Date.

PPIB is entitled to encash the performance guarantee in case TNPTL is not able to meet the conditions or TNPTL decides to exercise termination option, as defined in the LOS. Further, the Project agreements as well as the Project will automatically terminate on the expiration or termination of the LOS.

TNPTL has already executed Implementation Agreement with Government of Pakistan, Power Purchase Agreement with CPPA(G), Water Use Agreement with Government of Sindh, Coal Supply Agreement with SECMC and Engineering Procurement and Supply / Construction agreements for the Power Plant. A Land Lease Agreement with SECMC, Operation & Maintenance Agreement with HPSL (an associated company of the holding company) and Project Management Agreement with the holding company have also been executed.

During the year, TNPTL signed financing agreements including Syndicate Term Finance Facility Agreement amounting to Rs. 19,560 million and USD term facility amounting to USD 264 million. Furthermore, TNPTL has issued a letter of credit amounting to USD 8.25 million to CPPA(G) as required under clause 2.1 of PPA.

In connection with the availability of finance facilities for the development of the TNPTL's project and furthermore, pursuant to Sponsor Support Agreement, the Shareholders in general meeting held on March 31, 2020 approved the following:

i issue a sponsor Standby Letter of Credit (SBLC) of USD 14 million (but which could be higher) to cover Initial Debt Service Reserve Account shortfall. Such SBLC shall be for a period up till the first payment of the installment of the project's loan or such other date that may be prescribed under the Sponsor Support Agreement; and

ii provide Additional Sponsor Support in an amount of up to USD 8 million for the benefit of TNPTL and Intercreditor Agent to guarantee an investment in the form of equity or subordinated debt to cover for funding shortfall that may arise due to unavailability of coal and/or delay in the commercial operations date. Such investment shall be valid till September 2022 or such other date as may be required under the Sponsor Support Agreement, whichever is later.

The holding company's commitment to TNPTL

Under the SSA and SHA the holding company has following commitments:

- till the Financial Close of the Project, Thal SPV and Nova SPV shall not be required to inject further equity in TNPTL. Any additional contribution required by TNPTL for the purpose of achieving Financial Close of the Project will be provided by the holding company, and the same will be treated as advance against equity or subordinate debt to TNPTL;

- for the purpose of extension of LOS, the holding company is required to provide the performance guarantee on the basis of its shareholding in TNPTL as envisaged in SSA ; and

- subject to the term of financing documents, the holding company is restricted to transfer or otherwise dispose the shares held in TNPTL or create encumbrance till the 6th anniversary of the Commercial Operations Date of TNPTL.

In connection with the development of TNPTL's project and pursuant to Shareholders' Agreement dated March 25, 2019, the holding company has obtained following approvals from shareholders in general meeting on April 16, 2019 and is committed to:

(i) arrange and provide a Standby Letter of Credit to the Lenders of TNPTL or to TNPTL, directly or through its subsidiary HPHL, to cover for the equity investment of (and up to an amount not exceeding) USD 50.5 million (or PKR equivalent) to guarantee the subscription of equity. Such investment shall be for a period up till July 31, 2026 or such period until the liabilities/obligations of Sponsors are discharged, whichever is later. On January 09, 2020, the holding company, through HPHL, issued equity SBLC amounting to Rs. 2,425 million (equivalent to remaining USD) to the lenders of TNPTL which is valid till January 07, 2021 by placing cash security as lien.

(ii) undertake to the Lenders of TNPTL or to arrange and/or provide working capital financing to TNPTL, directly or through its subsidiary HPHL, equivalent to an aggregate amount of USD 23 million. Such investment shall be for a period up till August 31, 2033 or such period until the liabilities/obligations are discharged, whichever is later;

(iii) to assign its rights, benefits and interests in respect of any investment made in TNPTL by way of Subordinated loan (which loan is to be treated as subordinated to the debt of the Lenders of TNPTL) including the benefits of any indemnities, warranties and guarantees, in favour of the lenders of TNPTL, directly or through its subsidiary HPHL. Such investment shall be for a period up till August 31, 2033 or such period until the liabilities/obligations are discharged, whichever is later. To fulfil this requirement the holding company has signed subordination agreement on July 24, 2019;

(iv) pledge its shares (if any) in TNPTL held by it from time to time, in favour of the Lenders of TNPTL, whether such shares are acquired directly by way of subscription or otherwise. Such investment shall be for a period up till August 31, 2033 or such period until the liabilities/obligations are discharged, whichever is later. During the year, the holding company, through HPHL, has executed Share Pledge Agreement on November 08, 2019 to fulfil this condition;

(v) provide a guarantee (in the form of standby letter of credit) for the benefit of TNPTL and Intercreditor Agent for an aggregate amount of USD 20 million (or PKR equivalent) to guarantee an investment in the form of equity or subordinated debt to cover (a) cost overrun, (b) any obligation under financing documents prior to Project Completion Date ("PCD"), and (c) Commercial Operation Date ("COD") undertakings. Such investment shall be for a period up till the earlier of Project Completion Date or July 31, 2026. On January 08, 2020, the holding company issued Cost Overrun SBLC amounting to USD 19.68 million to the lenders of TNPTL which is valid till December 31, 2024. The facility is secured by way of pari passu charge over all present and future assets of the holding company other than current assets;

(vi) issue a sponsor standby letter of credit to cover for the Initial Debt Service Reserve Account Shortfall, of an amount estimated not to exceed USD 14 million (or PKR equivalent), but which could be higher as detailed in EOGM notice dated March 14, 2019. Such SBLC shall be for a period up till the earlier of first payment of the installment of the loan or January 31, 2024;

(vii) issue a sponsor standby letter of credit to cover for the Debt Service Reserve Account, of an amount estimated not to exceed USD 14 million (or PKR equivalent), but which could be higher as detailed in EOGM notice dated March 14, 2019. Such sponsor obligation shall be for a period earlier of the tenure of the project loan or August 31, 2033;

(viii) participate in the Put Option / Commercial Risk Guarantee ("Put Option / CRG") to be provided by local banks and financial institutions (including Habib Bank Limited) ("Put Option / CRG Financiers") in favour of the foreign lenders and contributing payment up to USD 10 million (or PKR equivalent) ("Put Option / CRG Contribution Amount") under the same as primary obligor in accordance with the terms of the Agreement Regarding Procedures Following Event of Default. Such sponsor obligation shall be valid till August 31, 2033. Accordingly, the holding company has entered into a Put Option Sponsor Support Agreement dated July 22, 2019 and fulfilled the condition by providing pari passu charge on the holding company's assets, other than current assets;

(ix) provide sponsor support to the Put Option / CRG Financiers for various exposures being assumed by the Put Option / CRG Financiers in respect of the Put Option / CRG to cover any shortfall that TNPTL is unable to provide to the Put Option / CRG Financiers (which includes any foreign exchange risk and mark-up / interest up to the extent of USD 7 million), or such other amount as may be agreed with the Put Option / CRG Financiers from time to time ("Put Option / CRG Support Amount"). Such Sponsor obligation shall be valid till August 31, 2033. Accordingly, the holding company has entered into a Put Option Sponsor Support agreement dated July 22, 2019 and fulfilled the condition by providing pari passu charge on the holding company's assets, other than current assets;

(x) provide security in form and substance acceptable to the Put Option / CRG Financiers or such other alternate/ additional security as the Put Option / CRG Financiers may require from time to time up to the Put Option / CRG Support Amount and Put Option / CRG Contribution Amount with such margin and on such terms as may be deemed appropriate by the Authorized Persons. Accordingly, the holding company has entered into a Put Option Sponsor Support agreement dated July 22, 2019 and fulfilled the condition by providing pari passu charge on the holding company's assets, other than current assets; and

(xi) provide a parent company guarantee to TNPTL guaranteeing the due and punctual performance of obligations by HPSL pursuant to the terms of the O&M Agreement. Such sponsor obligation shall be for a period the earlier of the tenure of the project loan or the expiry of the O&M Agreement. On September 17, 2019, the holding company provided Parent Company Guarantee to TNPTL in the form of a corporate guarantee as per the terms of the O&M agreement.

The summarised financial information of TNPTL is set out below:

	2020 (Rs. '000s)	2019 (Rs. '000s)
Non-current assets	8,282,561	6,016,498
Current assets	821,906	824,984
Total assets	9,104,467	6,841,482
Current liabilities	(255,909)	(162,957)
Total liabilities	(255,909)	(162,957)
Net assets	8,848,558	6,678,525
Less: Advance received against issue of shares	(2,990,401)	(4,339,904)
Net assets of the associate available for distribution	5,858,157	2,338,621
Proportion of the HPHL's interest in associate	38.3%	38.3%
	2,243,675	895,692
Advance received against issue of shares	2,989,895	4,339,398
Others	27,818	27,818
Carrying amount of HPHL's interest in associate as at June 30	5,261,388	5,262,908
Profit for the year	1,948	20,330

The associate had no contingency as at June 30, 2020. Outstanding commitments as at June 30, 2020 amount to USD 257 million and Rs. 2,978 million (2019: USD 263 million and Rs. 3,066 million).

15.3 Sindh Engro Coal Mining Company Limited (SECMC)

SECMC is a public unlisted company, incorporated in Pakistan on October 15, 2009. The principle activity of SECMC is to develop, construct and operate open cast lignite mine in Block II Thar Coal Mine, Sindh.

Pursuant to Share Holder's Agreement, the holding company agreed to invest the equivalent of USD 20 million at or soon after Financial Close of SECMC or at such later time or times as required by the Financing Agreements of SECMC at a share price of Rs. 14.82 per share. As at June 30, 2020 the holding company has injected USD 13.51 million (Rs. 1,593 million) representing 8% equity stake in SECMC.

SECMC achieved its Commercial Operations Date (COD) for Phase-I on July 10, 2019 and achieved Financial Closure for Phase-II on December 31, 2019.

In addition to the USD 20 million equity, the holding company is committed to:

15.3.1 Sponsor Support Guarantee to cover cost overruns for an amount not exceeding USD 5 million (in equivalent Pak Rupees), if at any time prior to the Project Completion Date a funding shortfall occurs. Each Sponsor is obligated to pay the cost overrun amount in cash, by way of subscription of SECMC shares or at the option of the Sponsors collectively, by way of a subordinated debt to SECMC. The shareholders during the Extraordinary General Meeting held on January 14, 2016 approved the cost overrun support of USD 4 million and further approved the increase in cost overrun support to USD 5 million in the Extraordinary General Meeting held on June 22, 2018.

15.3.2 Letter of credit to cover for the Initial Payment Service Reserve Account Shortfall ('PSRA') for an amount estimated not to exceed USD 6 million (which could be higher). If there is an Initial PSRA Shortfall, each sponsor shall procure and issue a PSRA Letter of Credit (LC) in proportion to its shareholding of Ordinary shares in SECMC. Upon a demand being made for payment under the PSRA LC and receiving such payment, the said amount may be treated as equity or at the option of the sponsors collectively, subordinated debt advanced in favor of SECMC in an amount equal to such portion of the PSRA LC that is called upon. During the Extraordinary General Meeting held on January 14, 2016, the PSRA support was approved by the members of the holding company.

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The investment in SECMC for the purposes of cost overrun and PSRA will only be made in the event there is an overrun or shortfall, respectively. If the entire amount of Sponsor Support Guarantee to cover cost overrun is called and the entirety of the payment under the standby letter of credit for PSRA shortfall is demanded, the maximum investment of the holding company in SECMC shall be USD 31 million (in equivalent PKR).

On February 26, 2016, the sponsors, including the holding company, entered into a SSA with Habib Bank Limited as a condition precedent for the availability of loan facilities to SECMC in connection with the project to develop, construct, operate and maintain an open pit coal mine in Sindh, Pakistan. Pursuant to the terms and conditions set forth in the SSA, the holding company has provided Sponsor Equity Contribution Letter of Credit in the form of an Irrevocable Standby letter of Credit (SBLC) in favour of Habib Bank Limited, dated March 18, 2016 for a total amount not exceeding USD 12.650 million. As at June 30, 2020, the SBLC has been reduced to USD 8.562 million.

Additionally, a Share Pledge Agreement was also executed by the Shareholders of SECMC including the holding company on March 09, 2016 in favour of the Security Trustee in accordance with the provisions of the Finance Documents where all shares of SECMC are pledged.

		Note	**2020** (Rs. '000s)	2019 (Rs. '000s)
16.	**LONG TERM DEPOSITS, PREPAYMENTS AND OTHERS**			
	Deposits - non interest bearing		30,728	31,371
	Prepaid operating lease rentals		–	6,935
	Others		4,803	31,056
			35,531	69,362
17.	**STORES, SPARES AND CONSUMABLES**			
	In hand		3,327,552	3,381,967
	Provision against slow moving stores, spares and consumables	17.1	(434,026)	(257,458)
			2,893,526	3,124,509
17.1	**Movement in provision against slow moving stores, spares and consumables**			
	Opening balance		257,458	113,389
	Provision for the year		176,568	144,069
	Closing balance		434,026	257,458
18.	**STOCK-IN-TRADE**			
	Furnace oil	18.1	6,655,868	5,791,183
	Diesel		20,545	23,027
	Lubricating oil		11,648	20,085
	Light diesel oil		10,949	10,361
			6,699,010	5,844,656

18.1 As at June 30, 2020, Furnace oil of Rs. 47 million (2019: Rs. Nil) is held by a third party.

		Note	2020 (Rs. '000s)	2019 (Rs. '000s)
19.	**TRADE DEBTS - Secured**			
	Considered good - Secured			
	Capacity Purchase Price (CPP)		44,230,304	30,763,005
	Energy Purchase Price (EPP)		15,177,560	19,454,374
	Late Payment Interest (LPI)	19.1.1 & 30.9	38,380,467	32,892,504
	Startup Charges (SC)		241,826	246,593
	Part Load Adjustment Charges (PLAC)		694,270	848,401
	Pass through items (WPPF and taxes)		975,818	1,069,603
		19.1 to 19.2	99,700,245	85,274,480

19.1 This includes an amount of Rs. 66,079 million (2019: Rs. 59,178 million) receivable from CPPA(G) and Rs. 19,206 million (2019: Rs. 13,719 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 delay in payments from CPPA(G) carries mark-up at SBP Reverse Repo rate plus 2% per annum compounded semi-annually and the delay in payment from NTDC carries mark-up at a rate of three / six month KIBOR plus 2% to 4.5% per annum compounded semi-annually for all overdue amounts except Late Payment Interest invoices.

The aging of these receivables are as follows:

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
Not yet due	19.1.1 & 19.1.2	14,416,125	12,378,076
Up to 6 months		17,085,406	24,385,254
6 months to 1 year		22,380,899	20,770,474
1 year to 2 years		26,925,633	9,382,821
Over 2 years		18,892,182	18,357,855
		99,700,245	85,274,480

19.1.1 This includes Rs. 8,457 million (2019: Rs. 4,372 million) related to LPI which is not yet billed by the Group.

19.1.2 This also includes an amount of Rs. 122 million (2019: Rs. 122 million) for which the NEL's tariff application has been approved by NEPRA, however, due to pending notification of NEPRA's determination in the Official Gazette, as of reporting date the amount has not been billed to NTDC.

19.2 This also includes an amount of Rs. 235 million (2019: Rs. 235 million) related to liquidated damages deducted by NTDC (refer note 30.11.2).

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		Note	2020 (Rs. '000s)	2019 (Rs. '000s)
20.	**LOANS AND ADVANCES**			
	Considered good - non interest bearing			
	Loans - unsecured			
	Executives		11,423	12,732
	Employees		4,599	5,290
			16,022	18,022
	Advances - unsecured			
	Executives		3,136	729
	Employees		639	894
	Suppliers		27,076	33,040
			30,851	34,663
			46,873	52,685
21.	**DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**			
	Deposits		359	359
	Prepayments			
	Current portion of prepaid operating lease rentals		–	365
	LC commission and other loan related costs		42,566	7,979
	Others		27,482	44,737
			70,048	53,081
	Other receivables			
	Interest accrued		3,170	4,714
	Income tax - refundable	21.1	1,403,436	1,912,347
	Income tax - Contractor tax refundable	21.2	372,469	372,469
	Sales tax		8,574,666	8,058,169
	Advance tax		10,425	36,977
	Staff gratuity	21.3	14,264	–
	Receivable from CPHGC	21.4	–	2,158
	Receivable from TNPTL	21.5	169,908	29,755
	Receivable from TNPTL against services agreement	21.5	46,558	–
	Workers' profit participation fund recoverable from CPPA(G) / NTDC		2,561,238	1,931,707
	Miscellaneous		180,240	106,256
			13,336,374	12,454,552
			13,406,781	12,507,992

21.1 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 ("ITAT") were decided against the holding company. Against the decision of the ITAT, the holding company filed appeals before the High Court ("HC") which were also decided against the holding company in March 2012. Against the decision of the HC, the holding company filed further appeals before the Honorable Supreme Court of Pakistan (SCP).

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 July 2014, the SCP decided the case in favor of the holding company. Against the decision of the SCP, FBR filed review petitions which were dismissed by the SCP in June 2015. Consequently, an amount of Rs. 1,912 million became refundable from FBR. During the year, the holding company has offset its tax liability against this refund.

21.2 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 CPPA(G), any tax paid by the holding company on behalf of construction contractors and sub-contractors was to be reimbursed by CPPA(G).

Under the provisions of the IA between the holding company and 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 Federal Board of Revenue (FBR) contended that holding company was liable to pay tax at the rate of 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 CPPA(G). 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 holding company's and other 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 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 the holding company's 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.

