

THE HUB POWER COMPANY LIMITED

(ANNUAL REPORT 1997)

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COMPANY INFORMATION

Head Office:

3rd Floor, Islamic Chamber
Building
ST-2/A, Block-9, Clifton, P.O. Box 13841
Karachi-75600

Registered Office:

C/o Ford, Rhodes, Robson, Morrow,
Premises No. 1 to 5, Elahi
Chambers,
C/o Ambassador Hotel Building,
I&T Centre, Khayaban-e-
Suharwardi,
Aabpara, P.O. Box 2388,
Islamabad.

Company Secretary:

S. Khurshid Husain

Principal Bankers:

Account Banks:

- National Development Finance Corporation, Karachi & Islamabad
- Citibank N.A., Karachi

- Bank of Tokyo - Mitsubishi (UK) Limited, London
- The Sakura Bank Limited, London
- Banco di Napoli International S.A., Luxembourg

Inter-Creditor Agent:

Citibank International, plc,
London

Linklaters &
Legal Advisors: Paines
Rizvi, Isa &
Co.
Kabraji & Talibuddin

Auditors:

Ford, Rhodes, Robson, Morrow

Registrar:

Ford, Rhodes, Robson, Morrow

NOTICE OF THE SIXTH ANNUAL GENERAL MEETING

Notice is hereby given that the Sixth Annual General Meeting of the Company will be held on Wednesday, September 17, 1997 at 2.00 p.m. at 250-A, Street No. 23, Sector E-7, Islamabad to transact the following business:

1. To confirm the minutes of the Fifth Annual General Meeting of the Company held on November 20, 1996.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 1997 and the Directors' & Auditors' Reports thereon.
3. To appoint Auditors and to fix their remuneration.
4. To elect Directors in accordance with the provisions of Section 178 of the Companies Ordinance 1984 for a term of three years commencing from the date of holding of the Annual General Meeting. As fixed by the Board of Directors at their meeting held on May 21, 1997 the number of Directors to be elected will be twelve (12).

The following Directors of the Company will cease to hold office upon the election of new Directors.

- | | |
|---------------------------------|---------------------------|
| 1. Mr. M. A. Alireza H.I. | 2. Mr. Y. Asahata |
| 3. Mr. P. F. Bennett | 4. Mr. C. J. Brown III |
| 5. Mr. Brian Chang | 6. Mr. C. R. W. Masterson |
| 7. Dr. I. M. H. Preston C. B.E. | 8. Mr. S. N. A. Shah |
| 9. Mr. P. H. Smith | 10. Mr. M. A. Tumbi |
| 11. Mr. S. J. K. Wheeler | 12. Mr. P. J. Windsor |

By Order of the Board

Karachi - August 06, 1997

S. Khurshid Husain
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from September 05, 1997 to September 19, 1997 (both days included).
2. 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.
3. Duly completed forms of proxy must be deposited with the Company Secretary at the Head Office of the Company not later than 48 hours before the time appointed for the meeting.
4. Every candidate for election as a Director, whether a retiring Director or otherwise, shall file with the Company at least fourteen (14) days before the date of the AGM a notice of their intention to offer themselves for election as a Director alongwith their consent in the prescribed form to their appointment as a Director of the Company.
5. Shareholders are requested to notify any change in their address immediately.

BOARD OF DIRECTORS

Mr. M. A. Alireza H. I.

Chairman

Other directorships
Xenel Industries Limited
& other Xenel Group Companies
Xenel international Ltd.

Mr. P. H. Smith

Vice Chairman

Other directorships
Electra Insurance Ltd
National Power International Holdings BV
Kot Addu Power Co. Ltd
Tejo Energia

Mr. D. M. Woodroffe

Chief Executive

Mr. Y. Asahata

Other directorships
Hub Power Japan Corp

**Mr. P. F.
Bennett**

Other directorships
Kot Addu Power Co. Ltd

Mr. C. J. Brown

Other appointments
Managing Director, Europe
Entergy Power Group

Mr. B. Chang

Other directorships
Task Technology Ltd
Taisun Group of Companies
Asia Petroleum Ltd
Fauji Oil Terminal Co. Ltd
Pakistan Power Ltd

Mr. C. R. W. Masterson

Other directorships
National Power Share Schemes Ltd
Electricity Pensions Trustee Ltd
De Haviland Aircraft Museum Ltd

Dr. I. M. H. Preston C. B.E.

Other directorships
Mining (Scotland) Ltd,
Scottish Coal Company Ltd
East of Scotland Water Authority
Motherwell Bridge Holdings Ltd
Clydeport plc
Deutsche Morgan Grenfell (Scotland) Ltd
Scottish Council for Development and Industry
Kot Addu Power Co. Ltd

**Mr. S. N. A.
Shah**

Other directorships
Jahangir Siddiqui & Co. Ltd
Philips Electrical Industries (Pak) Ltd
Forbes, Forbes, Campbell & Co.
Ltd

Mr. M. A. Tumbi

Other appointments
General Manager Finance, Xenel

Mr. S. J. K. Wheeler

Other directorships
American National Power, Inc
Dagenham & Barking Management Ltd
Hinduja National Power
Corporation

**Mr. P. J.
Windsor**

Other directorships
American National Power, Inc
National Power International Holdings BV
National Power International Ltd
National Power of America, Inc
National Power Polska Spolka
z.o.o.
National Power (Kot Addu) Ltd
Tejo Energia

Mr. Zafar Iqbal

Nominee of
National Development
Finance Corporation

Mr. S. Abbas Husain

Nominee of
Government of Balochistan

Mr. S. Potter

Nominee of
Commonwealth Development
Corporation

CHAIRMAN'S REVIEW

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

It gives me great pleasure to introduce the Company's Report and Accounts for the financial year ended
June 30, 1997.

During the year the Company successfully commissioned all four of its 323MW generating units in
aggregate 27 unit weeks early. On March 31, 1997 the Company achieved Full Commercial Operation
within the project budget of US\$ 1.6 billion. Each of these achievements is remarkable but taken
together are almost unique for a power project anywhere in the world. This has to be a matter of pride
for the Country demonstrating as it does that it is possible to both finance and construct large scale
infrastructure projects successfully in Pakistan.

The Company started commercial supply to The Water and Power Development Authority (WAPDA) on

July 9, 1996. By the end of June 1997 the Company had delivered 5,821GWhrs of electricity for distribution to industry, commerce, agriculture and domestic customers. During the recent period of power shortage the Power Station operated at 100% utilisation for extended periods and generated up to 20% of all electricity supplied in the Country. Thus the operations of the Company has had a significant impact on reducing the levels of load-shedding.

As required under the Power Purchase Agreement, WAPDA opened the largest ever local syndicated standby Letter of Credit in favour of the Company to provide security in respect of its payment obligations. During the year the Company billed and received payments from WAPDA for available capacity and energy produced.

The technical performance of the Power Station in respect of both availability and thermal efficiency has been better than the guaranteed levels. Utilisation of the available capacity by WAPDA at 73.86% is higher than the base case utilisation of 64.6% assumed in the Equity Offer for Sale. As designed, the

Power Station was required to have a net output of 1200MW. However, commissioning tests have demonstrated that the actual net output was 57MW higher at 1257MW.

It is the policy of the Company to both operate and maintain the Plant to the best international standards. In this context, I am pleased to be able to report that the operation of the Power Station achieved ISO 14001 certification in respect of Environmental Controls, a first for any Company in the Country. Since the end of the financial year the Company has continued to maintain its current high levels of

availability and has continued to deliver electricity in line with the levels indicated in the Equity Offer document. I am therefore able to confirm that the Company expects to declare an interim dividend during the first quarter of 1998. The Company will also begin to repay its senior loans in the first month of 1998. These are all significant milestones for the future which, God willing, I am confident the Company will achieve.

It gives me particular pleasure to report that the Company has continued to support the Balochistan Rural Support Programme and the payment of Octroi taxes is making a significant contribution to the development of Balochistan.

I would like to thank the Company's Contractors for completing the Power Station to time and cost, and our employees for their hard work and dedication.

Mohamed A. Alireza
Chairman

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the Annual Report and the Accounts for the year ended June 30, 1997.

Principal Activities

The principal activities of the Company are to design, construct, finance, own, operate and maintain an oil fired power station in Pakistan with a net capacity of 1200MW. The Company commenced full commercial operation on March 31, 1997 when the Commercial Operations Date (COD) of the Complex was

declared. Fiscal year 1996-97 was a year of developing management controls and monitoring the completion of all four units. The business has progressed broadly in line with the forecast made at the time of financial close and with the full support of the lenders and the principal shareholders.

Finance

During the year the Company commenced its operational phase when the first unit was commissioned in July 1996. Operating profit is higher than the Equity Offer projections which has been achieved through the early completion of the units. Total turnover for the year was Rs. 18,308 million and Operating costs were Rs. 8,925 million, these amounts are higher than the prospectus figures due mainly to a 15.3% devaluation of the Pakistani Rupee during the year and a 268% increase in the cost of fuel from Rs 2,350 per ton to Rs 6,297 per ton since 1994. The Earning Per Share (EPS) for the year amounted to Rs. 6.34.