		Note	2020 (Rs. '000s)	2019 (Rs. '000s)
21.3	**STAFF GRATUITY**			
	Staff gratuity - holding company	21.3.1	6,675	–
	Staff gratuity - HPSL	21.3.2	7,589	–
			14,264	–

Actuarial valuations were carried out as at June 30, 2020. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Actuarial Cost Method. The details of the actuarial valuations are as follows:

		2020 (Rs. '000s)	2019 (Rs. '000s)
21.3.1	**Staff gratuity - holding company**		
	Reconciliation of the net (asset) / liability recognised in the statement of financial position		
	Present value of defined benefit obligation	310,449	262,337
	Fair value of plan assets	(317,124)	(220,796)
	Net (asset) / liability recognised in the statement of financial position	(6,675)	41,541
	Reconciliation of the movements during the year in the net (asset) / liability recognised in the statement of financial position		
	Opening net liability	41,541	16,336
	Expense recognised	36,041	34,089
	Remeasurement (gain) / loss recognised in Other Comprehensive Income (OCI)	(21,842)	13,116
	Contributions to the fund made during the year	(62,415)	(22,000)
	Closing net (asset) / liability	(6,675)	41,541
	Expense recognised		
	Current service cost	32,942	33,609
	Past service cost	1,730	
	Net interest	1,369	480
	Expense recognised	36,041	34,089
	Re-measurements recognised in OCI during the year		
	Remeasurement (gain) / loss on defined benefit obligations	(16,709)	54
	Remeasurement (gain) / loss on plan assets	(5,133)	13,062
		(21,842)	13,116
	Movements in the present value of defined benefit obligation		
	Present value of defined benefit obligation at opening	262,337	209,793
	Current service cost	32,942	33,609
	Past service cost	1,730	–
	Interest cost	34,473	18,881
	Benefits paid	(4,324)	–
	Remeasurement (gain) / loss recognised in OCI	(16,709)	54
	Present value of defined benefit obligation at closing	310,449	262,337
	The movement in fair value of plan assets		
	Fair value of plan assets at opening	220,796	193,457
	Expected return on plan assets	33,104	18,401
	Contributions made	62,415	22,000
	Benefits paid	(4,324)	–
	Remeasurement gain / (loss) recognised in OCI	5,133	(13,062)
	Fair value of plan assets at closing	317,124	220,796
	Actual return on plan assets	38,237	5,339

	2020 %	2020 (Rs. '000s)	2019 %	2019 (Rs. '000s)
Plan assets comprise of following:				
Pakistan Investment Bonds	71.13%	225,575	72.70%	160,521
Mutual funds	0.36%	1,140	13.30%	29,382
Term Finance Certificate	5.62%	17,807	7.69%	16,971
Treasury Bills	6.74%	21,388	–	–
Quoted shares	9.04%	28,665	–	–
Cash and cash equivalents	7.11%	22,549	6.31%	13,922
	100.00%	317,124	100.00%	220,796

	2020 (Rs. '000s)	2019 (Rs. '000s)
Contribution expected to be paid to the plan during the next year	33,588	35,663

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

	2020	2019
– Valuation discount rate per annum	8.50%	13.25%
– Expected rate of return on plan assets per annum	8.50%	13.25%
– Expected rate of increase in salary level per annum	5.50%	8.75%
– Mortality rates	SLIC 2001-05	SLIC 2001-05

Expected maturity analysis of undiscounted retirement benefit plan:

	Less than 1 year	Between 2–5 years	Between 6–10 years (Rs. '000s)	More than 10 year	Total
Retirement benefit plan	8,336	98,429	217,853	439,963	764,581

Historical information of retirement benefit plan:

	2020	2019	2018 (PKR in '000)	2017	2016
As at June 30					
Present value of defined benefit obligation	310,449	262,337	209,793	202,661	214,588
Fair value of plan assets	(317,124)	(220,796)	(193,457)	(185,012)	(139,149)
(Surplus) / Deficit	(6,675)	41,541	16,336	17,649	75,439

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	2020 (Rs. '000s)	2019 (Rs. '000s)
Sensitivity analysis on significant actuarial assumptions		
- Impact on defined benefit obligation		
- Discount rate +1%	24,822	19,125
- Discount rate -1%	(28,332)	(21,511)
- Salary increases +1%	(29,700)	(22,676)
- Salary increases -1%	26,582	20,460

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

The plan exposes the holding company to the actuarial risks such as:

Investment risks:

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risks:

The risk arises when the actual servicing period is longer than expected. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

		2020 (Rs. '000s)	2019 (Rs. '000s)
21.3.2	**Staff gratuity - HPSL**		
	Reconciliation of the net (asset) / liability recognised in the statement of financial position		
	Present value of defined benefit obligation	397,439	348,330
	Fair value of plan assets	(405,028)	(329,306)
	Net (asset) / liability recognised in the statement of financial position	(7,589)	19,024
	Reconciliation of the movements during the year in the net (asset) / liability recognised in the statement of financial position		
	Opening net liability	19,024	15,635
	Expense recognised	54,094	44,166
	Contributions to the fund made during the year	(43,705)	(57,062)
	Remeasurement (gain) / loss recognised in OCI	(37,002)	16,285
	Closing (asset) / net liability	(7,589)	19,024

	2020 (Rs. '000s)	2019 (Rs. '000s)
Expense recognised		
Current service cost	50,824	42,533
Net Interest expense	3,270	1,633
	54,094	44,166
Remeasurements recognised in OCI during the year		
Remeasurement gain on defined benefit obligations	(40,723)	(612)
Remeasurement loss on plan assets	3,721	16,897
	(37,002)	16,285
Movements in the present value of defined benefit obligation		
Present value of defined benefits obligation at opening	348,330	302,205
Current service cost	50,824	42,533
Interest cost on defined benefits obligation	51,814	27,908
Benefits paid / payable to outgoing member(s)	(12,806)	(23,704)
Remeasurements	(40,723)	(612)
Present value of defined benefits obligation at closing	397,439	348,330
The movement in fair value of plan assets		
Fair value of plan assets at beginning of the year	329,306	286,570
Interest income on plan assets	48,544	26,275
Net amount transferred by employer to the fund	43,705	57,062
Benefits paid	(12,806)	(23,704)
Remeasurements	(3,721)	(16,897)
Fair value of plan assets at closing	405,028	329,306
Actual return on plan assets	45,119	7,942
Contribution expected to be paid to the plan during the next year	50,890	54,094

	2020 %	2020 (Rs. '000s)	2019 %	2019 (Rs. '000s)
Plan assets comprise of following:				
Mutual funds	12.27%	49,715	16.14%	53,160
Pakistan Investment Bonds	17.88%	72,420	64.43%	212,183
Market treasury bills	8.90%	36,065	5.96%	19,642
Certificates	59.41%	240,639	–	–
Cash and cash equivalents	1.53%	6,189	13.46%	44,321
	100.00%	405,028	100.00%	329,306

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

	2020	2019
– Valuation discount rate per annum	8.50%	14.25%
– Expected rate of increase in salary level per annum	8.50%	14.25%
– Mortality rates	SLIC 2001-05	SLIC 2001-05

Expected maturity analysis of undiscounted retirement benefit plan:

	Less than 1 year	Between 1–2 years	Between 3–5 years (Rs. '000s)	Over 5 year	Total
Retirement benefit plan	23,049	39,376	98,655	369,657	530,737

Historical information of retirement benefit plan:

	2020	2019	2018 (PKR in '000)	2017	2016
As at June 30					
Present value of defined					
benefit obligation	397,439	348,330	302,205	255,530	205,277
Fair value of plan assets	(405,028)	(329,306)	(286,570)	(248,457)	(213,962)
(Surplus) / Deficit	(7,589)	19,024	15,635	7,073	(8,685)

	2020 (Rs. '000s)	2019 (Rs. '000s)
Sensitivity analysis on significant actuarial assumptions		
- Impact on defined benefit obligation		
- Discount rate +0.5%	17,307	14,473
- Discount rate -0.5%	(18,643)	(15,516)
- Long term salary increases +0.5%	(19,511)	(16,241)
- Long term salary increases -0.5%	18,261	15,266

The plan exposes the HPSL to the actuarial risks such as:

Investment risks

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risks

The risk arises when the actual servicing period is longer than expected. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

21.4 This includes balances aggregating to Rs. Nil (2019: Rs. 1 million) which are past due, for a period up to six months, but are not impaired. The maximum aggregate amount due at the end of any month during the year was Rs. 2.6 million (2019: Rs. 70 million).

21.5 These are neither past due nor impaired and are recoverable in ordinary course of business. The maximum aggregate amounts due at the end of any month during the year were Rs. 216 million (2019: Rs. 30 million).

		Note	**2020** (Rs. '000s)	2019 (Rs. '000s)
22.	**CASH AND BANK BALANCES**			
	At bank			
	Savings accounts	22.1 to 22.4	6,290,050	5,100,569
	Deposit account	22.5	245,000	–
	Right subscription account		–	7,000,000
			6,535,050	12,100,569
	In hand			
	Cash		1,575	804
	Payorders / cheques		800	30,381
			2,375	31,185
			6,537,425	12,131,754

22.1 Savings and deposits accounts carry mark-up rates ranging between 0.25% to 12.60% (2019: 0.25% to 11.55%) per annum.

22.2 This includes Rs. 261 million (2019: Rs. 269 million) restricted for dividend payable.

22.3 This includes an amount of Rs. 2,425 million placed with a bank as a security for issuance of equity Standby Letter of Credit (SBLC) of TNPTL.

22.4 This includes Rs. 1,511 million (2019: Rs. 1,586 million) deposited in debt payment accounts and maintenance reserve account which are restricted for lenders' payments and major maintenance expenses of Laraib's plant.

22.5 This represents short term deposits placed with bank, at mark-up rates up to 6.75%, as a security for issuance of LOS guarantee in favour of TNPTL (refer note 15.2).

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

2020 (No of Shares)	2019 (No of Shares)		**2020** (PKR in '000)	2019 (PKR in '000)
		Authorised :		
1,700,000,000	1,700,000,000	Ordinary shares of Rs.10/- each	17,000,000	17,000,000
		Issued, subscribed and paid-up:		
		Ordinary shares of Rs.10/- each		
958,773,317	958,773,317	For cash	9,587,733	9,587,733
		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
1,297,154,387	1,297,154,387		12,971,544	12,971,544

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For the year ended June 30, 2020

23.1 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 holding company. All shares carry one vote per share without restriction. The holding company may not pay dividend until certain financial requirements of lenders are satisfied.

23.2 Associated undertakings held 260,513,522 (2019: 263,267,143) shares in the holding company as at year end.

24. LONG TERM LOANS - Secured

From Banks / Financial Institutions	Note	As at July 01, 2019	Drawn / translation	Repaid	Current portion	Amortisation of transaction costs	As at June 30, 2020
				(Rs. '000s)			
Holding company							
Hub plant							
Musharaka finance facility	24.1	312,500	-	(312,500)	-	-	-
Salary Refinance Scheme - SBP	24.2	-	318,000	-	(79,500)	-	238,500
NEL investment							
Commercial facility	24.3	1,568,135	-	(1,011,183)	(556,952)	-	-
TEL / CPHGC / SECMC							
TNPTL investment							
Syndicated term finance facility	24.4.1	16,000,000	479,717	-	-	-	16,479,717
Islamic finance facility	24.4.2	5,500,000	-	-	-	-	5,500,000
Long Term Sukuk certificates I	24.4.3	-	7,000,000	-	-	-	7,000,000
Long Term Sukuk certificates II	24.4.4	-	5,000,000	-	-	-	5,000,000
		21,500,000	12,479,717	-	-	-	33,979,717
Transaction costs		(138,055)	(194,269)	-	74,934	44,841	(212,549)
Long term loans of the holding company		23,242,580	12,603,448	(1,323,683)	(561,518)	44,841	34,005,668
Subsidiary - NEL							
Expansion facility	24.5.1	4,027,921	-	(2,576,041)	(1,451,880)	-	-
Syndicated term finance facility - II	24.5.2	2,500,000	-	-	-	-	2,500,000
Salary Refinance Scheme - SBP	24.5.3	-	35,100	-	(8,775)	-	26,325
Transaction costs		(19,303)	-	-	1,460	17,843	-
Long term loans of NEL		6,508,618	35,100	(2,576,041)	(1,459,195)	17,843	2,526,325
Subsidiary - LEL							
Foreign currency loans	24.6.1	8,084,296	119,176	(1,292,505)	(1,382,193)	-	5,528,774
Local currency loans	24.6.2	1,198,166	-	(342,332)	(342,334)	-	513,500
Transaction costs		(107,421)	-	-	29,089	36,519	(41,813)
Long term loans of LEL		9,175,041	119,176	(1,634,837)	(1,695,438)	36,519	6,000,461
Subsidiary - HPHL							
Syndicated term finance facility	24.7	-	2,500,000	-	(125,000)	-	2,375,000
Salary Refinancing Scheme - SBP	24.8	-	23,953	-	(5,988)	-	17,965
Transaction cost		-	(56,500)	-	13,345	10,998	(32,157)
		-	2,467,453	-	(117,643)	10,998	2,360,808
Subsidiary - TEL							
Local currency loans	24.9	-	3,242,187	-	-	-	3,242,187
Transaction costs		-	(59,626)	-	-	6,094	(53,532)
		-	3,182,561	-	-	6,094	3,188,655
Subsidiary - HPSL							
Salary Refinancing Scheme - SBP	24.11	-	74,689	-	(18,672)	-	56,017
		38,926,239	18,482,427	(5,534,561)	(3,852,466)	116,295	48,137,934

From Banks / Financial Institutions	Note	As at July 01, 2018	Drawn / translation	Repaid	Current portion	Amortisation of transaction costs	As at June 30, 2019
				(Rs. '000s)			
Holding company							
Hub plant							
Musharaka finance facility	23.1	937,500	-	(625,000)	(312,500)	-	-
NEL investment							
Commercial facility	23.2	2,456,325	-	(888,190)	(1,011,183)	-	556,952
TEL / CPHGC / SECMC investment							
Syndicated term finance facility	23.3.1	5,431,124	10,568,876	-	-	-	16,000,000
Islamic finance facility	23.3.2	5,500,000	-	-	-	-	5,500,000
		10,931,124	10,568,876	-	-	-	21,500,000
LEL investment							
Syndicated term finance facility	23.4.1	388,948	-	(388,948)	-	-	-
Islamic finance facility	23.4.2	84,333	-	(84,333)	-	-	-
		473,281	-	(473,281)	-	-	-
Transaction costs		(150,729)	-	-	7,855	12,674	(130,200)
Long term loans of the holding company		14,647,501	10,568,876	(1,986,471)	(1,315,828)	12,674	21,926,752
Subsidiary - NEL							
Expansion facility	23.5.1	6,221,464	-	(2,193,543)	(2,576,041)	-	1,451,880
Syndicated term finance facility - I	23.5.2	2,325,000	-	(2,325,000)	-	-	-
Syndicated term finance facility - II	23.5.3	-	2,500,000	-	-	2,500,000	
Transaction costs		(52,999)	-	-	18,129	33,696	(1,174)
Long term loans of NEL		8,493,465	2,500,000	(4,518,543)	(2,557,912)	33,696	3,950,706
Subsidiary - LEL							
Foreign currency loans	23.6.1	6,971,989	2,180,385	(1,068,078)	(1,347,383)	-	6,736,913
Local currency loans	23.6.2	1,540,498	-	(342,332)	(342,334)	-	855,832
Transaction costs		(150,683)	-	-	36,443	43,262	(70,978)
Long term loans of LEL		8,361,804	2,180,385	(1,410,410)	(1,653,274)	43,262	7,521,767
		31,502,770	15,249,261	(7,915,424)	(5,527,014)	89,632	33,399,225

24.1 The holding company entered into a long term Musharaka arrangement with a bank for an amount of Rs. 2,500 million (2019: Rs. 2,500 million) to finance boiler rehabilitation works at Hub Plant. The facility was repayable in sixteen equal installments on quarterly basis starting from March 30, 2016 at a mark-up rate of 3 month KIBOR plus 0.60% per annum. The mark-up was payable on quarterly basis in arrear. Any late payment by the holding company is subject to a mark-up of 14% per annum. This loan was secured by way of second ranking / subordinated charge over all present and future assets of Hub plant. During the year, this loan was fully repaid.

24.2 During the year, the holding company entered into a loan term loan agreement under the Salary Refinancing Scheme introduced by State Bank of Pakistan (SBP). The loan carries a mark-up of 1.50% per annum starting from the date of disbursement and is payable on quarterly basis in arrears. The loan is repayable in eight equal quarterly installments starting from January 2021. Any late payment by the holding company is subject to the markup to be calculated at the prevailing rate of 3-Month KIBOR plus 1.50%. The loan is secured against subordinate hypothecation charge over all present and future movable fixed assets of the holding company (excluding land and building).

24.3 In order to finance the equity portion of the project cost of Narowal plant, the holding company obtained this loan which 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 fixed charge over each of the following, namely:

(a) **(i)** holding company's Tangible Moveable Property;

(ii) holding company's Intellectual Property; and

(iii) all goodwill (including all brand names not otherwise subject to a fixed charge or assignment by or pursuant to supplemental Composite Security Agreement) presently belonging to Hub plant,

(b) a floating charge on the whole of the Hub plant related undertaking and assets, present and future;

(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 the Hub plant only; and

(d) mortgage over the Hub Plant land measuring 347 acres.

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.

24.4 In order to meet investment requirements in TEL / CPHGC / SECMC / TNPTL:

24.4.1 The holding company entered into a long term financing arrangement with various banks for an amount of Rs. 21,000 million (2019: Rs. 21,000 million) to finance equity investment in CPHGC (via HPHL), TEL and SECMC. The loan is repayable in 40 installments on quarterly basis starting from November 18, 2021. Mark-up is charged at three months KIBOR plus 0.30% per annum. The loan is secured by way of all present and future assets of the holding company other than current assets.

On May 10, 2019, the financing facility was amended to incorporate the sub limit facility amounting to Rs. 5,000 million as a short term finance for the period of 90 days. During the year, the sub limit facility was fully repaid.

24.4.2 In addition, the holding company has also entered into a long term Musharaka arrangement with various banks amounting to Rs. 5,500 million to finance equity investment in CPHGC (via HPHL). The loan is repayable on quarterly basis starting from November 30, 2021. Mark-up is charged at three months KIBOR plus 0.30% per annum. The facility is secured by way of all present and future assets of the holding company other than current assets.

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.

24.4.3 On August 22, 2019, the holding company issued privately placed secured Sukuk Certificates amounting to Rs. 7,000 million at a mark-up of 1.9% per annum above three-month KIBOR. The mark-up on the Sukuk is payable on quarterly basis in arears and the principal is payable in four equal semi-annual installments commencing from February 22, 2022. The Sukuk Certificates are secured by:

(a) revolving corporate guarantee from NEL;

(b) subordinate hypothecation charge over receivables of NEL including but not limited to amounts receivable under the GOP guarantee;

(c) subordinate charge over all present and future movable fixed assets of the holding company and NEL; and

(d) pledge of 100% shares of NEL.

24.4.4 On March 19, 2020, the holding company issued privately placed secured Sukuk Certificates amounting to Rs. 5,000 million at a mark-up of 1.9% per annum above one-year KIBOR. The mark-up on the Sukuk is payable on semi-annual basis in arears and the principal is payable in four equal semi-annual installments commencing from September 19, 2022. The Sukuk Certificates are secured by:

(a) revolving corporate guarantee from NEL;

(b) subordinate hypothecation charge over all present and future movable fixed assets of NEL; and

(c) subordinate charge over all present and future movable current assets of the holding company.

Subsidiary - NEL

24.5 In connection with Narowal plant:

24.5.1 NEL entered into a long term financing arrangement which is repayable in 40 instalments 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 NEL;

(b) a first ranking floating charge over the NEL's assets (both present and future), fixed and current [other than those referred in note 29.3.1(a)], tangible and intangible, wherever situated and all present and future trade deposits, trade debts, loans and advances, bills and other receivables of NEL;

(c) hypothecation, the creation of a first fixed charge over the present and future properties of NEL;

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

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

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

24.5.2 The loan carries mark-up at the rate of three months KIBOR plus 0.75% per annum starting from the date of disbursement i.e. April 23, 2019 and is payable on quarterly basis in arrears. The loan is repayable in 12 equal installments on quarterly basis commencing from July 23, 2021. Any late payment by NEL 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 fixed assets (excluding land & building) of the holding company.

24.5.3 During the year, NEL entered into a loan term loan agreement under the Salary Refinancing Scheme introduced by State Bank of Pakistan (SBP). The loan carries a mark-up of 1.50% per annum starting from the date of disbursement and is payable on quarterly basis in arrears. The loan is repayable in eight equal quarterly installments starting from January 2021. Any late payment by NEL is subject to the markup to be calculated at the prevailing rate of three Month KIBOR plus 1.50%. The loan is secured against subordinate hypothecation charge over all present and future movable fixed assets of NEL (excluding land and building).

Subsidiary - LEL

24.6 In connection with LEL:

24.6.1 LEL has entered into long-term loan facilities of USD 98.3 million with various foreign banks / financial institutions at an interest rate of six month LIBOR plus 4.75% per annum. Repayment of the principal amount of the long-term loan facilities is to be made in 24 semi-annual instalments, the first such payment commenced on November 5, 2013 and then on interest payment date (each January 1 and July 1) until and including the final maturity date on November 5, 2024. Any delay in payments by LEL is subject to an additional payment of 2% per annum above normal interest rate.

24.6.2 LEL has also entered into a long-term loan facility of Rs. 3,250 million with local commercial banks at an interest rate of six month KIBOR plus 3.25% per annum. The principal amount of the loan facility is repayable in 19 semi-annual instalments, the first such payment commenced on November 5, 2013 and then on interest payment date (each January 1 and July 1) until and including the final maturity date on May 5, 2022. Any delay in payments by LEL is subject to an additional payment of 2.5% per annum above normal mark-up rate.

LEL declares dividend after satisfaction of lenders' covenants.

24.6.3 Facilities are secured by way of, inter alia;

(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 clause 5.3 (Assignments) of the Security Deed;

(iii) the authorizations and consents (to the extent permitted under any applicable law without the need to obtain the further consent of any Government entity);

(iv) all monetary claims and all related rights (if not effectively charged or assigned pursuant to the accounts charge) and only as to such rights that are not effectively assigned by way of security to the security trustee under Clause 5.3 (Assignments) of Security Trustee Deed;

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

(vi) all goodwill of LEL's business;

(vii) all insurances;

(viii) all other present and future assets of LEL both real and personnel, tangible and intangible (if not otherwise assigned effectively charged or assigned as applicable to the security trustee); and

(ix) in charged accounts and in all authorized investments held by LEL 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 LEL's undertakings and assets, present and future other than any asset charged or assigned under fixed charge.

The distributions account and the monies from time to time standing to the credit thereof and any investments, and the proceeds of any investments, made using such monies are out of the security package, consequently there is no fixed or floating charge over the distribution account and such investments.

Subsidiary - HPHL

24.7 On November 12, 2019, HPHL entered into a long term finance arrangement with a bank for an amount of Rs. 2,500 million to arrange for equity commitment of TNPTL. During the year, under the circular No. 13 of 2020, dated March 26, 2020 issued by State Bank of Pakistan (SBP), HPHL and the Syndicate Banks agreed to extend the repayment of principal loan by one year. Thereafter, the facility is repayable in eight installments on semi annual basis starting from May 18, 2021 at a mark-up rate of 3 month KIBOR plus 1.50% per annum. The mark-up is payable on quarterly basis in arrears. Any late payment by HPHL is subject to an additional mark-up of 2% per annum. This loan is secured by way of second ranking / subordinated charge over all present and future assets of the holding company.

24.8 During the year, HPHL entered into a loan term loan agreement under the Salary Refinancing Scheme introduced by State Bank of Pakistan. The loan carries a mark-up of 1.50% per annum starting from the date of disbursement and is payable on quarterly basis in arrears. The loan is repayable in eight equal quarterly installments starting from January 2021. Any late payment by HPHL is subject to the markup to be calculated at the prevailing rate of 3 month KIBOR plus 1.50%. The loan is secured against subordinate hypothecation charge over all present and future movable fixed assets of the holding company (excluding land and building).

Subsidiary - TEL

24.9 TEL had signed long-term loan facility agreements for US Dollar Loan Facility amounting to USD 262.13 million and Pak Rupee Facility amounting to Rs. 18,853 million on December 20, 2018. The Effective Date of both facilities is March 6, 2020. The Pak Rupee Facility carries mark-up at the rate of 3 months KIBOR plus 3.5% per annum payable semi-annually. The tenure of the facility is 14 years. The principal is repayable in twenty semi-annual instalments commencing from the earlier of the first principal payment date after the date falling 48 months after the Facility Effective date or the second principal payment date after the COD. The first disbursement under this facility was made on March 17, 2020. No disbursement has yet been made under the US Dollar Loan Facility.

The long term loan facility is secured against:

(i) First ranking hypothecation charge over the project assets of TEL; and

(ii) Shareholders' commitment to provide cost overrun support for 13% of entire debt, pledge shares in favour of Security Trustee and provide Standby Letter of Credit (SBLCs) for their remaining equity commitments in the project.

24.10 Subsequent to the year end, on July 28, 2020, TEL has executed a Supplemental Sponsor Support Agreement, wherein TEL's Sponsors have agreed to provide Additional Funding Shortfall Support upto USD 19.5 million in case a Funding Shortfall arises six months after the Required Commercial Operations Date (RCOD).

Subsidiary - HPSL

24.11 During the year, HPSL entered into a long term loan agreement under the Salary Refinancing Scheme introduced by State Bank of Pakistan. The loan carries a mark-up of 1.50% per annum starting from the date of disbursement and is payable on quarterly basis in arrears. The loan is repayable in eight equal quarterly installments starting from January 2021. Any late payment by HPSL is subject to the markup to be calculated at the prevailing rate of 3 month KIBOR plus 1.50%. The loan is secured against subordinate hypothecation charge over all present and future movable fixed assets of the holding company (excluding land and building).

25. LONG TERM LEASE LIABILITIES

	Note	As at July 01, 2019	Impact of initial application of IFRS 16	Translation / Financial cost	Repaid	Current portion	As at June 30, 2020
				(Rs. '000s)			
Islamic Development Bank	25.1	3,034,323	–	45,221	(480,314)	(516,003)	2,083,227
Lease liability - Office building	2.2	–	406,435	47,032	(71,333)	(60,092)	322,042
		3,034,323	406,435	92,253	(551,647)	(576,095)	2,405,269

	Note	As at July 01, 2018	Impact of initial application of IFRS 16	Translation	Repaid	Current portion	As at June 30, 2019
				(Rs. '000s)			
Islamic Development Bank	25.1	2,600,708	–	827,349	(393,734)	(501,192)	2,533,131

25.1 LEL entered into a lease agreement with Islamic Development Bank in respect of plant and machinery of USD 37.3 million. The rate of return used as the discounting factor is 7.10% (2019: 8.09%) per annum. The lease rentals are payable in 24 semi-annual instalments, the first such payment commenced on November 5, 2013 and then on rental payment date (each January 1 and July 1) until and including the final maturity date on November 5, 2024. Any delay in payments by LEL is subject to an additional payment of 2% per annum above normal return rate. The lease finance facility is secured against assets mentioned in note 24.6.3.

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In addition to the above, LEL executed lease agreements with the Government of AJK ("GOAJK") for lease of land for its power project and its registered office having estimated remaining lease term between 4 to 20 years. These are discounted using the interest rate implicit in the lease or LEL's incremental borrowing rate, as applicable.

		Note	2020 (Rs. '000s)	2019 (Rs. '000s)
26.	**DEFERRED TAXATION**			
	The liability for deferred taxation comprises temporary difference relating to:			
	Long term investments (on share of profits)		3,170,595	–
27.	**TRADE AND OTHER PAYABLES**			
	Creditors			
	Trade	27.1 & 27.2	50,737,086	52,856,392
	Others		94,206	106,851
			50,831,292	52,963,243
	Accrued liabilities			
	Finance costs		40,338	1,362
	Miscellaneous		19,811,402	13,406,593
			19,851,740	13,407,955
	Unearned income	27.3	1,754,380	1,444,435
	Obligation to transfer shares to GoB	27.4	1,459,614	–
	Other payables			
	Workers' profit participation fund	30.4	3,353,152	2,568,887
	Sales tax payable		4,912	15,756
	Staff retirement benefits			
	Staff gratuity	27.5	5,219	63,807
	Provident funds		9,861	7,885
	Pension fund		11,446	2,188
	Retention money		16,734	20,202
	Withholding tax		18,327	35,106
	Others		6,228	395
			3,425,879	2,714,226
			77,322,905	70,529,859

27.1 This includes payable to Pakistan State Oil Company Limited (PSO) amounting to Rs. 50,406 (2019: Rs. 51,767), out of which overdue amount is Rs. 44,327 million (2019: Rs. 47,455 million).

The delay in payments to PSO carries mark-up at SBP Reverse Repo rate plus 2% per annum compounded semi-annually.

27.2 NEL entered into a Memorandum of Understanding (MoU) with Be Energy Limited (BEL), under which NEL has provided a corporate guarantee to BEL for an amount of Rs. 3,500 million. The delay in payments to BEL carries mark-up at the rate of KIBOR plus 2% per annum in case payment is made beyond 30 days credit period and KIBOR plus 3% per annum if the delay is in excess of 60 days.

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

		Note	2020 (Rs. '000s)	2019 (Rs. '000s)
27.4	**OBLIGATION TO TRANSFER SHARES TO GOB**			
	Opening balance		–	–
	Provision in respect of loss on shares to be transferred to GoB	15.1	1,009,029	–
	Add: Obligation representing share of pofit relating to shares to be transferred	15.1	450,585	–
			1,459,614	–
27.5	**STAFF GRATUITY**			
	Staff gratuity - holding company	21.3.1	–	41,541
	Staff gratuity - HPSL	21.3.2	–	19,024
	Staff gratuity - TEL	27.5.1	3,867	3,242
	Staff gratuity - NEL		1,352	–
			5,219	63,807

27.5.1 Staff gratuity - TEL

Actuarial valuations were carried out as at June 30, 2020. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Actuarial Cost Method. The details of the actuarial valuations are as follows:

	2020 (Rs. '000s)	2019 (Rs. '000s)
Reconciliation of the net liability recognised in the statement of financial position		
Present value of defined benefit obligation	3,867	3,242
Fair value of plan assets	–	–
Net liability recognised in the statement of financial position	3,867	3,242
Reconciliation of the movements during the year in the net liability recognised in the statement of financial position		
Opening net liability	3,242	–
Expense recognised	3,005	3,255
Remeasurement gain recognised in Other Comprehensive Income (OCI)	(2,380)	(13)
Contributions made	–	–
Closing net liability	3,867	3,242
Expense recognised		
Current service cost	2,939	706
Past service cost	(561)	2,431
Net Interest	627	118
Expense recognised	3,005	3,255

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended June 30, 2020

	2020 (Rs. '000s)	2019 (Rs. '000s)
Re-measurements recognised in OCI during the year		
(Gain) / loss due to change in financial assumptions	(88)	7
Gain due to change in experience adjustments	(2,292)	(20)
	(2,380)	(13)
Movements in the present value of defined benefit obligation		
Present value of defined benefit obligation at opening	3,242	–
Current service cost	2,939	706
Past service cost	(561)	2,431
Interest cost	627	118
Remeasurement gain recognised in OCI	(2,380)	(13)
Present value of defined benefit obligation at closing	3,867	3,242
Contribution expected to be paid to the plan during the next year	2,511	3,566

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

	2020 (Rs. '000s)	2019 (Rs. '000s)
– Valuation discount rate per annum	9.25%	14.25%
– Expected rate of increase in salary level per annum	9.25%	14.25%
– Mortality rates	SLIC (2001-05)-1	SLIC (2001-05)-1

Expected maturity analysis of undiscounted retirement benefit plans:

	Less than 1 year	Between 1–2 years	Between 3–5 years	over 5 year	Total
			(Rs. '000s)		
Retirement benefit plan	19	142	1,884	6,973	9,018

	2020 (Rs. '000s)	2019 (Rs. '000s)
Sensitivity analysis on significant actuarial assumptions		
- Impact on defined benefit obligation		
- Discount rate +1%	3,410	3,102
- Discount rate -1%	(4,413)	(3,394)
- Salary increases +1%	(4,428)	(3,401)
- Salary increases -1%	3,390	3,094

The plan exposes TEL to the actuarial risks such as:

Investment risks

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risks

The risk arises when the actual servicing period is longer than expected. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

		Note	**2020** (Rs. '000s)	2019 (Rs. '000s)
28.	**INTEREST / MARK-UP ACCRUED**			
	Interest / mark-up accrued on long term loans		959,075	753,751
	Mark-up accrued on short term borrowings		738,636	804,573
			1,697,711	1,558,324
29.	**SHORT TERM BORROWINGS**			
	Secured			
	Running finance	29.1 to 29.5	34,361,671	33,079,906
	Short term / sub limit finance	24.4.1 & 24.4.2	–	8,500,000
			34,361,671	41,579,906
	Unsecured			
	Privately placed sukuks	29.6	4,500,000	8,500,000
	Commercial paper		–	3,398,519
			4,500,000	11,898,519
			38,861,671	53,478,425

29.1 The facilities of holding company for running finance are available from various banks / financial institutions amounted to Rs. 27,400 million (2019: Rs. 28,800 million) at mark-up ranging between 0.40% to 2.50% per annum above one / three month KIBOR. The mark-up on the facilities is payable on monthly / quarterly basis in arrear. The facilities will expire during the period from July 31, 2020 to June 30, 2021. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. The facilities are secured by way of charge over the trade debts and stocks of the holding company for the Hub plant pari passu with the existing charge.

29.2 The holding company has also entered into Musharaka agreements amounting to Rs. 1,400 million (2019: Rs. 1,400 million) at a mark-up ranging between 0.75% to 1.00% per annum above one month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrear. These facilities will expire during the period from July 31, 2020 to September 30, 2020. 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 29.1.

29.3 The facilities of NEL for running finances available from various banks / financial institutions amounted to Rs. 5,425 million (June 2019: Rs. 5,425 million) at mark-up ranging between 0.6% to 2.25% (June 2019 : 0.6% to 2.00%) per annum above one / three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrears. The facilities will expire during the period commencing from July 31, 2020 to March 26, 2021. Any late payment by NEL is subject to an additional payment of 2.00% per annum above the normal mark-up rate.

29.3.1 The 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, (ii) Fuel, lube, fuel stocks at the plant; and (iii) the Energy Payment Receivables of NEL.

(b) a subordinated charge on all present and future plant, machinery and equipment and other moveable assets of the NEL 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 NEL's right, title and interest in the Project Documents (including any receivables thereunder); and (vi) all current assets.

29.4 NEL also has Musharaka agreements with banks amounting to Rs. 3,125 million (June 2019: Rs. 2,900 million), at a mark-up ranging from 0.70% to 1.50% (June 2019: 0.50% to 1.00%) per annum above one month / three month KIBOR. The mark-up on the facilities are payable on quarterly basis in arrears. These facilities will expire during the period from July 31, 2020 to August 31, 2021. Any late payment by NEL 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 29.3.1.

29.5 The working capital facilities of LEL are available from various banks amounted to Rs. 750 million (2019: Rs. 500 million) at mark-up 1.75% per annum above three month KIBOR, payable on quarterly basis in arrears. All facilities are secured by way of subordinated charge over the current assets (including receivables, advances, deposits and prepayments) of LEL. The facilities will expire during the period from July 31, 2020 to October 31, 2020.

29.6 On May 19, 2020, the holding company issued privately placed unsecured Sukuk certificates based on Musharaka amounting to Rs. 4,500 million at a mark-up of 1.50% per annum above three-month KIBOR. The mark-up on the Sukuk is payable on quarterly basis in arrear and the principal is payable on November 19, 2020. Any late payment by the holding company is subject to mark-up at a rate of 2.00% per annum over three-month KIBOR.

30. COMMITMENTS AND CONTINGENCIES

30.1 Commitments of the holding company in respect of capital and revenue expenditures amounted to Rs. 1,023 million (2019: Rs. 243 million).

30.2 The CPPA(G) was unable to meet its obligation to provide a stand by letter of credit as required under the PPA. Consequently, the holding company has been unable to meet its obligation to provide a stand by letter of credit to PSO under the Fuel Supply Agreement (FSA).

30.3 The holding company has entered into Predictivity Enhancements and Performance Improvements (PEPI) Agreement with General Electric Global Services GmbH (GE), whereby GE has proposed to the holding company PEPI solutions to improve the Facility net efficiency (heat rate) to achieve a guaranteed rate. Under PEPI Agreement, Steam Turbine Retrofits were implemented on two units.

If PEPI Agreement is terminated at any time prior to March 31, 2037, the holding company will be liable to pay USD 1.5 million to GE along with residual value of the Steam Turbine Retrofits (proposed solution). However, non-renewal of PPA (which expires in 2027) will result in automatic termination of PEPI Agreement and the holding company will have to pay GE USD 1.5 million and the residual value of approximately USD 0.6 million.

30.4 The holding company had filed a petition in the Sindh High Court (SHC) on June 28, 2000 challenging the application of the Companies Profits (Workers' Participation) Act, 1968 (the Act) on the grounds, that since its inception, the holding company had 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. The said notice demanded that the holding company 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 PPA and against the CPPA(G) as a pro forma party in the matter.

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 new petition, which incorporated all the available grounds.

Both the holding company and CPPA(G) 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 SHC. Against the decision of the SHC, the holding company filed petition for leave to appeal before the Supreme Court of Pakistan (SCP). In December 2011, the SCP set aside the judgement of the SHC and directed it to decide the case afresh. The matter is pending adjudication before the SHC.

As at June 30, 2020, the total financial exposure relating to the above case is Rs. 27,483 million (Rs. 3,136 million being the 5% of the profit and Rs. 24,347 million interest component and penalty on delayed payment). 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 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.

The Supreme Court of Pakistan (SCP) vide its judgement dated November 10, 2016 set aside the amendments made to the Act by Finance Acts of 2006, 2007 and 2008 as ultra vires to the provisions of the Constitution of Pakistan (the Constitution). Accordingly, the provisions of the Act are to be read as if the amendments brought about by the said Finance Acts were never made and the defined term “Worker” reverted to its original definition of prior to Finance Act 2006. However, the Federal Board of Revenue (FBR) has filed a review petition with the SCP in respect of the said decision.

Pursuant to the 18th Amendment to the Constitution (the 18th Amendment), the Sindh Provincial Assembly passed the Sindh Companies Profits (Workers’ Participation) Act, 2015 (the Sindh Act).

On February 12, 2018, SHC passed an Order (SHC Order) in respect of the Sindh Act, holding that for trans-provincial companies like Hubco, the location of the workers should be considered and an allocation should be made accordingly. The SHC Order further devised a mechanism to compute contributions for trans-provisional companies. In July 2018, the SCP suspended the SHC Order, however, SCP is yet to issue a detailed order on this matter. The interim order passed by SCP only applies inter partes and since Hubco was not a party to the case filed in the SCP, it is the SHC Order which is binding on the holding company.