During the year the Company drew Rs 4,815 (1996: Rs 15,861) million from its secured debt facilities to finance the project construction. Total drawing to June 1997 amounted to Rs 38,461 (1996: Rs 33,646) million. The construction, activity ended as planned with all payments to the Turn Key Construction Contractors having been made. The Company voluntarily terminated all un-utilised base and standby loan facilities, after funding the last draw down, on July 10, 1997.

As required under the Fuel Supply Agreement, the Company opened a Letter of Credit in favour of Pakistan State Oil (PSO) to provide security in respect of fuel supplies. The pipeline to deliver fuel was completed by PSO in October 1996 and the Company is taking delivery of Residual Fuel Oil through the pipeline without any technical or financial difficulties.

Construction

The Construction and Commissioning phase was completed when the fourth and final Unit was commissioned in March 1997. The first unit was commissioned in July 1996, having been delayed by 17 days due to a boiler oil fire. The second Unit was commissioned 23 days ahead of schedule in September 1996 and the third Unit was commissioned in November 1996 substantially ahead of schedule by 50 days. The early completion of the units provided much needed electricity for the Country and helped reduce nation-wide load shedding. Since March 31, 1997 all four units have been running at near full capacity. The availability and thermal efficiency of the units are better than the required and expected levels.

Operation

Hubco's Operation and Maintenance (O&M) Contractor assumed full responsibility after the declaration of Commercial Operation on April 1, 1997. During the commissioning period the O&M Contractor progressively took over the responsibility for the Plant from the Construction Contractors on a Unit by Unit basis. At present the plant is staffed by over 300 personnel and the O&M Contractor is providing ongoing training to local engineers to operate and maintain the Complex.

Social Action and Environment

During the year the Company continued its support to the Balochistan Rural Support Programme to introduce self help programmes into the area for the uplift of the community surrounding the Complex.

This programme is aimed at developing self help organisations using appropriate technologies. Some twelve local village groups have already been established.

Environmentally, the Complex is operating within the strict guidelines and limits established by the World Bank for emission and waste. In June 1997 our O&M Contractor achieved ISO 14001 recognition, a first for any power station in the Country.

Appropriations

In accordance with the Company's commitments to the financial institutions no dividend will be recommended this year. As previously planned and according to the Prospectus, the Company expects to announce an interim dividend in February 1998.

Board of Directors

The current members of the Board are listed on Page 3. Members of the Board were appointed or resigned during the year as follows:

Mr. K. Iqbal Nominee, NDFC	<i>(resigned 19/2/1997)</i>	Ch. Sajjad All Nominee, NDFC	<i>(appointed 21/2/1997)</i>
Capt. F. Ahmedzai Nominee, Government of Balochistan	<i>(resigned 19/2/1997)</i>	Mr. K. M. Tariq Nominee, Government of Balochistan	<i>(appointed 21/2/1997)</i>
Ch. Sajjad All Nominee, NDFC	<i>(resigned 21/5/1997)</i>	Mr. Zafar Iqbal Nominee, NDFC	<i>(appointed 21/5/1997)</i>
Mr. K. M. Tariq Nominee, Government of Balochistan	<i>(resigned 21/5/1997)</i>	Mr. S. Abbas Husain Nominee, Government of Balochistan	<i>(appointed 21/5/1997)</i>

Auditors

The retiring auditors Messrs. Ford, Rhodes, Robson, Morrow, Chartered Accountants being eligible, offer themselves for re-appointment.

Shareholding Pattern

A statement reflecting the distributions of shareholding is attached to the Annual Report.

By Order of the Board

Karachi - August 06, 1997

D. M. Woodroffe
Chief Executive

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of The Hub Power Company Limited as at June 30, 1997 and the related profit and loss account and statement of changes in financial position, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account and the statement of changes in financial position, together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1997 and of the profit and the changes in financial position for the year then ended; and

(d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Ford, Rhodes, Robson,
Morrow
Chartered Accountants

Karachi - August 12, 1997

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 1997**

	Note	1997 (Rs. '000s)
Turnover		18,308,284
Operating costs	3	(8,924,878)

GROSS PROFIT		9,383,406
Selling, general and administration expenses	4	(110,652)

OPERATING PROFIT		9,272,754
Other income	5	414,962

		9,687,716
Other expenses	6	(164,098)
Financing costs	7	(2,183,296)

NET PROFIT FOR THE YEAR		
Unappropriated profit brought forward		7,340,322
		-

Unappropriated profit carried forward		7,340,322
		=====
EARNINGS PER SHARE (RUPEES)		6.34
		=====

The annexed notes form an integral part of these accounts.