In light of SHC Order, the Sindh Act applies insofar as the holding company has any “Worker” in Sindh as defined under the Sindh Act, and the Act applies as a fractured provincial legislation to the holding company insofar as Balochistan is concerned. Accordingly, the holding company is of the view that it does not have any “Worker” as defined in the Act and there is no need to establish a Trust in Balochistan under the Act at this time.

Accordingly, following the enactment of the 18th Amendment, and amongst other things, labour matters have become a Provincial subject and pursuant to the Sindh Act and the SHC Order, the 1968 Act has been fractured into provisional legislation, the Fund created by the holding company in 2007, became dysfunctional and was unable to carry out its objectives. Therefore, the holding company recommended to the Trustees of the Fund that the same be dissolved. The Fund was dissolved on June 27, 2019 and the 5% WPPF allocated by the holding company since July 1, 2015 and the interest earned on that allocated amount (Rs. 1,524 million allocated by the holding company and Rs. 258 million interest earned by the Fund on the allocated amount) was transferred back to the holding company. These funds are being utilized by the holding company till a final decision of the Supreme Court or until Balochistan Provincial Assembly enacts its legislation and the holding company will then comply with the Balochistan Law. In compliance with the Sindh Act, all formalities for the registration of WPPF Trust creation in Sindh are complete; only execution of the Trust Deed is pending, which cannot be completed at this time given the lock down on account of COVID-19. Following execution of the Trust Deed, the amount in proportion to the workers based in Sindh will be transferred to the new fund as per the calculation methodology given by SHC.

This course of action has been taken keeping in mind that the spirit of the law is to provide for welfare of the workers. The holding company is entitled to claim a portion of the amount rightfully paid to the WPPF Trust from CPPA(G) as a pass-through item under the PPA.

30.5 **(i)** Under the IA with GOP and under the tax laws, the holding company's interest income is exempt from income tax. However, the tax authorities issued a tax demand for the tax years 2006-2010 amounting to 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 appeals before the Honorable Islamabad High Court (IHC) which were also decided against the holding company. Against the decision of the IHC, the holding company filed appeals before the SCP which are pending adjudication. The holding company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 364 million.

(ii) FBR also imposed 2% Workers Welfare Fund (WWF) for 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 filed appeals before the ATIR which were rejected. Against the order of the ATIR, the holding company filed appeals before the IHC which held that the orders on WWF were void. The IHC also held that WWF would be applicable in accordance with the law prior to the changes made through Finance Act 2006 & 2008. Against the decision of the IHC, the holding company filed appeals before the SCP which are pending adjudication. The holding company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 16 million. WWF is a pass through under the PPA and is recoverable from the CPPA(G).

(iii) Under the IA with GOP and under the tax laws, the holding company's interest income is exempt from income tax. However, during March 2014, the FBR issued tax demand for the tax year 2011 amounting to Rs. 3.2 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. Appeals filed by the holding company before the CIR-A and thereafter with the ATIR were decided against the holding company. Against the order of the ATIR, the holding company filed appeal before the IHC which was also decided against the holding company. Against the decision of the IHC, the holding company filed appeal before the SCP which is pending adjudication. The holding company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 6 million.

(iv) FBR also imposed 2% WWF for the tax year 2011 and issued a demand for Rs. 108.5 million. Appeals filed by the holding company before the CIR-A and thereafter with the ATIR were decided against the holding company. Against the order of the ATIR the holding company filed appeal before the IHC which held that the order on WWF was void. The IHC also held that WWF would be applicable in accordance with the law prior to the changes made through Finance Act 2006 & 2008. Against the decision of the IHC the holding company filed appeal before the

SCP which is pending adjudication. The holding company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 190 million. WWF is a pass through under the PPA and is recoverable from the CPPA(G).

(v) Under the IA with GOP and under the tax laws, the holding company's interest income is exempt from income tax. However, during March 2015, the FBR issued tax demand for the tax year 2013 amounting to Rs. 4 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. The holding company filed appeal before the CIR-A who deleted the tax demand. Against the order of CIR-A, the FBR filed appeal before the ATIR which is pending adjudication. The holding company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 7 million.

(vi) FBR also imposed 2% WWF for the tax year 2013 and issued a demand for Rs. 162 million. The holding company filed appeal before the CIR-A who remanded back the case to FBR for a fresh assessment. Against the order of CIR-A, the FBR filed appeal before the ATIR which is pending adjudication. The holding company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 316 million. WWF is a pass through under the PPA and is recoverable from CPPA(G).

The management, tax and legal advisors are of the opinion that the position of the holding company in respect of aforementioned matters is sound on technical basis and eventual outcome is expected 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.

30.6 **(i)** Under the IA with the GOP and under the tax law, the holding company is exempt from the levy of minimum tax. However, the FBR issued demand notices amounting to Rs. 443 million relating to the tax years 2006 to 2008, 2010 and 2011. After the holding company's appeals were rejected by the CIR-A, Islamabad, further appeals were filed with the ATIR, Islamabad which has decided the appeals in favour of the holding company. Against ATIR orders, FBR has filed appeals in the IHC which are pending adjudication. The holding company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 932 million.

(ii) In November 2012, the FBR passed an order for the recovery of sales tax amounting to Rs. 8,519 million relating to fiscal years ended June 2008 to 2011. In FBR's view the holding company had claimed input tax in excess of what was allowed under the law. After dismissal of the holding company's appeal at the CIR-A level, the holding company filed appeal with the ATIR which decided the case in favour of the holding company. Against the judgment of the ATIR, the FBR filed a case with the IHC which is pending adjudication. The holding company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 23,406 million.

(iii) In March 2014, the FBR passed an order for the recovery of sales tax amounting to Rs. 3,442 million relating to fiscal year ended June 2012. In FBR's view the holding company had claimed input tax in excess of what was allowed under the law. After dismissal of the holding company's appeal at the CIR-A level, the holding company filed appeal with the ATIR which also decided the case against the holding company. Against the decision of the ATIR, the holding company filed appeal with IHC which is pending adjudication. The holding company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 8,143 million.

(iv) In April 2014, the FBR issued a show cause notice to recover sales tax amounting to Rs. 3,692 million relating to fiscal year ended June 2013. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / LHC in other cases. Against this decision, the FBR has filed appeal with IHC which is pending adjudication. The holding company's maximum exposure as at June 30, 2020 is approximately Rs. 3,692 million.

(v) In January 2015, the FBR issued a show cause notice to recover sales tax amounting to Rs. 4,130 million relating to fiscal year ended June 2014. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / LHC in other cases. Against this decision, the FBR has filed appeal with IHC which is pending adjudication. The holding company's maximum exposure as at June 30, 2020 is approximately Rs. 4,130 million.

(vi) In October 2018, the FBR issued a show cause notice to recover sales tax amounting to Rs. 3,483 million relating to fiscal year ended June 2016. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC which asked the FBR not to pass a final order till next hearing. The holding company's maximum exposure as at June 30, 2020 is approximately Rs. 3,483 million.

(vii) In November 2018, the FBR issued a show cause notice to recover sales tax amounting to Rs. 2,665 million relating to fiscal year ended June 2017. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC which asked the FBR not to pass a final order till next hearing. The holding company's maximum exposure as at June 30, 2020 is approximately Rs. 2,665 million.

(viii) Payment to PSO under the FSA including payment of Late Payment Interest (LPI) are exempt from withholding of income tax under the provisions of the tax law. During 2014, the FBR issued show cause notices to recover tax amounting to Rs. 1,677 million on the pretext that LPI paid to PSO under the FSA is a payment of "profit on debt". The holding company filed Writ Petitions before the IHC which were decided against the holding company. The holding company filed further appeals with IHC which are pending adjudication. The holding company's maximum exposure as at June 30, 2020 is approximately Rs. 1,677 million.

(ix) Under the O&M agreement with the ex-operator for the Hub plant, the holding company used to pay fixed and variable fees to the operator. In January 2015, the FBR passed an order amounting to Rs. 1,034 million relating to the tax years 2010 to 2013 for the recovery of Federal Excise Duty (FED). The FBR viewed O&M as a franchise agreement and not a service agreement and decided that payments made thereon were in nature of technical fees which were subject to FED. After dismissal of the holding company's appeal at the Commissioner Inland Revenue – Appeal and at the ATIR level, the holding company filed appeals with the IHC which are pending adjudication. The holding company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 2,263 million.

(x) Under the O&M agreement with the ex-operator for the Hub plant, the holding company used to pay fixed and variable fees to the operator. In December 2017, the FBR issued a show cause notice for the recovery of Federal Excise Duty (FED) amounting to Rs. 911 million relating to the tax years 2014 to 2017. The FBR viewed O&M as a franchise agreement and not a service agreement and decided that payments made thereon were in nature of technical fees which were subject to FED. The holding company filed a Writ Petition in the Islamabad High Court (IHC) which asked the FBR not to issue any demand till next hearing. The holding company's maximum exposure as at June 30, 2020 is approximately Rs. 911 million.

(xi) Under the provisions of the Sales Tax Act, 1990 (STA), the holding company is entitled to claim from FBR the Provincial Sales Tax (PST) on services paid under the provincial sales tax law. However, after the imposition of Balochistan Sales Tax (BST), the FBR did not allow the adjustment of BST amounting to Rs. 209 million in the Federal Sales Tax return. Against this, the holding company filed appeal before the IHC which while allowing the appeal held that the refusal on the part of FBR to deny input tax adjustment against the sales tax on services paid under the Act of 2015 is without any lawful authority. The holding company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 286 million.

(xii) In December 2018 the FBR issued a show cause notice for the recovery of sales tax amounting to Rs. 412 million on the ground that the holding company has claimed excess input tax during different tax periods. In March 2019 on representation the FBR reduced the amount and issued demand notice amounting to Rs. 31 million. The holding company filed appeal with the Commissioner Inland Revenue Appeal who remanded back the case to FBR for reassessment. The holding company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 33 million.

(xiii) In October 2019 the FBR issued income tax demand of Rs 266 million relating to fiscal year ended June 2016. This is based on FBR's views that holding company's receipt on account of supplemental charges are taxable and CPP is also liable for minimum tax. The FBR issued demand for WWF as well. The holding company has filed appeal with the Commissioner Inland Revenue Appeal which is pending adjudication. The holding company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 300 million.

(xiv) In December 2019 the FBR issued a demand of Rs 19 million relating to fiscal year ended June 2016. This is based on FBR's views that during the year the holding company had not deduct tax on payments to supplier. The holding company has filed appeal with the Commissioner Inland Revenue Appeal which is pending adjudication. The holding company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 21 million.

(xv) Under the IA with GOP and under the tax laws, the holding company's interest income is exempt from income tax. However, in June 2020, the FBR issued a tax demand on this issue on the grounds that current interest income is not covered under the exemption allowed under the tax law. Consequently, FBR also imposed 2% Workers Welfare Fund (WWF) on this interest income. The holding company has filed appeal with the CIR-A which is pending adjudication. The holding company's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 27 million.

The matter, stated in (ii) to (vii) above in respect of claiming excess input tax has already been decided by the Honorable Lahore High Court, in favor of other IPPs in similar cases. We understand that against this decision of the Honorable Lahore High Court, the FBR has filed appeal in the Honorable Supreme Court of Pakistan.

The management is of the opinion that the position of the holding company is sound on technical basis and eventual outcome is expected 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.

30.7 The holding company and its affiliates are committed to assist CPHGC in obtaining the required permits including environmental NOCs and approvals from government agencies. During 2017 two constitution petitions in the Honorable High Court of Balochistan, challenging the establishment of the Coal Power Plant along with an ancillary jetty in Balochistan were dismissed in favor of the holding company on the grounds that Honorable High Court Balochistan did not have jurisdiction in view of the constitution of Environment Tribunal. Afterwards, one of the aggrieved parties in the above referred petitions approached the Environmental Protection Tribunal Balochistan praying for an order on environmental grounds to restrain the holding company from execution of the Project. The management and their legal advisors are of the view that the position of the holding company is sound on technical grounds and ultimate outcome of the case is expected be in favor of the holding company.

30.8 In 2016, the holding company received letter from the Power Purchaser stating that the holding company did not maintain the requisite fuel stock at Hub plant as required under the PPA and has, therefore, incurred lower interest on working capital and, therefore, Power Purchaser is earmarking an estimated amount of Rs. 1,801 million for Hub Plant out of the Late Payment Interest invoices owed by the Power Purchaser. The holding company has contested this claim.

30.9 Pursuant to the FSA dated August 03, 1992 between the holding company and Pakistan State Oil Company Limited (PSO), PSO supplied 128,000 Metric Tons (MT) of Residual Furnace Oil (RFO) as "First Fill" at no charge to the holding company in 1996. Since 1996, there had been correspondence exchanged amongst PSO, WAPDA and the holding company. PSO, in earlier days, sought payment for the cost of the First Fill RFO from WAPDA and the holding company. Both WAPDA and the holding company refused to make payment, citing that PSO's obligation under the FSA to supply First Fill RFO to the holding company was at no charge.

PSO continued to claim the cost of the First Fill RFO from WAPDA. In fact, such cost was recorded in PSO's audited accounts as a receivable due from WAPDA. The relevant disclosure in the PSO's audited accounts explicitly stated that a letter was signed between PSO and WAPDA on August 5, 1992 under which WAPDA undertook to pay PSO the cost of First Fill. Later through the intervention of President of Pakistan, an interest free loan of Rs. 802 million was sanctioned to WAPDA to enable it to settle PSO's claim for First Fill RFO. Following the payment to PSO, WAPDA started claiming reimbursement of the cost of the First Fill from the holding company. The holding company denied the same. The holding company's position was that it was under no obligation to pay to PSO under FSA.

In 2015, CPPA(G) through back to back arrangements with WAPDA succeeded all the rights and obligations of WAPDA under the existing Power Purchase Agreement. On November 1, 2017, CPPA(G) wrote to the holding company requesting a meeting to discuss the payment of First Fill amounting to Rs. 802 Million, along with late payment interest. On November 10, 2017 the holding company wrote to CPPA(G) that the holding company is under no obligation for any payment with regards to the First Fill and considered the matter closed. Therefore, there was no point in meeting in relation to the matter. On June 13, 2018, CPPA(G) communicated to the holding company that the CPPA(G) had decided to adjust the amount of Rs. 802 Million along with interest of Rs. 10,723 Million against the holding company's outstanding LPI invoices.

Due to the above-mentioned action of CPPA(G), the holding company was constrained to file a suit before the Sindh High Court for a declarative injunction against CPPA(G). The Sindh High Court via its Order dated July 9, 2018, directed that status quo be maintained with respect to the amount demanded by CPPA(G) from the holding company on account of the First Fill and restrained CPPA(G) from adjusting the First Fill claim amount.

Management along with its legal advisors are of an opinion that the position of the holding company is sound on legal basis and eventual outcome is expected to be in favour of the holding company. Pending the resolution of the matter stated above, no provision has been made in these consolidated financial statements.

30.10 On October 11, 2019, the holding company received an invoice of Rs. 398.5 million from the Power Purchaser, CPPA(G) in respect of Liquidated Damages (LDs) due to non-availability of Hub Power Plant for electricity generation during the operating year April 1, 2018 to March 31, 2019. The LDs invoice is for the time period during which the Hub Power Plant was not available for electricity generation due to lack of fuel caused by delay in payments by CPPA(G) which resulted in the holding company not being able to meet its payment obligations to Pakistan State Oil (PSO). PSO had stopped the supply of RFO to the Hub Power Plant due to delay in payments as well as non-provision of Standby Letter of Credit (SBLC) by the holding company as required under the Fuel Supply Agreement (FSA). The holding company did not establish the SBLC for PSO because CPPA(G) did not establish SBLC in favor of the holding company as required under the Power Purchase Agreement (PPA) dated August 3, 1992 (refer note 30.2).

The holding company is in a process of resolving the matter amicably with CPPA(G) and has been proactively deliberating the issue at the CPPA(G) Board level to ensure that the holding company's Forced Outage Allowance is not wrongly utilized by CPPA(G). The holding company has been defending the matter on the grounds that the Hub Power Plant ran out of fuel because of the CPPA(G)'s payment defaults and non-provision of SBLC as required under the PPA. As a result of continuous efforts by the holding company, CPPA(G) informed the holding company on November 27, 2019 that the LDs invoice has been withdrawn till a final decision is taken by the CPPA(G) Board.

In the past, similar cases arose where CPPA(G) attempted to impose LDs on other IPPs and they challenged such imposition of LDs and won at various legal forums including expert adjudication as well as International Arbitration.

Accordingly, the management is of the view that the position of the holding company is sound on technical and legal basis and that the claim is without substance and merit and has been rejected. Pending the resolution of the matter stated above, no provision has been made in these consolidated financial statements. No dispute proceedings have been initiated as envisaged in the PPA as the matter remains currently pending at the CPPA(G) Board.

30.11 The Federal Government constituted a committee for the purpose of negotiating the PPA. Negotiations are underway between the Committee and the holding company in relation to the Hub Power Plant.

30.12 In connection with NEL:

30.12.1 Commitments in respect of capital and revenue expenditures amounted to Rs. 151 million (2019: Rs. 13 million).

30.12.2 Due to continuous payment defaults by NTDC, NEL called on the Sovereign Guarantee for recovery of overdue receivables. Subsequently, in light of the issue of circular debt and sovereign default, NEL filed a constitutional petition in the Honorable Supreme Court of Pakistan ("SCP") seeking an immediate recovery of these overdue receivables and to protect itself against reduction in capacity purchase price in the form of Liquidated Damages (LDs) due to non-availability of power plant for electricity generation because of lack of fuel caused by delay in payments by NTDC.

On January 15, 2013, the SCP passed an interim order that there shall be no reduction in capacity payment. On June 28, 2013, NEL and other Independent Power Producers ("IPPs") agreed with GOP that on settlement of all overdue amounts, NEL and other IPPs would withdraw the SCP case and pursue expert adjudication and arbitration in accordance with the Power Purchase Agreement ("PPA"). In January 2018, petitions of the IPPs before the SCP to withdraw petition have been disposed off with the direction to the Lahore High Court ("LHC") to decide IPPs Application 2 (as explained below).

The IPPs and NTDC jointly filed the case with the Expert in Pakistan. The Expert through his determination of August 15, 2015 issued the determination which was generally in favor of IPPs. The Expert determined inter alia that the power purchaser is liable to forthwith make payments for the claimed deemed capacity to NEL. The Expert also determined that IPPs are not entitled to payment of interest on the deemed capacity. IPPs were willing to implement the Expert determination, however, due to NTDC's unwillingness to implement the expert's determination, the IPPs on November 02, 2015 filed amended request for arbitration in the London Court of International Arbitration ("LCIA"). The LCIA has issued following awards:

(i) Partial Final Award on Preliminary Issues ["PFA"] dated June 08, 2017 whereby the Arbitrator beside other matters declared that the (a) current Arbitration before the LCIA has been validly commenced in accordance with the PPA, (b) Expert's Determination dated August 15, 2015 is final and binding on both NTDC & IPPs etc. On July 06, 2017, NTDC challenged the PFA before the High Court of Justice, Queen's Bench Division, Commercial Court, London ("HQJ") [NTDC HQJ-1]. NTDC also filed application ("NTDC Application 1") before the Senior Civil Judge ("SCJ") in Lahore seeking an order that the PFA be declared null and void. The SCJ suspended the PFA against which IPPs filed revision petitions in the District Court Lahore which has adjourned the hearing indefinitely while suspending the SCJ order.

The IPPs initiated anti-suit injunction ("ASI") application before the HQJ to restrain NTDC from challenging awards outside England. The IPPs also filed application ("IPPs Application 1") with the LHC for the recognition and enforcement of the PFA. Under the ASI Order, the HQJ (a) restrained NTDC from pursuing NTDC Application 1 before the Senior Civil Judge in Lahore and (b) restrained NTDC from taking any steps or proceedings in any court or tribunal outside England which sought to set aside or annul the PFA. HQJ also took an undertaking from IPPs (a) to compensate NTDC if the HQJ later finds that due to any misrepresentation etc. by IPPs, ASI Order has caused loss to NTDC, (b) not take any steps in the proceedings in IPPs Application 1 & NTDC Application 1 and (c) not to commence or continue any proceedings or applications in any court or tribunal outside England in relation to the PFA and any other awards that may be rendered by the LCIA. On May 04, 2018 the Commercial Court, London has confirmed the ASI that the IPPs are entitled to a final anti-suit injunction, continuing the interim injunction granted earlier, on the entirely straightforward basis that the seat of the Arbitration is London. NTDC is to be restrained on a permanent basis from challenging the Partial Final Award in proceedings in Lahore, Pakistan, or anywhere other than England and Wales.

(ii) Final Award (FA) dated October 29, 2017 in favor of IPPs by quantifying the LDs amounts along with interest, legal and other related costs (in case of NEL, the amount quantified by LCIA is Rs. 1,067 million up to October 29, 2017) payable by NTDC to the IPPs. On November 24, 2017, NTDC has challenged the FA before the HQJ, London ("NTDC HQJ-2") which is pending adjudication. Meanwhile the IPPs have also filed application ("IPPs Application 2") with the LHC for the recognition and enforcement of the FA. On November 29, 2017, NTDC also initiated challenge proceedings against the FA in the Lahore Civil Court, so as to stop the clock of limitation (purported limitation period).

Based on the Final Award dated October 29, 2017, the IPPs including NEL asked NTDC to pay the amounts quantified by the LCIA, however, NTDC denied the same on the ground that the amounts are not payable till finalization of the cases by the courts of England and Pakistan. During March 2018, NTDC applied to the High Court of Justice, Queen's Bench Division, Commercial Court, London, for the withdrawal of its applications NTDC HQJ-1 & NTDC HQJ-2. The IPPs including NEL informed NTDC that after withdrawal of its applications from the High Court of Justice, Queen's Bench Division, Commercial Court, London, there are no challenges from NTDC pending in the courts in the United Kingdom and the LCIA awards i.e. Partial Final Award on Preliminary Issues of June 08, 2017 and Final Award of October 29, 2017 attained finality. Accordingly, the IPPs including NEL demanded NTDC to pay the amounts quantified by the LCIA without any further delay.

NEL has already charged Rs. 567 million pertaining to the period prior to January 2013. Once the amounts are received by NEL from NTDC, the already charged amount of Rs. 567 million will be reversed.

30.12.3 NEL is required to allocate and pay 5% of its profit to the Workers' profit participation fund (the "Fund"). NEL is entitled to claim this expense from National Transmission and Despatch Company Limited (NTDC) as a pass-through item.

The Supreme Court of Pakistan (SCP) vide its judgement dated November 10, 2016 set aside the amendments made to the Companies Profits (Workers' Participation) Act, 1968 (the Act) by Finance Acts of 2006, 2007 and 2008 as ultra vires to the provisions of the Constitution of Pakistan (the Constitution). Accordingly, the provisions of the Act are to be read as if the amendments brought about by the said Finance Acts were never made and the defined term "Worker" reverted to its original definition of prior to Finance Act 2006. However, the Federal Board of Revenue (FBR) has filed a review petition with the SCP in respect of the said decision.

Pursuant to the 18th Amendment to the Constitution, the Sindh Provincial Assembly passed the Sindh Companies Profits (Workers' Participation) Act, 2015 (the Sindh Act). On February 12, 2018, Sindh High Court (SHC) passed an Order (SHC Order) in respect of the Sindh Act, holding that for trans-provincial companies like NEL, the location of the workers should be considered and an allocation should be made accordingly. The SHC Order further devised a mechanism to compute contributions for trans-provincial companies. In July 2018, the SCP suspended the SHC Order, however, SCP is yet to issue a detailed order on this matter. The interim order passed by SCP only applies inter partes and since NEL was not a party to the case filed in the SCP, it is the SHC Order which is binding on NEL.

In light of SHC Order, the Sindh Act applies insofar as NEL has any "Worker" in Sindh as defined under the Sindh Act, and the Act applies as a fractured provincial legislation to NEL insofar as Punjab is concerned. Accordingly, NEL is of the view that it does not have any "Worker" as defined in the Sindh Act and the Act and there is no need to establish a Trust in Sindh and Punjab at this time.

Prior to demerger of Narowal plant into NEL, which took place effective from April 1, 2017, Narowal plant was part of the holding company and up to June 2015, 5% of WPPF allocation was deposited in holding company's WPPF Trust and was accordingly charged as a pass-through item to NTDC. Since July 1, 2015 till the Demerger Date (April 1, 2017) the holding company was recognizing annual provision of 5% of its profits, however, this has not been paid to the WPPF trust. Subsequent to Demerger date NEL has been recognizing annual provision of 5% of its profit, however no WPPF trust was created in the province of Sindh and Punjab as it did not have any worker as defined in the Sindh Act and the Act. NEL is entitled to claim any amount rightfully paid to the WPPF Trust from National Transmission and Despatch Company Limited (NTDC) as a pass-through item under the PPA.

30.12.4 Following notices / demand orders have been issued by tax authorities to the holding company in respect of combined operations of Hub and Narowal Plants prior to Narowal Demerger effective from April 01, 2017. Pursuant to the demerger, the exposure related to Narowal Undertaking has been transferred to NEL.

Further, an agreement dated May 11, 2017 has been entered into between NEL and the holding company whereby NEL has undertaken to reimburse any cost which may directly be incurred by the holding company in respect of exposures transferred pursuant to the scheme of demerger.

30.12.4.1 Federal Board of Revenue (FBR) imposed 2% Workers Welfare Fund (WWF) for the tax year 2013 and issued a demand for Rs. 25 million. The holding company filed appeal before the Commissioner of Inland Revenue Appeals (CIR-A) who remanded back the case to FBR for a fresh assessment. Against the order of CIR-A, the FBR filed appeal before the Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication. NEL's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 50 million.

WWF is a pass through under the PPA and is recoverable from NTDC. No provision has been made in these consolidated financial statements as any payment made by the NEL is a pass through item under the PPA.

30.12.4.2 **(i)** Under the IA with the GOP and under the tax law, the holding company is exempt from the levy of minimum tax. However, the FBR issued demand notices amounting to Rs. 8 million relating to the tax years 2006 to 2008, 2010 and 2011. After the holding company's appeals were rejected by the CIR-A, Islamabad, further appeals were filed with the ATIR, Islamabad which decided the appeals in favour of the holding company. Against ATIR orders, FBR filed appeals in the Honorable High Court of Islamabad (IHC) which are pending adjudication. NEL's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 15 million.

(ii) The FBR passed an order for the recovery of sales tax amounting to Rs. 172 million relating to fiscal years ended June 2008 to 2011. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. After dismissal of the holding company's appeal at the CIR-A level, the holding company filed appeal with the ATIR which decided the case in favour of the holding company. Against the judgment of the ATIR, the FBR filed a case with the IHC which is pending adjudication. NEL's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 473 million.

(iii) The FBR passed an order for the recovery of sales tax amounting to Rs. 559 million relating to fiscal year ended June 2012. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. After dismissal of the holding company's appeal at the CIR-A level, the holding company filed appeal with the ATIR which also decided the case against the holding company. Against the decision of the ATIR, the holding company filed appeal with IHC which is pending adjudication. The NEL's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 1,323 million.

(iv) The FBR issued a Show Cause Notice to recover sales tax amounting to Rs. 353 million relating to fiscal year ended June 2013. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / Honorable High Court of Lahore (LHC) in other cases. Against this decision, the FBR filed appeal with IHC which is pending adjudication. NEL's maximum exposure as at June 30, 2020 is Rs. 353 million.

(v) The FBR issued a show cause notice to recover sales tax amounting to Rs. 878 million relating to fiscal year ended June 2014. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / LHC in other cases. Against this decision, the FBR filed appeal with IHC which is pending adjudication. NEL's maximum exposure as at June 30, 2020 is approximately Rs. 878 million.

(vi) The FBR issued a show cause notice to recover sales tax amounting to Rs. 511 million relating to fiscal year ended June 2016. This is based on FBR's view that the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC (Islamabad High Court) which asked the FBR not to pass a final order till next hearing. NEL's maximum exposure as at June 30, 2020 is approximately Rs. 511 million.

(vii) The FBR issued a show cause notice to recover sales tax amounting to Rs. 570 million relating to fiscal year ended June 2017. This is based on FBR's view that the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC which asked the FBR not to pass a final order till next hearing. NEL's maximum exposure as at June 30, 2020 is approximately Rs. 570 million.

(viii) In October 2019, the FBR issued an income tax demand of Rs 75 million relating to fiscal year ended June 2016. This is based on FBR's views that the holding company's receipt on account of CPP is liable for minimum tax. The FBR also issued a demand for WWF. The holding company has filed appeal with the Commissioner Inland Revenue Appeal which is pending adjudication. NEL's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 85 million.

(ix) In December 2019, the FBR issued a demand of Rs. 26 million relating to fiscal year ended June 2016. This is based on FBR's views that during the year the holding company had not deducted tax on payments to supplier. The holding company has filed appeal with the Commissioner Inland Revenue Appeal which is pending adjudication. NEL's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 29 million.

The matter, stated in (ii) to (vii) above in respect of claiming excess input tax has already been decided by the Honorable Lahore High Court, in favor of other IPPs in similar cases. We understand that against this decision of the Honorable Lahore High Court, the FBR has filed appeal in the Honorable Supreme Court of Pakistan.

30.12.5 In January 2020, the FBR issued a demand of Rs. 342 million relating to fiscal year ended June 2018. This is based on FBR's views that (a) NEL wrongly claimed the sales tax credit amounting to Rs. 299 million which was the amount transferred from Hubco to NEL under the demerger scheme duly approved by the Honorable High Court of Sindh (SHC) and FBR and (b) NEL wrongly claimed Rs. 43 million input sales tax paid on goods used for production of electrical energy. NEL filed an application in the SHC which stayed the recovery till March 24, 2020 and as the case was not heard on this date, the stay would continue till the next date of hearing. NEL had filed appeal with the Commissioner Inland Revenue Appeal who, vide his order of May 2020, remanded back the case to FBR with the direction for reassessment of the case based on the instructions of the FBR and the principles laid down by the Supreme Court of Pakistan. NEL's maximum exposure as at June 30, 2020 including the principal amount, penalty and default surcharge is approximately Rs. 349 million.

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

30.12.6 NEL has received a letter from the Power Purchaser stating that NEL did not maintain the requisite fuel stock at Narowal plant as required under the PPA and has therefore incurred lower interest on working capital and therefore Power Purchaser is earmarking an estimated amount of Rs. 857 million out of the Late Payment Interest invoices owed by the Power Purchaser. NEL has contested the claim.

30.12.7 In 2019, an investigation was initiated under the Punjab Environmental Protection Act-1997 against NEL on complaint for violation of environmental law. NEL had denied the allegations and had filed an application under Section 205 of the Code of Criminal Procedure, 1898, for dismissal of the Complaint, which was rejected by the Punjab Environmental Tribunal. However, a Writ Petition was filed in the Lahore High Court (LHC) as the management and the legal advisors believed the Order was illegal and had no substantial grounds. The proceedings at the Punjab Environmental Tribunal are automatically adjourned till the case is decided by the LHC. The management and the legal advisors are of the opinion the eventual outcome will be in favour of NEL and therefore no provision is required to be made in these consolidated financial statements.

30.12.8 During the year, the Federal Government constituted a committee for the purpose of negotiating the PPA. 2002 Power Policy IPPs including NEL have held extensive rounds of discussions with the Committee and other members of the Federal Government. Subsequent to the year end on August 12, 2020, following detailed negotiations and in the larger national interest, the Parties have agreed to alter their existing contractual arrangements and have signed a Memorandum of Understanding (MoU) pursuant to which certain tariff components under the PPA will be revised and some other changes will be made in the PPA. The terms of the MoU are subject to approval of the Board of Directors of NEL and the holding company, as well as NEPRA, CPPA(G) and the Federal Cabinet and execution of a final agreement between the parties.

30.13 In connection with LEL:

(i) LEL entered into a land lease agreement with the Government of AJK ("GOAJK") for lease of 424 kanal of land for the project. LEL is obligated to pay Rs. 0.17 million per annum as rental for such land starting from October 09, 2003, the date of the notification issued by the GOAJK, till the end of 30 years term.

(ii) LEL also entered into a land lease agreement dated July 30, 2009 with the GOAJK for lease of 7,243 kanal and 13 marlas of land for the project. As per the terms of the lease agreement, LEL had paid advance rental for a term of 5 years after which land measuring 3,237 kanal, required for permanent structures, would be leased again for a further period of 20 years while the remaining land would be reverted to the Government. The process for reverting the excess land and renewal of the lease agreement is in progress. Under AJK Implementation Agreement, the GOAJK has agreed to extend the term of the land lease agreement to match the term of the PPA, at least three years prior to expiry of such term.

Pursuant to the land lease agreement, LEL is obligated to construct a cadet college, for welfare of the affected community, within 5 years after the commercial operations date of the project, the required land will be provided by the GOAJK one year before start of construction of the cadet college. LEL however has requested GOAJK for the removal of this obligation under the land lease agreement and the matter is under discussion.

(iii) LEL's commitments in respect of capital and revenue expenditures amounted to Rs. 22 million (2019: Nil) and Rs. 306 million (2019: Rs. 301 million), respectively.

(iv) Certain legal cases in relation to project land leasehold rights / compensation amounting to Rs. 482 million (2019: Rs. 489 million) are pending in courts. The management, based on the opinion of LEL's legal counsel, is of the view that the ultimate disposition of these cases will not have any material impact on these consolidated financial statements.

(v) As per terms of the PPA, LEL is liable to pay the Power Purchaser Liquidated Damages (LDs) for each KWh of Excess Outage Energy at the rate given in the PPA. During the year ended June 30, 2017, LEL received an invoice of Rs. 214.58 million from the Power Purchaser on account of LDs for the first Agreement Year under the PPA. However, LEL disputed this invoice on the basis that LDs charged by the Power Purchaser are not in accordance with the provisions of the PPA. Accordingly, LEL issued an Invoice Dispute Notice to the Power Purchaser for Rs. 201.15 million which is under resolution following the dispute resolution mechanism given in the PPA. Further, as per terms of the EPC contracts, such LDs, if determined to be payable by LEL, are recoverable from the EPC contractor, and therefore the final settlement of this matter is not expected to result in net cash outflow from LEL.

The management and legal counsel of LEL are of the opinion that the position of LEL is sound on contractual and legal grounds and the eventual outcome ought to be in favour of LEL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2020

30.14 In connection with the development and construction of the power plant of TEL:

30.14.1 Commitments in respect of capital and revenue expenditures amounted to Rs. 22,728 million (2019: Rs. 28,277 million).

31. REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

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

	Note	2020 (Rs. '000s)	2019 (Rs. '000s)
		Chief Executives	
Managerial remuneration	31.1	203,923	161,183
Bonus		27,855	117,302
Utilities		2,662	2,222
Other benefits		20,157	21,168
		254,597	301,875
Number of persons		5	5
		Directors	
Fees	31.2	6,940	11,050
Number of persons		15	14
		Executives	
Managerial remuneration		468,714	456,847
Bonus		52,511	252,369
House rent		174,560	175,201
Utilities		38,768	38,916
Retirement benefits		100,416	104,397
Other benefits		253,438	294,415
		1,088,407	1,322,145
Number of persons		157	154
		Total	
Managerial remuneration / Fees		679,577	629,080
Bonus		80,366	369,671
House rent		174,560	175,201
Utilities		41,430	41,138
Retirement benefits		100,416	104,397
Other benefits		273,595	315,583
		1,349,944	1,635,070
Number of persons	31.4	177	173

31.1 Retirement benefits to certain Chief Executives are paid as part of monthly emoluments.

31.2 This represents fee paid to Directors of the Group for attending meetings.

31.3 The Chief Executives and certain Executives are provided with the use of Company maintained automobiles and certain other benefits.

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

32. SEGMENT INFORMATION

32.1 SEGMENT ANALYSIS

The management has determined the operating segments based on the information that is presented to the Board of Directors of the holding company for allocation of resources and assessment of performance. The Group has three reportable segments; power generation business, which includes the Hub plant, Narowal plant & Laraib plant, operations and maintenance business and investments in CPHGC, TEL, TNPTL and SECMC.

The unallocated items of profit and loss and assets and liabilities include items which cannot be allocated to a specific segment on a reasonable basis.