D. M. Woodroffe
Chief Executive

I.M.H. Preston
Director

BALANCE SHEET AS AT JUNE 30, 1997

	Note	1997 (Rs. '000s)	1996 (Rs. '000s)
TANGIBLE FIXED ASSETS			
Operating fixed assets	8	46,944,038	72,464
Capital work-in-progress	9	21,763	35,125,082
PROJECT DEVELOPMENT AND IMPLEMENTATION COSTS	10	-	10,070,481
LONG TERM DEPOSITS, PREPAYMENTS AND			

DEFERRED COSTS	11	2,402,958	2,536,409
CURRENT ASSETS	12	12,823,401	3,899,371
		-----	-----
		62,192,160	51,703,807
		=====	=====
SHARE CAPITAL AND RESERVE			
Share capital			
Authorised, issued, subscribed and paid-up	13	11,571,544	11,571,544
Revenue reserve			
Unappropriated profit		7,340,322	-
		-----	-----
		18,911,866	11,571,544
LONG TERM LOANS	14	36,974,978	33,645,264
DEFERRED LIABILITY	15	2,160	1,495
CURRENT LIABILITIES	16	6,303,156	6,485,504
COMMITMENTS AND CONTINGENCIES	17	-	-
		-----	-----
		62,192,160	51,703,807
		=====	=====

The annexed notes form an integral part of these accounts.

STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)

FOR THE YEAR ENDED JUNE 30, 1997

	Note	1997 (Rs. '000s)	1996 (Rs. '000s)
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit		7,340,322	-
Adjustment for non cash charges and other items:			
Depreciation		841,083	-
Amortisation of deferred costs		76,275	-
Profit on sale of fixed assets		(196)	-
Staff gratuity		665	-
Interest/mark-up on secured loans		1,888,042	-
		-----	-----
		2,805,869	-
		-----	-----
Operating profit before working capital changes		10,146,191	-
Working capital changes		(3,679,483)	-
Interest/mark-up paid on secured loans		(1,599,885)	-
		-----	-----

Net cash inflow from operating activities	4,866,823	-
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure (net)	(2,539,425)	10,087,123)
Loss on sale of fixed assets	-	24
Staff gratuity		477
Sale proceeds of fixed assets	764	630
Long term deposits, prepaymerits and deferred costs	57,176	(131,560)
Long term receivables	-	121,923
Working capital changes	-	(6,086,322)
	-----	-----
Net cash (outflow) from investing activities	(2,481,485)	(16,181,951)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	-	1,390,062
Long term loans	4,815,651	15,860,223
Long term liabilities	-	(444,787)
Repayment of obligations under finance lease	(1,089)	(829)
	-----	-----
Net cash inflow from' financing activities	4,814,562	16,804,669
	-----	-----
Net increase in cash and cash equivalentents	7,199,900	622,718
Cash and cash equivalentents as at July 1, 1996	1,087,121	464,403
	-----	-----
Cash and cash equivalentents as at June 30, 1997	12.3 8,287,021	1,087,121
	=====	=====
WORKING CAPITAL CHANGES		
(Increase)/decrease in current assets		
Stores and spares	(538,850)	-
Inventory of fuel oil	(449,496)	(140,212)
Trade debts	(706,726)	(2,083,066)
Advances, deposits, prepayments and other receivables	(29,058)	332,653
	-----	-----
	(1,724,130)	(1,890,625)
Increase/(decrease) in current liabilities		
Creditors, accrued and other liabilities	(1,955,353)	(4,19,5,697
	-----	-----
	(3,679,483)	(6,086,322
	=====	=====

The annexed note forms an integral part of this statement.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 1997

1. THE COMPANY AND ITS OPERATIONS

The Hub Power Company Limited (the "Company") was incorporated in Pakistan on August 1, 1991 as a public limited company under the Companies Ordinance, 1984. The shares of the Company are listed on the Karachi Stock Exchange and its Global Depository Receipts are listed on the Luxembourg Stock Exchange. The principal activities of the Company are to design, construct, finance, own, operate and maintain an oil-fired power-station with four generating units with an installed net capacity of 1,200 MW in Tehsil Hub, District Lasbella, Balochistan.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

These accounts are prepared under the historical cost convention without any adjustment for the effect of inflation.

2.2 Tangible fixed assets and depreciation

(a) Operating fixed assets

These are stated at cost less accumulated depreciation except for freehold land which is stated at cost. In the case of assets constructed by the Company, Project Development and Implementation Costs are included in the cost.