	2020							
	Power Generation							
	Hub plant	Narowal plant	Laraib plant	Operations and maintenance	Investments	Unallocated	Eliminations	Total
	(Rs. '000s)							
Turnover	27,523,565	13,838,056	6,959,714	1,496,030	-	-	(1,496,030)	48,321,335
Operating costs	(9,630,271)	(6,942,524)	(1,754,322)	(923,553)	-	-	1,419,741	(17,830,929)
GROSS PROFIT	17,893,294	6,895,532	5,205,392	572,477	-	-	(76,289)	30,490,406
General and administration expenses	(756,542)	(94,686)	(154,687)	(185,139)	(317,185)	-	8,449	(1,499,790)
Other income	67,515	4,941	72,676	30,200	244,645	3,094,684	(3,104,372)	410,289
Other operating expenses	-	(21,969)	(4,644)	-	-	(154,734)	-	(181,347)
PROFIT FROM OPERATIONS	17,204,267	6,783,818	5,118,737	417,538	(72,540)	2,939,950	(3,172,212)	29,219,558
Finance costs	(3,370,356)	(2,002,187)	(987,069)	(610)	(6,161,040)	(126,978)	743,085	(11,905,155)
Share of profit from associates	-	-	-	-	13,700,361	-	-	13,700,361
Loss on shares to be transferred to GoB	-	-	-	-	(1,009,029)	-	-	(1,009,029)
PROFIT BEFORE TAXATION	13,833,911	4,781,631	4,131,668	416,928	6,457,752	2,812,972	(2,429,127)	30,005,735
Taxation	-	(1,431)	(9,200)	(136,895)	(3,215,126)	(582,213)	-	(3,944,865)
PROFIT FOR THE YEAR	13,833,911	4,780,200	4,122,468	280,033	3,242,626	2,230,759	(2,429,127)	26,060,870
Assets	107,841,625	36,773,400	25,769,571	320,180	89,916,313	54,135,232	(54,367,915)	260,388,406
Liabilities	86,805,155	13,813,237	12,125,994	171,311	64,035,965	1,056,741	(1,551,339)	176,457,064
Depreciation and amortisation	1,953,489	1,005,762	1,149,592	15,428	25,148	13,964	39,039	4,202,422
Capital expenditure	80,156	36,536	34,146	35,120	5,445,934	-	(1,755,663)	3,876,229

	2019							
	Power Generation							
	Hub plant	Narowal plant	Laraib plant	Operations and maintenance	Investments	Unallocated	Eliminations	Total
	(Rs. '000s)							
Turnover	36,249,070	16,190,853	5,909,546	2,284,339	–	–	(2,284,491)	58,349,317
Operating costs	(24,515,617)	(10,708,870)	(2,312,840)	(1,568,017)	–	–	2,244,879	(36,860,465)
GROSS PROFIT	11,733,453	5,481,983	3,596,706	716,322	–	–	(39,612)	21,488,852
General and administration expenses	(872,136)	(105,504)	(134,323)	(250,389)	(243,642)	–	–	(1,605,994)
Other income	64,197	5,500	178,037	65,489	230,202	2,443,811	(2,460,270)	526,966
Other operating expenses	(10,521)	(5,497)	–	–	–	(122,191)	10,521	(127,688)
PROFIT FROM OPERATIONS	10,914,993	5,376,482	3,640,420	531,422	(13,440)	2,321,620	(2,489,361)	20,282,136
Finance costs	(2,408,035)	(1,726,078)	(992,795)	(274)	(2,441,086)	161,207	5,938	(7,401,123)
Share of loss from associates	–	–	–	–	(433,984)	–	–	(433,984)
PROFIT BEFORE TAXATION	8,506,958	3,650,404	2,647,625	531,148	(2,888,510)	2,482,827	(2,483,423)	12,447,029
Taxation	–	(1,585)	(14,119)	(234,557)	(27,938)	(238,523)	–	(516,722)
PROFIT FOR THE YEAR	8,506,958	3,648,819	2,633,506	296,591	(2,916,448)	2,244,304	(2,483,423)	11,930,307
Assets	106,069,870	35,544,821	24,428,187	385,390	94,938,756	8,622,302	(44,721,708)	225,267,618
Liabilities	98,296,204	17,364,858	13,496,817	378,556	37,436,030	1,668,267	(795,822)	167,844,910
Depreciation and amortisation	1,943,866	1,007,350	1,716,295	14,046	7,066	8,592	39,612	4,736,827
Capital expenditure	256,192	72,204	49,874	10,898	4,193,771	–	351,889	4,934,828

32.2 The customers of the Group are CPPA-G and NTDC (Power Purchasers) under the long term PPAs of the respective power plants. The obligations of Power Purchasers are guaranteed by the GOP under the IAs of the respective power plants.

33. RELATED PARTY TRANSACTIONS

Related parties comprise of associates, retirement benefit funds, directors and key management personnel. Significant transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements are as follows:

		2020 (Rs. '000s)	2019 (Rs. '000s)
Associates			
Investment in CPHGC		3,097,346	21,597,414
Investment in TNPTL		–	5,250,379
Receipt against reimbursement of expenses to HPHL from CPHGC		–	41,306
Reimbursable expenses incurred on behalf of HPHL by CPHGC		–	136
Payment against reimbursement of expenses to CPHGC by HPHL		–	136
Services rendered to CPHGC		3,956	16,581
Amount received against services rendered to TNPTL		140,000	–
Services rendered to TNPTL	33.2	170,452	–
Reimbursable expenses incurred on behalf of TNPTL		187,786	30,137
Reimbursable expenses incurred on behalf of HPSL by TNPTL		–	16
Receipt against reimbursement of expenses from TNPTL		47,634	250
Transfer of assets by TNPTL		–	116
Other related parties			
Proceeds from disposal of assets	33.3	2,445	10
Remuneration to key management personnel			
Salaries, benefits and other allowances		335,288	395,875
Retirement benefits		17,391	16,865
		352,679	412,740
Directors' fee	31.2	6,940	11,050
Contribution to staff retirement benefit plans		195,552	157,782
Dividend paid to NCI - Coate & Co. Private Limited		204,297	425,158

33.1 Transactions with Key Management Personnel (KMP) are carried out under the terms of their employment. KMP are also provided with the use of Company maintained automobiles and certain other benefits.

33.2 The holding company has entered into services agreements with TNPTL (an associate company). In accordance with the terms of the agreements, the holding company provides assistance to TNPTL in performance of their obligations under relevant project agreements including Power Purchase Agreement, Coal Supply Agreement, Water Use Agreement, Implementation Agreement, EPC Contracts and O&M Agreement.

33.3 This represents proceeds from disposal of assets having written down value of Rs. Nil (2019: Rs. Nil) to key management personnel.

33.4 The transactions with related parties are made under mutually agreed terms and conditions.

33.5 The Group provided loans of Rs. 4.49 million (2019: Rs. 5.01) to key management personnel which are recoverable in 12 equal monthly installments in accordance with the Group policy. As at reporting date, outstanding balance is Rs. 1.5 million (2019: Rs. 3 million).

34. RELATED PARTIES AND ASSOCIATED COMPANIES / UNDERTAKINGS

Following are the details of related parties and associated companies / undertakings with whom the Group had entered into transactions or had arrangements in place during the year, in accordance with the Companies Act, 2017:

Particulars	Relationship	% equity interest
ThalNova Power Thar (Private) Limited	Associate	38.3%
China Power Hub Generation Company (Private) Limited	Associate	47.5%
Sindh Engro Coal Mining Company Limited	Common Directorship	8%
Askari Bank Limited	Common Directorship	–
Fauji Fertilizer Company Limited	Common Directorship	–
Forbes Forbes Campbell & Co. (Private) Limited	Common Directorship	–
Reon Energy Limited	Common Directorship	–
Siemens (Pakistan) Engineering Company Limited	Common Directorship	–
Pakistan State Oil Company Limited	Interested Persons	–
Mr. Khalid Mansoor	Chief Executive / Director	–
Mr. Ruhail Mohammed	Chief Executive	–
Mr. Tahir Jawaid	Chief Executive	–
Mr. Kamran Kamal	Chief Executive	–
Mr. Saleemullah Memon	Chief Executive	–
Mr. Abdul Nasir	Key Management Personnel	–
Mr. Shaharyar Nashat	Key Management Personnel	–
Mr. Asim Rafat Khan	Key Management Personnel	–
Ms. Fatima Maryam	Key Management Personnel	–
Mr. Farhan Naqvi	Key Management Personnel	–
Ms. Rabia Sattar	Key Management Personnel	–
Mr. Fayyaz Ahmad Bhatti	Key Management Personnel	–
Ms. Saniya Saeed	Key Management Personnel	–
Mr. Javed Akbar	Director	–
Mr. Nadeem Inayat	Director	–
Mr. Iqbal Alimohamed	Director	–
Mr. Owais Shahid	Director	–
Mr. Muhammad Ejaz Sanjrani	Director	–
Mr. Manzoor Ahmed	Director	–
Syed Mohammad Ali	Director	–
Mr. Saad Iqbal	Director	–
Mr. Aly Khan	Director	–
Mr. Nazoor Baig	Director	–
Lt Gen Tariq Khan	Director	–
Mr. Mohammad Munir Malik	Director	–
Mr. Ahmad Muazzam	Director	–
Mr. Abdul Wahab Abbasi	Director	–
The Hub Power Company Limited - Employees' Provident Fund	Retirement benefit fund	–
The Hub Power Company Limited - Staff Gratuity Fund	Retirement benefit fund	–
Hub Power Services Limited - Employees' Provident Fund	Retirement benefit fund	–
Hub Power Services Limited - Staff Gratuity Fund	Retirement benefit fund	–
Hub Power Services Limited - Staff Pension Fund	Retirement benefit fund	–
Laraib Energy Limited - Employees' Provident Fund	Retirement benefit fund	–
Laraib Energy Limited - Employees' Gratuity Fund	Retirement benefit fund	–
Thar Energy Limited Employees Provident Fund	Retirement benefit fund	–
Thar Energy Limited Employees Gratuity Fund	Retirement benefit fund	–

35. PROVIDENT FUND TRUSTS

Contribution to defined contribution plan of the holding company, TEL and HPSL, of members who consented, was transferred to Meezan Tahaffuz Pension Fund (MTPF) / UBL Fund Managers, the voluntary pension system (VPS) with the consent of all members of provident funds, as allowed under clause (aa) of sub-rule (1) of Rule 103 of the Income Tax Rules, 2002.

	2020	2019
36. PLANT CAPACITY AND PRODUCTION		
HUB PLANT		
Theoretical Maximum Output	10,541 GWh	10,512 GWh
Total Output	36 GWh	827 GWh
Load Factor	0.34%	7.87%

Practical maximum output for the power plant taking into account all the scheduled outages is 9,886 GWh (2019: 9,396 GWh). Output produced by the plant is dependent on the load demanded by CPPA(G) and the plant availability.

NAROWAL PLANT

	2020	2019
Theoretical Maximum Output	1,878 GWh	1,873 GWh
Total Output	338 GWh	636 GWh
Load Factor	18%	34%

Practical maximum output for the power plant, taking into account all the scheduled outages is 1,860 GWh (June 2019: 1,836 GWh). Output produced by the plant is dependent on the load demanded by NTDC and the plant availability.

LARAIB PLANT

	2020	2019
Theoretical Maximum Output	736 GWh	736 GWh
Total Output	384 GWh	354 GWh
Load Factor	52.17%	48.10%

Output produced by the plant is dependent on available hydrology and the plant availability.

	2020 (Rs. '000s)	2019 (Rs. '000s)
37. WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores, spares and consumables	54,415	(116,885)
Stock-in-trade	(854,354)	502,453
Trade debts	(14,425,765)	13,086,891
Loans and advances	5,812	94,642
Deposits, prepayments and other receivables	(1,442,475)	(1,583,549)
	(16,662,367)	11,983,552
(Decrease) / increase in current liabilities		
Trade and other payables	(1,350,398)	(23,786,936)
	(18,012,765)	(11,803,384)

		Note	2020 (Rs. '000s)	2019 (Rs. '000s)
38.	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	22	6,537,425	12,131,754
	Short term borrowings	29	(38,861,671)	(53,478,425)
			(32,324,246)	(41,346,671)

		2020	2019
39.	**BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY**		
39.1	**Basic**		
	Profit for the year (Rupees in thousands)	25,044,209	11,240,837
	Weighted average number of ordinary shares outstanding during the year	1,297,154,387	1,199,384,446
	Basic earnings per share (Rupees)	19.31	9.37

Basic earnings per share is calculated by dividing the profit after tax attributable to ordinary shareholders of the holding company by the weighted average number of ordinary shares outstanding during the year.

39.2 There is no dilutive effect on the earnings per share of the holding company.

40. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks namely 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 these risks 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. 2,192 million (2019: Rs. 1,634 million) in foreign currencies which are subject to currency risk exposure and financial liabilities of the Group include Rs. 29,103 million (2019: Rs. 24,131 million) in foreign currencies which are subject to currency risk exposure. LEL is covered under the PPA to recover the forex loss on loans under the tariff.

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:

	2020 (Rs. '000s)	2019 (Rs. '000s)
Fixed rate instruments at carrying amount:		
Financial assets		
Bank balances	6,535,050	5,100,569
Financial liabilities		
Long term loans	451,742	–
Variable rate instruments at carrying amount:		
Financial assets		
Trade debts	58,093,538	47,142,448
Other receivables	42,407	11,388
Total	58,135,945	47,153,836
Financial liabilities		
Long term loans	51,990,400	38,926,239
Long term lease liabilities	2,981,364	3,034,323
Trade and other payables	23,332,277	24,722,275
Short term borrowings	38,861,671	53,478,425
Total	117,165,712	120,161,262

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 or 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 CPPA(G) and NTDC, the holding company has delayed payments to PSO. The holding company, NEL and LEL have also obtained short term borrowings to meet their short term funding requirements. The holding company, NEL and LEL receive interest on delayed payments from CPPA-G and NTDC at variable rate provided under the relevant PPAs and pays interest on delayed payments to PSO at variable rate provided under the FSA. The rates on all these financial instruments are almost similar and move in the same direction, therefore, any change in the variable rate does not significantly affect the statement of profit or loss.

In order to finance investments in NEL, CPHGC (via HPHL), TNPTL (via HPHL), TEL and SECMC the holding company entered into long term financing arrangements (refer note 24). 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 KIBOR. As at June 30, 2020, 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. 292 million (2019: Rs. 176 million).

NEL has a long term loan (refer note 24.5.1). Under the 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 the statement of profit or loss.

NEL has entered into syndicated term finance facility (refer note 24.5.2). NEL has to manage the related finance cost from its own sources which expose NEL to the risk of change in 3 month KIBOR. As at June 30, 2020, if interest rate on the NEL's borrowings was 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 25 million (2019: Rs. 26 million).

LEL has entered into long-term loans / finance facilities with various lenders / financial institutions, which exposes it to the risk of change in six month LIBOR and six month KIBOR. However, the risk is substantially mitigated as LEL is covered under the PPA to recover any interest rate risk under the tariff.

In order to finance investment in TNPTL, HPHL entered into long term financing arrangement (refer note 24.7). HPHL has to manage the related finance cost from its own sources which exposes HPHL to the risk of change in KIBOR. As at June 30, 2020, if interest rate on HPHL's borrowings were 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 15.479 million (2019: Rs. 6.616 million).

Since the impact of interest rate exposure is not significant to the holding 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 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 reporting date was as follows:

	2020 (Rs. '000s)	2019 (Rs. '000s)
Deposits	31,087	31,730
Trade debts	99,700,245	85,274,480
Loans and other receivables	2,977,136	2,062,857
Bank balances	6,535,050	12,100,569
Total	109,243,518	99,469,636

Trade debts are recoverable from CPPA(G) / NTDC under the PPAs and are secured by guarantees from GOP under the IAs. Further, the significant amounts of other receivables are also recoverable from CPPA(G) / NTDC and are secured under IAs.

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.

Banks / Financial Institutions	Rating Agency	Ratings Short term	 Long term
Conventional			
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Al-Habib Limited	PACRA	A1+	AA+
CitiBank, N.A.	Moody's	P-1	Aa3
Faysal Bank Limited	PACRA	A1+	AA+
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
JS Bank Limited	PACRA	A1+	AA-
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
Pak Brunei Investment Company Limited	JCR-VIS	A-1+	AA+
Samba Bank Limited	JCR-VIS	A-1	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Sumitomo Mitsui Banking Corporation Europe	Moody's	P-1	A1
United Bank Limited	JCR-VIS	A-1+	AAA
Industrial and Commercial Bank of China			
Limited Karachi Branch	Moody's	P-1	A1
Shariah Compliant			
Meezan Bank Limited	JCR-VIS	A-1+	AA+
Dubai Islamic Bank Pakistan Ltd	JCR-VIS	A-1+	AA
Faysal Bank Limited	PACRA	A1+	AAA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
BankIslami Pakistan Limited	PACRA	A-1	A+
Al Baraka Bank (Pakistan) Limited	JCR-VIS	A-1	A+

(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 Group maintains running finance facilities (refer note 29) to meet the short term funding requirements due to delay in payments by CPPA(G) / NTDC. The delay in payments by CPPA(G) is mainly offset by the delay in payments to PSO or by borrowing from running finance facilities.

The Group is exposed to liquidity risk because of the following:

(i) Delay in payment from Power Purchaser (CPPA(G) / NTDC);

(ii) the cashflows from NEL operations may not be sufficient to meet the funding requirements for long term loans obtained for equity investment in NEL (refer note 24.3);

(iii) long term loans obtained for funding in TEL / CPHGC / TNPTL / SECMC (refer note 24.4) may not be sufficient to meet their respective equity requirement; and

(iv) repayment / non-availability of short term borrowings (refer note 29).

The Group manages this liquidity risk from its own sources and other alternative means.

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

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years (Rs. '000s)	Between 5 to 10 years	Total
2019-20					
Long term loans	5,841,676	3,697,314	51,403,663	12,086,790	73,029,443
Long term lease liabilities	419,269	372,838	2,693,830	197,480	3,683,417
Trade and other payables	72,192,134	–	–	–	72,192,134
Unclaimed dividend	207,797	–	–	–	207,797
Unpaid dividend	182,662	–	–	–	182,662
Short term borrowings	39,600,307	–	–	–	39,600,307
Total	118,443,845	4,070,152	54,097,493	12,284,270	188,895,760
2018-19					
Long term loans	4,485,044	4,185,259	26,990,628	15,150,132	50,811,063
Long term lease liabilities	360,859	363,706	2,552,000	537,376	3,813,941
Trade and other payables	66,393,983	–	–	–	66,393,983
Unclaimed dividend	189,516	–	–	–	189,516
Unpaid dividend	87,615	–	–	–	87,615
Short term borrowings	54,282,998	–	–	–	54,282,998
Total	125,800,015	4,548,965	29,542,628	15,687,508	175,579,116

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

Fair value estimation

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

Fair value of financial instruments

The fair value of the financial assets and liabilities is the amount at which the assets could be sold or the liability transferred in a current transaction between market participants at the reporting date, other than in a forced or liquidation sale.

The fair value of investment in SECMC (unquoted shares) have been estimated using a valuation model. The valuation requires management to make certain assumptions about the model inputs, including forecasted dividends, the discount rate and market risk. The probabilities of the various estimates within the range are assessed and are used in management's estimate in order to determine the fair value of investment in SECMC. The fair value has been determined at Rs. 2,544 million resulting in gain of Rs. 228 million for the year.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

– Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;

– Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3 - Inputs from the asset or liability that are not based on observable market data.

	Level 1	Level 2	Level 3	Total
		(Rs. '000s)		
June 2020				
Assets (Investment in SECMC)				
- At fair value through other comprehensive income	-	-	2,544,436	2,544,436
June 2019				
Assets (Investment in SECMC)				
- At fair value through other comprehensive income	-	-	2,044,597	2,044,597

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.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders. The Group also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, less cash and bank balances.

41. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2020 (Rs. '000s)	2019 (Rs. '000s)
Financial assets - at FVOCI		
Investment in SECMC	2,544,436	2,044,597
Financial assets - at amortised cost		
Deposits	31,087	31,730
Trade debts	99,700,245	85,274,480
Loans and other receivables	2,977,136	2,062,857
Cash and bank balances	6,537,425	12,131,754
Total	109,245,893	99,500,821
Financial Liabilities - at amortised cost		
Long term loans	51,990,400	38,926,239
Liabilities against assets subject to finance lease	2,981,364	3,034,323
Trade and other payables	72,192,134	66,393,983
Unclaimed dividend	207,797	189,516
Unpaid dividend	182,662	87,615
Short term borrowings	38,861,671	53,478,425
Total	166,416,028	162,110,101

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended June 30, 2020

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

42.1 Revised and amended standards and interpretation that are not yet effective and adopted in 2020

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

			Effective date (annual periods beginning on or after)
Amendments to standards			
IFRS 3	–	Business Combinations - Definition of Business	January 1, 2020
IAS 1	–	Presentation on Financial Statements (Amendments)	January 1, 2020
IAS 8	–	Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020
IFRS 9	–	Financial Instruments (Amendments)	January 1, 2020
IFRS 7	–	Financial Instruments - Disclosures (Amendments)	January 1, 2020
IAS 1	–	Presentation of financial statements - Presentation of financial statements on classification of liabilities	January 1, 2020
IFRS 16	–	Leases - COVID -19 related rent concession	June 1, 2020

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

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

			Effective date (annual periods beginning on or after)
Standards or Interpretations			
IFRS 1	–	First-time Adoption of International Financial Reporting Standards	January 1, 2018
IFRS 17	–	Insurance Contracts	January 1, 2023

42.2 Waiver from application of standards and interpreations

IFRS - 16 "Leases"

The SECP through S.R.O. 986(I)/2019 dated September 2, 2019 has granted exemption from the requirements of IFRS 16 to all companies that have executed their Power Purchase Agreement (PPA) before January 1, 2019. The holding company and NEL's lease arrangement with CPPA(G) / NTDC for the project sites i.e. Complex are also covered under respective PPAs and consequently are exempt under the aforesaid S.R.O. Under IFRS-16 'Leases', the consideration required to be made by lessees for the right to use the asset would have been accounted for as finance lease.

Embedded derivatives

SECP, through its S.R.O 24/(I)/2012 dated January 16, 2012, exempted the power companies from application of IAS-39 'Financial Instruments: Recognition and Measurement' to the extent of recognition of embedded derivatives and IAS-21 'The Effects of Changes in Foreign Exchange Rates' to the extent of charging exchange losses.

IFRIC - 12 "Service Concession Arrangements"

The Group has not applied IFRIC Interpretation 12 'Service Concession Arrangements' (IFRIC 12) in preparation of these consolidated financial statements. The Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O 24/(I)/2012 dated January 16, 2012 has granted waiver in respect of application of IFRIC 12 to all companies including Power Sector Companies.

Under IFRIC 12, the infrastructure is not recognised as property, plant and equipment rather a financial asset is recognised to the extent LEL has an unconditional contractual right to receive cash irrespective of the usage of infrastructure. The revenue and costs relating to construction of infrastructure or upgrade services and operation services are recognised in accordance with IFRS 15 'Revenue from Contracts with Customers'. Any contractual obligation to maintain or restore infrastructure, except for upgrade services, is recognised in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'.

43. SHARIAH COMPLIANCE DISCLOSURE

	2020			2019		
	Conventional	Shariah Compliant	Total	Conventional	Shariah Compliant	Total
			(PKR in '000')			
Turnover						
Revenue	8,243,831	41,072,534	49,316,365	7,075,199	55,007,147	62,082,346
Other income						
Interest income	350,250	–	350,250	185,051	–	185,051
Income from other services	–	12,899	12,899	–	46,375	46,375
Finance cost						
Long term loans	3,513,148	1,898,774	5,411,922	2,298,586	588,695	2,887,281
Short term borrowings	3,975,676	1,737,602	5,713,278	3,160,509	718,404	3,878,913
Other finance cost	747,039	32,916	779,955	634,670	259	634,929
Assets						
Bank balances	6,535,050	–	6,535,050	12,100,569	–	12,100,569
Liabilities						
Long term loans	34,684,773	17,305,627	51,990,400	33,113,739	5,812,500	38,926,239
Accrued Markup	1,246,075	451,636	1,697,711	1,402,255	156,069	1,558,324
Short term borrowings	29,840,655	9,021,016	38,861,671	40,555,650	12,922,775	53,478,425

Exchange gain earned during the year was Rs. 25 million (2019: Rs. 261 million)

44. NUMBER OF EMPLOYEES

Number of persons employed as at year end were 686 (2019: 670) and the average number of persons employed during the year were 660 (2019: 614).

45. ADDITIONAL DISCLOSURE

The World Health Organization has declared COVID-19 (the virus) a global pandemic. With the growing number of cases in Pakistan, the Government of Pakistan has provided directions to take measures to respond to the virus.

While the virus has impacted the global economy, the Group's operations and financial results have not been materially impacted, since all the revenue is receivable from CPPA(G) / NTDC (see note 19.1). In future also, the Group does not foresee any significant adverse impact on its operations and financial results.

46. REPRESENTATION / RECLASSIFICATION

Certain prior year figures have been represented / re-classified to reflect a more appropriate presentation of events and transactions for the purpose of consistency.

47. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on August 19, 2020 in accordance with the resolution of the Board of Directors.

48. GENERAL

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

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

PATTERN OF **SHAREHOLDING**

As at June 30, 2019

Number of Shareholders	Number of Shares From	To	Number of Shares Held
939	1	100	48,470
5,070	101	500	2,363,740
1,969	501	1,000	1,605,000
3,179	1,001	5,000	8,283,348
1,225	5,001	10,000	8,993,168
542	10,001	15,000	6,707,663
329	15,001	20,000	5,861,743
263	20,001	25,000	6,027,448
156	25,001	30,000	4,381,152
155	30,001	35,000	5,076,589
92	35,001	40,000	3,491,775
74	40,001	45,000	3,179,145
86	45,001	50,000	4,173,034
64	50,001	55,000	3,355,196
76	55,001	60,000	4,365,872
28	60,001	65,000	1,751,013
42	65,001	70,000	2,858,716
32	70,001	75,000	2,334,863
24	75,001	80,000	1,875,080
28	80,001	85,000	2,329,624
29	85,001	90,000	2,562,870
15	90,001	95,000	1,385,003
47	95,001	100,000	4,643,006
15	100,001	105,000	1,533,283
11	105,001	110,000	1,184,286
36	110,001	115,000	4,046,078
14	115,001	120,000	1,656,189
13	120,001	125,000	1,601,327
11	125,001	130,000	1,410,614
10	130,001	135,000	1,335,832
4	135,001	140,000	547,093
9	140,001	145,000	1,278,022
11	145,001	150,000	1,629,055
10	150,001	155,000	1,513,308
10	155,001	160,000	1,578,544
7	160,001	165,000	1,136,577
18	165,001	170,000	3,029,106
9	170,001	175,000	1,565,452
5	175,001	180,000	891,101
6	180,001	185,000	1,097,194
8	185,001	190,000	1,503,107
5	190,001	195,000	967,814
14	195,001	200,000	2,785,284
5	200,001	205,000	1,016,011
2	205,001	210,000	414,507
6	210,001	215,000	1,270,526
7	215,001	220,000	1,526,099
12	220,001	225,000	2,681,261
4	225,001	230,000	913,225
5	230,001	235,000	1,159,809
3	235,001	240,000	711,756
6	240,001	245,000	1,456,896

Number of Shareholders	Number of Shares From	To	Number of Shares Held
7	245,001	250,000	1,746,345
3	250,001	255,000	757,044
7	255,001	260,000	1,816,923
5	260,001	265,000	1,309,771
3	270,001	275,000	821,484
5	280,001	285,000	1,415,024
1	285,001	290,000	285,162
3	290,001	295,000	881,500
5	295,001	300,000	1,497,000
2	305,001	310,000	614,724
5	310,001	315,000	1,555,599
3	315,001	320,000	953,664
3	320,001	325,000	970,058
6	325,001	330,000	1,962,281
1	330,001	335,000	333,401
8	335,001	340,000	2,704,932
1	340,001	345,000	341,856
2	345,001	350,000	697,505
1	350,001	355,000	354,792
4	355,001	360,000	1,431,996
2	360,001	365,000	720,908
1	365,001	370,000	370,000
2	370,001	375,000	746,522
1	375,001	380,000	378,893
1	380,001	385,000	384,498
3	385,001	390,000	1,159,322
2	390,001	395,000	786,345
7	395,001	400,000	2,797,724
1	410,001	415,000	412,756
2	415,001	420,000	833,525
2	420,001	425,000	844,639
3	425,001	430,000	1,285,974
3	430,001	435,000	1,299,341
3	435,001	440,000	1,309,534
1	440,001	445,000	443,000
4	445,001	450,000	1,795,288
4	455,001	460,000	1,827,356
3	460,001	465,000	1,392,002
1	465,001	470,000	468,631
1	470,001	475,000	472,000
2	475,001	480,000	955,565
1	480,001	485,000	480,849
1	485,001	490,000	489,086
5	495,001	500,000	2,497,683
2	500,001	505,000	1,004,172
1	515,001	520,000	519,113
1	520,001	525,000	520,003
1	525,001	530,000	530,000
2	530,001	535,000	1,066,283
1	535,001	540,000	538,621
2	545,001	550,000	1,093,268
1	550,001	555,000	552,690

PATTERN OF SHAREHOLDING

As at June 30, 2019

Number of Shareholders	Number of Shares From	Number of Shares To	Number of Shares Held
2	555,001	560,000	1,116,900
4	560,001	565,000	2,244,480
2	565,001	570,000	1,134,949
3	570,001	575,000	1,714,736
1	575,001	580,000	576,156
1	585,001	590,000	588,915
1	590,001	595,000	594,000
3	595,001	600,000	1,793,677
1	600,001	605,000	603,754
1	605,001	610,000	607,380
1	615,001	620,000	619,900
1	630,001	635,000	633,377
1	645,001	650,000	648,500
1	650,001	655,000	651,500
1	660,001	665,000	660,982
1	665,001	670,000	668,795
2	670,001	675,000	1,345,182
1	685,001	690,000	687,000
1	695,001	700,000	700,000
1	700,001	705,000	702,337
1	710,001	715,000	714,965
2	715,001	720,000	1,434,012
1	720,001	725,000	725,000
1	725,001	730,000	725,278
2	745,001	750,000	1,496,909
1	755,001	760,000	760,000
1	770,001	775,000	771,799
1	775,001	780,000	777,781
2	800,001	805,000	1,605,157
1	805,001	810,000	810,000
1	810,001	815,000	814,284
1	815,001	820,000	818,200
2	820,001	825,000	1,647,726
1	835,001	840,000	838,517
2	840,001	845,000	1,684,298
1	890,001	895,000	892,000
1	900,001	905,000	900,713
1	910,001	915,000	910,898
1	930,001	935,000	930,613
1	935,001	940,000	940,000
1	950,001	955,000	953,461
2	970,001	975,000	1,944,065
1	975,001	980,000	979,742
1	985,001	990,000	986,744
3	995,001	1,000,000	3,000,000
1	1,020,001	1,025,000	1,025,000
1	1,025,001	1,030,000	1,027,929
2	1,040,001	1,045,000	2,082,317
1	1,045,001	1,050,000	1,045,500
2	1,050,001	1,055,000	2,107,617
1	1,080,001	1,085,000	1,085,000
1	1,095,001	1,100,000	1,096,885

Number of Shareholders	Number of Shares From	To	Number of Shares Held
1	1,120,001	1,125,000	1,120,986
1	1,130,001	1,135,000	1,134,863
1	1,175,001	1,180,000	1,178,797
1	1,185,001	1,190,000	1,185,190
1	1,195,001	1,200,000	1,198,258
1	1,205,001	1,210,000	1,209,402
1	1,220,001	1,225,000	1,225,000
1	1,230,001	1,235,000	1,232,833
1	1,245,001	1,250,000	1,246,297
1	1,280,001	1,285,000	1,282,013
1	1,285,001	1,290,000	1,288,826
1	1,290,001	1,295,000	1,294,739
1	1,295,001	1,300,000	1,296,000
2	1,315,001	1,320,000	2,639,147
1	1,325,001	1,330,000	1,325,681
1	1,370,001	1,375,000	1,375,000
1	1,430,001	1,435,000	1,432,060
1	1,440,001	1,445,000	1,445,000
1	1,490,001	1,495,000	1,493,870
1	1,505,001	1,510,000	1,506,337
1	1,550,001	1,555,000	1,553,813
1	1,570,001	1,575,000	1,571,000
1	1,580,001	1,585,000	1,583,810
1	1,600,001	1,605,000	1,605,000
2	1,655,001	1,660,000	3,317,248
1	1,690,001	1,695,000	1,693,904
1	1,705,001	1,710,000	1,706,000
2	1,720,001	1,725,000	3,448,714
1	1,755,001	1,760,000	1,758,277
1	1,765,001	1,770,000	1,769,316
1	1,795,001	1,800,000	1,800,000
1	1,860,001	1,865,000	1,861,660
1	1,910,001	1,915,000	1,910,721
1	1,915,001	1,920,000	1,920,000
2	1,965,001	1,970,000	3,935,505
1	2,105,001	2,110,000	2,106,883
1	2,160,001	2,165,000	2,161,261
1	2,240,001	2,245,000	2,241,972
1	2,270,001	2,275,000	2,270,027
1	2,275,001	2,280,000	2,275,509
1	2,375,001	2,380,000	2,378,585
2	2,390,001	2,395,000	4,787,975
1	2,445,001	2,450,000	2,445,869
1	2,475,001	2,480,000	2,477,454
1	2,510,001	2,515,000	2,510,564
1	2,685,001	2,690,000	2,688,236
1	2,780,001	2,785,000	2,784,884
1	2,825,001	2,830,000	2,830,000
1	2,945,001	2,950,000	2,945,215
1	2,965,001	2,970,000	2,967,731
1	2,975,001	2,980,000	2,979,371
1	3,030,001	3,035,000	3,035,000

PATTERN OF SHAREHOLDING

As at June 30, 2020

Number of Shareholders	Number of Shares From	Number of Shares To	Number of Shares Held
1	3,160,001	3,165,000	3,161,317
1	3,165,001	3,170,000	3,166,491
1	3,200,001	3,205,000	3,202,367
1	3,225,001	3,230,000	3,226,826
1	3,235,001	3,240,000	3,239,052
2	3,345,001	3,350,000	6,692,359
1	3,390,001	3,395,000	3,392,316
1	3,450,001	3,455,000	3,453,218
1	3,580,001	3,585,000	3,583,500
1	3,870,001	3,875,000	3,871,807
1	4,120,001	4,125,000	4,120,537
1	4,405,001	4,410,000	4,407,500
1	4,775,001	4,780,000	4,776,397
1	4,800,001	4,805,000	4,800,063
1	4,815,001	4,820,000	4,816,892
1	4,845,001	4,850,000	4,847,000
1	5,075,001	5,080,000	5,077,026
1	5,155,001	5,160,000	5,155,587
1	5,195,001	5,200,000	5,195,380
1	5,210,001	5,215,000	5,212,818
1	5,865,001	5,870,000	5,867,729
1	6,090,001	6,095,000	6,091,000
2	6,145,001	6,150,000	12,298,181
1	6,450,001	6,455,000	6,454,500
1	6,565,001	6,570,000	6,569,479
1	6,695,001	6,700,000	6,699,500
1	7,080,001	7,085,000	7,080,965
1	7,095,001	7,100,000	7,100,000
1	7,105,001	7,110,000	7,110,000
1	7,940,001	7,945,000	7,943,097
1	8,325,001	8,330,000	8,329,704
1	8,660,001	8,665,000	8,660,143
1	9,145,001	9,150,000	9,147,080
1	9,545,001	9,550,000	9,545,111
1	10,140,001	10,145,000	10,140,341
1	10,995,001	11,000,000	10,999,816
1	13,710,001	13,715,000	13,713,797
1	15,230,001	15,235,000	15,230,850
1	16,080,001	16,085,000	16,081,075
1	16,700,001	16,705,000	16,701,740
1	20,880,001	20,885,000	20,884,921
1	23,895,001	23,900,000	23,897,089
1	28,210,001	28,215,000	28,213,975
1	29,250,001	29,255,000	29,250,363
1	38,185,001	38,190,000	38,189,500
1	46,675,001	46,680,000	46,676,300
1	61,555,001	61,560,000	61,559,362
1	92,820,001	92,825,000	92,821,008
1	110,290,001	110,295,000	110,294,985
1	224,425,001	224,430,000	224,428,064
15,063			1,297,154,387

CATEGORIES OF SHAREHOLDING

As at June 30, 2020

Sr. No	Categories	No. of Shareholders	No. of Shares Held	Percentage
1	**Individuals**			
	Local	13,959	179,225,031	13.82
	Foreign	347	1,718,292	0.13
2	Joint Stock Companies	202	41,208,072	3.18
3	Financial Institutions	76	264,074,540	20.36
4	Investment Companies	31	46,327,979	3.57
5	Insurance Companies	26	128,722,505	9.92
6	Associated Companies	7	260,513,522	20.08
7	Directors	9	402,943	0.03
8	Executives	23	142,254	0.01
9	Nit & ICP	–	–	–
10	Modaraba/Mutual Fund & Leasing Companies	108	161,690,488	12.47
	OTHERS			
	Others - Government of Balochistan	1	358,607	0.03
	Others - GDR Depository	1	10,140,341	0.78
	Others - Charitable Trusts	52	126,391,077	9.74
	Others - Cooperative Societies	11	1,165,953	0.09
	Others - Provident/Pension/Gratuity Fund etc	209	75,042,783	5.79
	Employee's Old Age Benefits Inst.	–	–	–
		15,063	1,297,154,387	100.00

The above two statements include 10,495 shareholders holding 1,282,174,585 shares through the Central Depository Company of Pakistan Limited (CDC).