Depreciation is computed using the straight-line method over the estimated useful

lives of the assets, without taking into account any residual value, at the rates shown in note 8 to the accounts. Depreciation on additions is charged for the full month in

which an asset is put to use and on deletions up to the month immediately preceding

the deletions. Depreciation on assets constructed by the Company is charged starting

in the six monthly period in which the Commercial Operation Date occurred.

Maintenance and repairs are charged to income as and when incurred. Major renewals

and improvements are capitalised.

Gains and losses on disposals are included in income.

(b) Capital work-in-progress

Capital work-in-progress is Stated at cost.

2.3 Project development and implementation costs

These consist of expenses incurred on planning, management, administration and financing of the project. Such expenses have been accumulated up to December 31, 1996 and are allocated to the assets constructed by the Company.

2.4 Deferred costs

These costs are amortised commencing January 1997 using the straight-line method over a period of five years.

2.5 Staff retirement benefits

The Company operates an unfunded gratuity scheme covering eligible employees whose period of service with the Company is at least five years. An accrual is made to cover the period of service completed by the employees.

The Company also operates a fully funded provident fund scheme for all its employees who are eligible for the benefits. Contributions thereto are made in accordance with the terms of the scheme.

2.6 Inventory of Fuel Oil

This is valued at the lower of cost and net realisable value. The cost is calculated on a first-in-first out basis.

2.7 Stores and spares

These are stated at cost. The Operation and Maintenance Contractor is responsible to replenish stores and spares as they are used.

2.8 Foreign currency translation

Transactions in foreign currencies are translated into rupees at the rates of exchange in effect at the date of transactions. Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange ruling on the balance sheet date except for foreign currency loans covered under the Foreign Exchange Risk Insurance Scheme (FERI) in which case contracted rates are used. Exchange differences for the period up to December 31, 1996 are included under Project Development and Implementation Costs whereas exchange differences for the six months to June 30, 1997 are taken to the profit and loss account.

2.9 Taxation

Under the Implementation Agreement signed with the Government of Pakistan, the Company is not liable to taxation in Pakistan.

2.10 Revenue recognition

Revenue from the sale of electricity to the Water and Power Development Authority (WAPDA) is recorded based upon the output delivered and capacity available at rates as specified under the Power Purchase Agreement (PPA),

3. OPERATING COSTS

	Note	1997 (Rs. '000s)	1996 (Rs. '000s)
Residual fuel oil		6,864,669	-
Operation and Maintenance - relating to an associated company		1,093,529	-
Insurance		162,180	-
Depreciation	8.2	804,500	-
		-----	-----
		8,924,878	-
		=====	=====

4. SELLING, GENERAL AND ADMINISTRATION EXPENSES

Salaries, benefits and other allowances		39,084	-
Fuel and power		376	-
Property, vehicles and equipment rentals		2,506	-
Repairs and maintenance		503	-
Legal and professional charges		23,898	-
Insurance		6,019	-
Auditors' remuneration	4.1	2,305	-
Depreciation	8.2	6,015	-
Miscellaneous		29,946	-
		-----	-----
		110,652	-
		=====	=====
4.1 Auditors' remuneration			
Audit fee		1 75	-
Secretarial, taxation and other services		2,032	-
Out-of-pocket expenses		98	-
		-----	-----
		2,305	-
		=====	=====

See note 10.2 for auditors' remuneration relating to the first half of the current year.

OTHER INCOME

Interest and profit on bank accounts		414,956	-
Miscellaneous		6	-
		-----	-----
		414,962	-

Total as at June 30, 1997	18,890	174,334	862	47,541,931	22,283	26,423	47,784,723
Depreciation							
Rate %	3.33 and 20	3.33 to 3.33	3.33	20	25		
Owned							
As at July 1, 1996	-	-	-	-	-	-	-
Charge for the year	-	8,940	76	817,632	3,350	11,085	841
Disposals	-	-	-	(60)	-	(338)	(398)
As at June 30, 1997	-	8,940	76	817,572	3,350	10,747	840,685
Net book value - 1997							
	18,890	165,394	786	46,724,359	18,933	15,676	46,944.04
Netbookvalue-1996							
Owned	18,890	4,069	862	28,869	2,715	13,792	69,197
Leased	-	-	-	-	-	3,267	3,267
	18,890	4,069	862	28,869	2,715	17,059	72,464