KEY SHAREHOLDING

Associated Companies, Undertakings and related parties (name wise details)

S.No	Name	Holding
1	IMPERIAL DEVELOPERS AND BUILDER (PRIVATE) LIMITED	235,967
2	SONERI BANK LIMITED	3,500
3	INSERVEY PAKISTAN (PVT) LTD.	216,910
4	INSHIPPING (PRIVATE) LIMITED.	1,910,721
5	MEGA CONGLOMERATE (PVT.) LIMITED	252,642,039
6	FORBES SHIPPING COMPANY (PRIVATE) LIMITED	1,096,885
7	ASKARI BANK LIMITED	4,407,500
	TOTAL	260,513,522

Directors, CEO

S.No	Name	Holding
1	MUHAMMAD ALI	560
2	JAVED AKBAR /	5
3	MUHAMMAD HABIB ULLAH KHAN	560
4	ALY KHAN	560
5	ALEEYA KHAN	560
6	KHALID MANSOOR	230,813
7	SAAD IQBAL	68,992
8	OWAIS SHAHID	100,888
9	MANZOOR AHMED	5
	TOTAL	402,943

Executives

S.No	Name	Holding
		142,254

Modaraba/Mutual Fund and Leasing Companies

S.No	Name	Holding
1	VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	16,701,740
2	GLOBAL X FUNDS-GLOBAL X MSCI PAKISTAN ETF	3,166,491
3	FSST FIDELITY TOTAL INTERNATIONAL INDEX FUND	155,780
4	ISHARES EMERGING MARKETS IMI EQUITY INDEX FUND	144,158
5	PUB INSTITUTIONAL FUND UMBRELLA - PUB EQUITIES EMG MKTS 1	570,599
6	PUB INSTITUTIONAL FUND UMBRELLA - PUB EQUITIES EMG MKTS 2	306,453
7	AQR EMERGING SMALL CAP EQUITY FUND L.P.	112,200
8	FLEXSHARES MORNINGSTAR EMERGING MARKETS FACTOR TILT INDEX FD	329,000
9	VANGUARD EMERGING MARKETS STOCK INDEX FUND	13,713,797
10	EMERGING MKTS SML CAPITALIZATION EQTY INDEX NON-LENDABLE FD	2,270,027
11	EMERGING MKTS SML CAPITALIZATION EQTY INDX NON-LENDABLE FD B	226,423
12	NATIONWIDE (PVT) LTD	3,362
13	FIRST PRUDENTIAL MODARABA	54,367
14	B.F. MODARABA	22,419
15	FIRST ALNOOR MODARABA	14,500

S. No	Name	Holding
16	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	5,867,729
17	MCBFSL - TRUSTEE JS VALUE FUND	220,800
18	CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	230,500
19	CDC - TRUSTEE PICIC INVESTMENT FUND	746,909
20	CDC - TRUSTEE JS LARGE CAP. FUND	230,648
21	CDC - TRUSTEE PICIC GROWTH FUND	970,356
22	CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	3,161,317
23	CDC - TRUSTEE ATLAS STOCK MARKET FUND	6,148,820
24	CDC - TRUSTEE MEEZAN BALANCED FUND	1,966,713
25	CDC - TRUSTEE JS ISLAMIC FUND	435,769
26	CDC - TRUSTEE FAYSAL STOCK FUND	37,175
27	CDC - TRUSTEE ALFALAH GHP VALUE FUND	458,091
28	CDC - TRUSTEE UNIT TRUST OF PAKISTAN	566,609
29	CDC - TRUSTEE AKD INDEX TRACKER FUND	243,695
30	CDC - TRUSTEE HBL ENERGY FUND	910,898
31	CDC - TRUSTEE AKD OPPORTUNITY FUND	175,000
32	CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	2,106,883
33	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	3,392,316
34	CDC - TRUSTEE MEEZAN ISLAMIC FUND	20,884,921
35	TRUST MODARABA	25,000
36	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	4,120,537
37	B.R.R. GUARDIAN MODARABA	41,000
38	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	2,393,280
39	CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	6,149,361
40	CDC - TRUSTEE NBP STOCK FUND	9,545,111
41	CDC - TRUSTEE NBP BALANCED FUND	588,915
42	CDC - TRUSTEE MCB DCF INCOME FUND	1,500
43	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	13,234
44	CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	3,871,807
45	CDC - TRUSTEE APF-EQUITY SUB FUND	475,565
46	CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	114,196
47	CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	2,394,695
48	CDC - TRUSTEE HBL - STOCK FUND	1,134,863
49	CDC - TRUSTEE NBP ISLAMIC SARMAYA IZAFA FUND	3,346,955
50	CDC - TRUSTEE APIF - EQUITY SUB FUND	532,893
51	MC FSL - TRUSTEE JS GROWTH FUND	702,337
52	CDC - TRUSTEE HBL MULTI - ASSET FUND	97,483
53	CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	499,289
54	CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	112,818
55	CDC - TRUSTEE ALFALAH GHP STOCK FUND	1,209,402
56	CDC - TRUSTEE ALFALAH GHP ALPHA FUND	804,713
57	CDC - TRUSTEE ALFALAH GHP ALPHA FUND	900,713
58	CDC - TRUSTEE ABL STOCK FUND	3,226,826
59	CDC - TRUSTEE FIRST HABIB STOCK FUND	42,400
60	CDC - TRUSTEE LAKSON EQUITY FUND	1,769,316
61	CDC - TRUSTEE NBP SARMAYA IZAFA FUND	572,679
62	CDC-TRUSTEE HBL ISLAMIC STOCK FUND	421,841
63	CDC - TRUSTEE HBL IPF EQUITY SUB FUND	100,931
64	CDC - TRUSTEE HBL PF EQUITY SUB FUND	119,240
65	CDC - TRUSTEE KSE MEEZAN INDEX FUND	2,378,585
66	MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	15,798

KEY SHAREHOLDING

S. No	Name	Holding
67	MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	70,393
68	CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	54,300
69	MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	2,510,564
70	CDC - TRUSTEE UBL ASSET ALLOCATION FUND	285,162
71	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	15,693
72	CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	824,641
73	CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	1,185,190
74	CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	814,284
75	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	4,816,892
76	CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	171,987
77	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	33,657
78	CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	68,178
79	CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	69,360
80	CDC - TRUSTEE NBP ISLAMIC STOCK FUND	5,212,818
81	CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	2,784,884
82	CDC-TRUSTEE NITIPF EQUITY SUB-FUND	117,525
83	CDC-TRUSTEE NITPF EQUITY SUB-FUND	76,654
84	CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	385,730
85	CDC - TRUSTEE NBP ISLAMIC ACTIVE ALLOCATION EQUITY FUND	552,690
86	CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	118,387
87	CDC - TRUSTEE FAYSAL MTS FUND - MT	127,065
88	CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	1,178,797
89	CDC - TRUSTEE NBP ISLAMIC ENERGY FUND	1,027,929
90	CDC - TRUSTEE LAKSON TACTICAL FUND	219,882
91	CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	98,100
92	CDC - TRUSTEE MEEZAN ENERGY FUND	800,444
93	MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	480,849
94	CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	412,756
95	CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	603,754
96	CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	14,000
97	MCBFSL - TRUSTEE AKD ISLAMIC STOCK FUND	19,500
98	CDC - TRUSTEE JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF)	7,500
99	CDC - TRUSTEE AL-AMEEN ISLAMIC ENERGY FUND	325,433
100	CDC - TRUSTEE UBL DEDICATED EQUITY FUND	22,830
101	MCBFSL - TRUSTEE HBL ISLAMIC DEDICATED EQUITY FUND	21,167
102	CDC - TRUSTEE NBP ISLAMIC REGULAR INCOME FUND	161,970
103	CDC - TRUSTEE ALLIED FINERGY FUND	576,156
104	CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND	455,903
105	CDC - TRUSTEE FAYSAL ISLAMIC DEDICATED EQUITY FUND	399,967
106	CDC - TRUSTEE NIT ASSET ALLOCATION FUND	174,859
107	CDC - TRUSTEE NIT PAKISTAN GATEWAY EXCHANGE TRADED FUND	58,630
108	CDC - TRUSTEE UBL PAKISTAN ENTERPRISE EXCHANGE TRADED FUND	64,260
	TOTAL	161,690,488

Others:

Governor of Balochistan

S.No	Name	Holding
1	GOVERNOR OF BALOCHISTAN	358,607
	TOTAL	358,607

Name of Shareholders	Date of Purchase Sale	No. of Shares	Rate per share (Rs)
Muhammad Hamid Ali	25-Jul-19	5,000	68.50
Mustafa Giani	29-Jan-20	5,450	101.80
M. Tanveer Afzal	20-Aug-19	11	60.11
M. Tanveer Afzal	11-Oct-19	1,000	75.50
M. Tanveer Afzal	09-Aug-19	100	62.75
M. Tanveer Afzal	11-Oct-19	161	75.50
M. Tanveer Afzal	16-Aug-19	1,000	60.80
M. Tanveer Afzal	16-Aug-19	14	60.78
M. Tanveer Afzal	16-Aug-19	141	60.01
M. Tanveer Afzal	16-Aug-19	22	60.10
M. Tanveer Afzal	16-Aug-19	1	60.15
M. Tanveer Afzal	09-Aug-19	3,000	62.76
Ikhlaq Ahmed	02-Mar-20	500	92.25
Najamdin Pirzada	08-Aug-19	450	67.00
Najamdin Pirzada	08-Aug-19	4,000	60.50
Najamdin Pirzada	08-Aug-19	1,000	65.00
Muhammad Tarique Hassan	11-Oct-19	950	76.50
Muhammad Tarique Hassan	25-Jul-19	500	72.25
Muhammad Tarique Hassan	03-Jul-19	4,000	80.00
Hassan Karim	30-Jul-19	2,000	71.90
Hassan Karim	03-Sep-19	2,450	69.88
Hassan Karim	21-Oct-19	1,000	73.95
Hassan Karim	10-Jan-20	4,000	98.00
Hassan Karim	03-Jun-20	2,000	78.12
Farrukh Rasheed	27-Feb-20	28,000	85.86
Tanzeela Saleem	23-Jul-19	500	73.44
Tanzeela Saleem	25-Jul-19	50	72.27
Tanzeela Saleem	25-Jul-19	1,500	72.15
Tanzeela Saleem	25-Jul-19	1,500	72.16
Tanzeela Saleem	25-Jul-19	1,000	72.47
Tanzeela Saleem	25-Jul-19	500	72.69
Tanzeela Saleem	25-Jul-19	500	72.34
Fahad Noor	11-Oct-19	800	76.76
Fahad Noor	08-Oct-19	2,000	73.47
Fahad Noor	29-Aug-19	2,350	67.50
Faizan Aqeel	18-May-20	500	79.45
Faizan Aqeel	14-Nov-19	450	83.00
Faizan Aqeel	12-Nov-19	3,000	82.50
Faizan Aqeel	12-Nov-19	500	82.70
Faizan Aqeel	11-Nov-19	1,500	77.00
Faizan Aqeel	14-Jan-20	500	102.04
Aamer Abdul Razzak	24-Jul-19	2,000	72.20
Aamer Abdul Razzak	25-Jul-19	950	73.45
Aamer Abdul Razzak	30-Jul-19	2,500	70.00
Faheem Arsal	06-Feb-20	139	96.17
Faheem Arsal	06-Feb-20	37,500	96.73
Jamal Abdul Nasir	20-Dec-19	5,000	86.20
Saad Iqbal	09-Apr-20	500,000	78.59
Syed Tahawar Ali Shah	21-Jan-20	3,100	50.00
Syed Tahawar Ali Shah	21-Jan-20	3,100	50.00

SHAREHOLDERS' INFORMATION

Shareholders' Enquiries

General enquiries relating to the Company should be addressed to:

The Company Secretary,
The Hub Power Company Limited,
11th Floor, Ocean Tower,
Block-9, Main Clifton Road,
P.O. Box No. 13841, Karachi-75600.

Enquiries relating to Shares should be addressed to:

FAMCO Associates (Pvt) Limited,
8-F, Nursery, Next to Faran Hotel,
Block 6, PECHS, Shaharah-e-Faisal, Karachi.

Enquiries relating to GDRs should be addressed to either:-

(1) BNY Mellon
240 Greenwich Street
New York, NY 10286
USA

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

GLOSSARY

ANNUAL GENERAL MEETING (AGM)
Annual General Meeting of shareholders of the Company.

BAC
Board Audit Committee

BCC
Board Compensation Committee

BCP
Business Continuity Planning

BIC
Board Investment Committee

BTC
Board Technical Committee

CAPACITY (INSTALLED)
Generator capacity (measured in megawatts (MW)), measured at the power station boundary after the deduction of works power

CDM
Clean Development Mechanism

CEO
Chief Executive Officer

CER
Certified Emission Reductions

CFO
Chief Financial Officer

COD
Commercial Operations Date

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

THE COMPANY
The Hub Power Company Ltd

COMPANIES ACT
The Companies Act, 2017

CSR
Corporate Social Responsibility

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

FBR
Federal Board of Revenue

GOP
Government of Pakistan

GW
Gigawatt, one thousand million watts

GIGAWATT–HOUR (GWH)
A watt hour is the amount of energy used by a onewatt 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

HR
Human Resource

HSE
Health, Safety & 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

IFRSC
International Financial Reporting Standard Committee

IPP
Independent Power Producer

GLOSSARY

ISO 14001
A standard for the management of environmental matters that is widely used in various parts of the world

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.

LOAD FACTOR
The proportion of electricity actually generated compared with the maximum possible generation at maximum net capacity

MAX
Manufacturing Excellence

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

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 (Environmental) management

OUTAGE
When a generating unit is removed from service to perform maintenance work. This can either be planned or unplanned

PACRA
The Pakistan Credit Rating Agency Limited

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)

PSO
Pakistan State Oil Company Limited

PSX
Pakistan Stock Exchange

SECP
Securities and Exchange Commission of Pakistan

SMART
Self Monitoring And Reporting Technique

TRIR
Total Recordable Injury Rate

UNFCCC
United Nations Framework Convention on Climate Change

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

NOTICE OF THE 29TH ANNUAL GENERAL MEETING

Notice is hereby given that the 29th Annual General Meeting of the Company will be held will be held via Video-Call on 24 September 2020 at 10.00 am to transact the following business:

A. ORDINARY BUSINESS

1. To receive and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2020 together with the Directors' and Auditor's Reports thereon.

2. To re-appoint A.F.Ferguson & Co. , Chartered Accountants as Auditors of the Company and to fix their remuneration for the year ending June 30, 2021.

B. SPECIAL BUSINESSES

To consider and if thought appropriate, to pass with or without modification, the following resolution as special resolution:

C. OTHER BUSINESS

1. To transact any other business with the permission of the Chair

By Order of the Board

Date: August 19, 2020
Place: Karachi

Shaharyar Nashat
Company Secretary

NOTES:

i. All members are entitled to attend and vote at Meeting.

ii. The Share Transfer Books of the Company will remain closed from Thursday, September 17, 2020 to Thursday September 24, 2020 (both days included).

iii. 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.

iv. Duly completed forms of proxy must be deposited with the Company Secretary at the Head Office of the Company or email scanned copy of at Hubco.CG@hubpower.com no later than 48 hours before the time appointed for the meeting.

v. 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, 8F, Next to Hotel Faran, Nursery, Block 6, PECHS, Shahra-e-Faisal, 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.

A. For Attending the Meeting

i. Members whose names are appearing in the register of members as of September 16, 2020 are entitled to attend and vote at the meeting.

ii. The shareholders who wish to attend the Annual General Meeting are requested to get themselves registered by sending their particulars at the designated email address Hubco.CG@hubpower.com, giving particulars as per below table by the close of business hours (5:00 PM) on September 22, 2020.

Name of Shareholder	CNIC No./ NTN NO.	CDC Participant ID/Folio No.	Cell No	Email address

iii. The webinar link would be emailed to the registered shareholders/proxies who have provided all the requested information.

B. For Appointing Proxies

i. In case of individuals, the Account Holders of Sub-account Holders and / or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit their proxy forms as per the above-mentioned requirements.

ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be stated on the form.

iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.

iv. In case of a corporate entity, the Board of Directors resolution / Power of Attorney with specimen signature should be submitted along with the e-mailed (soft copy) of the Proxy Form to the Company.

C. Consent for Video Conference Facility

i. In compliance with Section 134(1)(b) of the Companies Act, 2017, if the Company receive consent from members holding aggregate 10% or more shareholding residing at geographical location to participate in the meeting through video link facility at least 10 days prior to the date of general meeting, the Company will arrange video link facility in that city. To avail this facility, please provide following information and submit to registered address of the Company.

ii. The Company will intimate members regarding venue of video conference facility at least 5 days before the date of the general meeting along with complete information necessary to enable them to access the facility.

I/We, ___________ of __________ being a member of The Hub Power Company Limited, holder of __________ Ordinary Shares as per Register Folio No. ______ hereby opt for video conference facility at ___________________

Signature of member

PROXY FORM

The Company Secretary,
The Hub Power Company Limited
11th Floor, Ocean Tower, Block 9 Main Clifton Road Karachi

I / W e ____
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 for me & on my/our behalf at the 29th Annual General Meeting of the Company to be held on Thursday, September 24, 2020 at 10:00 am Video call.

Signature on Revenue Stamp of PKR 5/–

____
Signature of Shareholder
Folio / CDC Nos.

Witnesses:

(1) Signature__________________________	(2) Signature__________________________
Name________________________________	Name________________________________
Address______________________________	Address______________________________
____________________________________	____________________________________
CNIC / Passport No.____________________	CNIC / Passport No.____________________

Notes:

– A member entitled to attend the meeting may appoint a proxy in writing to attend the meeting 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 11th Floor, Ocean Tower, Block–9, Main Clifton Road, Karachi–75600 so as to reach no 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 CNIC numbers shall be stated on the form.

(i) Attested copies of 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 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.

AFFIX
CORRECT
POSTAGE

The Company Secretary
The Hub Power Company Limited
11th Floor, Ocean Tower, Block 9,
Main Clifton Road P.O. Box No. 13841,
Karachi – 75600

تشکیل نیابت داری

جناب کمپنی سیکریٹری
دی حب پاور کمپنی لمیٹڈ
11 فلور، اوشین ٹاور، بلاک 9، مین کلفٹن روڈ، کراچی

میں / ہم ____________________

ساکن ____________________ بحیثیت دی حب پاور کمپنی لمیٹڈ کے رکن وحامل ____________________

عام حصص بمطابق شیئر رجسٹرڈ فولیو نمبر ____________________ اور / یا سی ڈی سی کے شراکتی آئی ڈی نمبر ____________________

اور ذیلی کھاتہ نمبر ____________________ محترم / محترمہ ____________________

ساکن ____________________ یا بصورت دیگر محترم / محترمہ ____________________

ساکن ____________________ کو اپنی جگہ بروز جمعرات مورخہ 24 ستمبر 2020 بوقت 10:00 بجے صبح بذریعہ وڈیو لنک ہونے والے سالانہ

اجلاس عام میں رائے دہندگی کیلئے اپنا نمائندہ مقرر کرتا / کرتی ہوں۔

گواہ:

(1) دستخط ____________________

نام ____________________

پتہ ____________________

سی این آئی سی یا پاسپورٹ نمبر ____________________

ریونیو ٹکٹ چسپاں کریں۔

(دستخط کمپنی میں پہلے سے موجود
نمونہ کے مطابق ہونے چاہیئے)

____
دستخط

(2) دستخط ____________________

نام ____________________

پتہ ____________________

سی این آئی سی یا پاسپورٹ نمبر ____________________

نوٹ: نیابت داروں کے موثر ہونے کے لیے ضروری ہے کہ انکی تفصیل اجلاس شروع ہونے سے 48 گھنٹے قبل کمپنی کو موصول ہو جائے۔
سی ڈی سی شیئر ہولڈرز اوران کے نیابت داروں سے گزارش ہے کہ وہ اپنے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ فوٹو کاپی کمپنی کو پیش کرنے سے قبل اس پر اکسی فارم کے ساتھ منسلک کریں۔

AFFIX
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The Company Secretary
The Hub Power Company Limited
11th Floor, Ocean Tower, Block 9,
Main Clifton Road P.O. Box No. 13841,
Karachi – 75600

NOTES

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HUBCO

THE HUB POWER COMPANY LIMITED

11th Floor, Ocean Tower, G-3, Block 9, Main Clifton Road,
P.O. Box : 13841, Karachi-75600