8.1 Disposal of fixed assets

	Original cost (Rs, '000s)	Accumulated depreciation (Rs. '000s)	Net book value (Rs. '000s)	Sale proceeds (Rs. '000s)	Mode of sale	Particulars of buyer
Motor cycle	36	27	9	28	Insurance claim	Adamjee Insurance Company Limited
Suzuki Margalla	458	191	267	370	Bid sale	Samina Hussain (Executive)
Suzuki Khyber	340	120	220	310	Bid sale	Musharraf Hussain (Executive)
Airconditioner	66	30	36	30	Bid sale	Nadir Qureshi (Executive)
Airconditioner	66	30	36	26	Bid sale	Dr, Naveed Ahmed (Executive)
	966	398	568	764		

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

		1997	1996
	Note	(Rs. '000s)	(Rs. '000)
Operating costs			
Selling, general and administration expenses			
Project development and implementation costs	3	804,500	-
	4	6,015	-
	10	30,568	-
		-----	-----
		841,083	-
		=====	=====

9. CAPITAL WORK-IN-PROGRESS

Progress payments		-	32,469,840
Tax on payments to construction consortium and site supervision contractors		-	662,663
Custom duties, taxes and other levies		-	162,755
Construction insurance		-	613,913
Mobilisation phase fee, training expenses and other costs under Operation and Maintenance Agreement		-	697,520
Site office construction, housing colony and other miscellaneous costs		21,763	302,381
Supervision fee and expenses		-	203,949
Other costs after recoveries		-	12,061
		-----	-----
		21,763	35,125,082
		=====	=====

Capital work-in-progress amounting to Rs. 36,022 million has been transferred to Operating Fixed Assets.

10. PROJECT DEVELOPMENT AND IMPLEMENTATION COSTS

	Note	Cumulative to June 30, 1997 (Rs. '000s)	For the year 1997 (Rs. '000s)	Cumulative to June 30, 1996 (Rs. '000s)
Project development costs as certified by Independent auditors appointed by HRPGLimited in the United Kingdom		2,322,569	-	2,322,569
		-----	-----	-----
Project Implementation costs				
Salaries, benefits and other allowances		322,198	41,473	280,725
Financing costs	10.10	8,341,044	1,723,514	6,617,530
Exchange loss/(gain)		132,381	(321,834)	454,215

Fuel and power		3,626	542	3,084
Property, vehicles and equipment rentals .		19,896	2,850	17,046
Repairs and maintenance		7,310	1,512	5,798
Legal and professional charges		212,400	25,485	186,915
Insurance		22,054	5,197	16,857
Auditors' remuneration	10.20	13,864	2,950	10,914
Loss/(gain) on disposal of fixed assets		87	(212)	299
Donations		75	-	75
Depreciation	8.20	30,568	30,568	-
Miscellaneous		182,225	27,771	154,454
		-----	-----	-----
		9,287,728	1,539,816	7,747,912
		-----	-----	-----
		11,610,297	1,539,816	10,070,481
			=====	=====
Transferred to Operating Fixed Assets on December 31, 1996	2.30	(11,610,297)		

		-		
		=====		

10.1 Financing costs

Mark-up on secured short term loans		689,162	-	689,162
Mark-up on secured long term loan		504,731	242,790	261,941
Interest on secured long term loans		5,167,040	1,406,220	3,760,820
Return on bank deposits		(276,764)	(136,159)	(140,605)
Progress payment bond fee		13,927	-	13,927
Bank charges		619	4	615
Accelerated payment discount		(1.44,814)	-	(144,814)
Miscellaneous financing costs		2,387,143	210,659	2,176,484
		-----	-----	-----
		8,341,044	1,723,514	6,617,530
		=====	=====	=====

10.2 Auditors' remuneration

Audit fee:				
Statutory		952	175	777
Excise duty		25	-	25
		-----	-----	-----
		977	175	802
Secretarial, taxation and other services		11,940	2,632	9,308
Out-of-pocket expenses		947	143	804
		-----	-----	-----

13,864	2,950	10,914
=====	=====	=====

11. LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS

	Note	1997 (Rs. '000s)	1996 (Rs. '000s)
Deposits			
Sezione Speciale per I' Assicurazione del Credito all'			
Esportazione of Italy (SACE) - interest bearing	11.10	804,792	767,018
Miscellaneous		1,376	1,586
		-----	-----
			806,168
			768,604
Prepayments			
Guarantee fees		50,184	57,353
Insurance premium		846,680	947,454
Interest rate hedging costs		12,619	-
Miscellaneous		829	245
		-----	-----
		910,312	1,005,052
Deferred costs			
Preliminary expenses		2,499	2,499
Discount on issue of shares		339,452	339,452
Commission and brokerage		420,802	420,802
		-----	-----
		762,753	762,753
Amortisation to date	6	(76,275)	-
		-----	-----
		686,478	762,753
		-----	-----
		2,402,958	2,536,409
		=====	=====

11.1 The amount represents funds that the Company has agreed to place in a reserve account to fulfil

a contractor's obligation to guarantee a debt facility not covered by the SACE insurance,

12. CURRENT ASSETS

Stores and spares	538,850	-
-------------------	---------	---

Inventory of fuel oil		589,708	140,212
Trade debts	12.1	2,789,792	2,083,066
Advances, deposits, prepayments and other receivables	12.2	618,030	588,972
Cash and bank balances	12.3	8,287,021	1,087,121
		-----	-----
		12,823,401	3,899,371
		=====	=====
Considered good		2,789,792	2,083,066
		=====	=====

12.2 Advances, deposits, prepayments and
other
receivables

Advances (considered good)

Executives	12.2.1	632	679
Employees		30	3
Suppliers		4,554	1,705
		-----	-----
		5,216	2,387
Deposits		245	76,092
Prepayments		223,501	456,502
Other receivables			
Return on bank deposits		383,820	19,262
Miscellaneous		5,248	34,729
		-----	-----
		389,068	53,991
		-----	-----
		618,030	588,972
		=====	=====

12.2.1 The maximum aggregate amount due from the Chief Executive, Directors and Executives at the end of any month during the year was Rs. Nil, Rs. Nil and Rs. 1.12 million respectively (1996: Rs. Nil, Rs. Nil and Rs. 1.51 million respectively).

12.3 Cash and bank balances

With banks

Saving checking accounts	12.3.1	3,179,351	110,599
--------------------------	--------	-----------	---------

Title/Source of loan/Other details

Interest Rate

Repayment Terms

SENIOR LOANS

From Banks

Under the World Bank Expended Cofinancing Operation (ECO) - guaranteed loan

LIBOR plus ECO margin of 2.00% p.a. up to and including the eighth anniversary of the date of ECO Facility Agreement (i.e. September 30, 2002) and 2.25% p.a. thereafter. The ECO margin to be reduced by 0.25% p.a. in respect of any period following a Payment Date (January 10 and July 10) at which the Actual Annual Cover Ratio is greater than or equal to 2:1

The loan is repayable in 16 semi annual instalments due on the payment dates falling immediately after the end of the Availability Period of the loan. It is expected that repayment will commence from January 10, 1998.

Under the Export-Import Bank of Japan (JEXIM) - guaranteed loan

TIBOR plus Same as JEXIM above including the eighth anniversary of the date of JEXIM Facility Agreement (i.e. September 30, 2002) and 2.25% p.a. thereafter. The JEXIM Margin to be reduced by 0.25% p.a. in respect of any period following a Payment Date at which the Actual Annual Cover Ratio is greater than or equal to 2:1.

Under the Compagnie Francaise d' Assurance pour le Commerce Exterieur of France (COFACE) - Insured loan

5.95% per annum

Same as above

Under the Ministry of International Trade and Industry of Japan (MITI) - Insured loan

7.20% per annum

Same as above

The interest rate during the subsistence of Mediocredito Interest Subsidy Agreement is 5.95% p.a. In case this Subsidy Agreement is not in full force and effect, the interest rate shall be the sum of LIBOR and SACE margin of 2.00% p.a. upto the Project Completion Date and 1.15% p.a. thereafter. The SACE Margin will be reduced by 0.05% p.a. in respect of any period immediately following a Payment Date at which the Actual Annual Cover Ratio is greater than or equal to 2:1.

Same as above

Commonwealth Development Corporation

11.00% per annum

Same as above

of the U.K.

From Financial Institution

Senior Rupee Facility

The Facility has been obtained on mark-up basis under which the Company has sold some tangible movable assets at the purchase price of PKR 3,012 million and simultaneously repurchased those assets from the Senior Rupee Facility Consortium Members at a Marked-up Price of PKR 8,158 million which translates into mark-up rate per day per thousand Rupees of 61.1112 paisas for the first four /ears, 66.6657 paisas for the next four years and 72.2223 paisas for the subsequent period.

The Marked-up Price is payable in semi-annual instalments on the payment dates as per the schedule attached to the Senior Rupee Facility Agreement.

SUBORDINATED LOANS

From Financial Institution

Private Sector Energy Development
Fund (PSEDF) 1 Facility

14.00% per annum

The Loan is repayable in 30 equal semi-annual instalments starting on the ninth repayment date of the Senior Loans. It is expected that repayment will commence from January 10, 2002.

Private Sector Energy Development
Fund (PSEDF) 2 Facility

14% p.a. upto the Project Completion Date.

Thereafter, the rate will be as per the formulae given in the Facility Agreement.

Same as above

Security	Amount drawn	Amount drawn
	(Rupees '000) 1997	(Rupees '000) 1996
Each Senior Loan is secured pari passu as provided in the Project Co-ordination Agreement, by way of: (a) a first fixed charge over each of the following, namely: (i) the tangible movable property of the Company; (ii) the intellectual property of the Company; and (iii) all goodwill belonging to the Company. (b) a first floating charge on the whole of the Company's undertaking and assets, present and future, other than any assets for the time being effectively charged by way of fixed charge.	4,762,877	3,280,335
	3,700,658	3,700,658

(c) an assignment of all rights, title and interest, present and future, in and to the insurances and all rights of the Company to make recovery under the insurances and all proceeds of the insurances receivable by the Company.	1,644,063	1,644,056
(d) mortgages over the Company's real property situated in Lasbela, Islamabad and Karachi together with all rights of easements, privileges and licences appurtenant thereto.	3,237,105	3,237,105
(e) an assignment of the benefit of the encumbrances and obligations arising in relation to:	7,059,011	6,682,762
(i) the ECO Guarantee Reserve Account and all notices of assignment given pursuant thereto for the benefit of ECO Financing Parties;		
(ii) the JEXIM Guarantee Reserve Account and all notices of assignment given pursuant thereto for the benefit of JEXIM Financing Parties;		
(iii) the SACE Reserve Account and all notices of assignment given pursuant thereto for the benefit of the trustee for the SACE Facility Agent and the SACE Lenders;	1,199,108	1,199,108
(iv) the Rupee Mark-up Reserve Account and all notices of assignment given pursuant thereto for the benefit of the Senior Rupee Facility Agent and the Senior Rupee Facility Consortium Members.	2,172,170	1,907,025
The PSEDF loans are secured on the same securities as the Senior Loans but are subordinated to the Senior Loans.	10,831,602	9,846,540
	3,854,321	2,147,675
	-----	-----
	38,460,915	33,645,264
	-----	-----
Current maturity of long term loans (see note 16)	1,485,937-	
	-----	-----
	36,974,978	33,645,264
	=====	=====

14.1 Any late payment or repayment by the Company is subject to payment of interest at rates ranging between 1.5% to 3% above the normal rate of interest.

14.2 The Company may not pay dividend until certain financial requirements under its debt facilities are satisfied.

14.3 The undrawn long term Facilities of the Company as at June 30, 1997 amounted to Rs. 15,138 million. This includes undrawn Standby Facilities of Rs. 7,863 million.

14.4 The Lenders at the request of the Company after disbursing the amounts required by the Company to complete the project have cancelled all the undrawn commitments as of July 10, 1997.

15. DEFERRED LIABILITY

	Note	(Rs. '000s)	1997	1996
			(Rs. '000s)	(Rs. '000s)
Gratuity		2,160		1,495
		=====		=====
CURRENT LIABILITIES				
Current maturity of long term loans	14	1,485,937		-
Current obligations under finance lease		-		1,089
Creditors, accrued and other liabilities	16.10	4,817,219		6,484,415
		-----		-----
		6,303,156		6,485,504
		=====		=====
16.1 Creditors, accrued and other liabilities				
Creditors		401,239		93,887
Accrued liabilities				
Interest accrued on secured long term loans		1,568,109		1,346,182
Mark-up accrued on secured long term loans		228,319		162,089
Due to construction, operation and maintenance contractors and others	16.1.1	260,135		2,690,274
Foreign Exchange Risk Insurance Fee (FERI)	16.1.2	845,294		1,789,959
Financing costs		82,722		85,979
Income-tax accrued - contractors	16.1.3	9,034		29,192
- employees		3		3,304
Miscellaneous accrued liabilities	16.1.4	24,799		35,881
		-----		-----
		3,018,415		6,142,860
Other liabilities				
Retention money		540		14,223
Octroi charges		10,030		216,974
Custom duties, taxes and other levies		3,145		1,986
Sales-tax		1,000		3,171
Income-tax deducted at source		7,647		5,763
Unearned income	16.1.5	1,374,826		-
Due to		377		5,551

directors

-----	-----
1,397,565	247,668
-----	-----
4,817,219	6,484,415
=====	=====

16.1.1 This includes a sum of Rs. 87.309 (1996: Rs. 123.189) million in respect of services rendered by an associated company.

16.1.2 This represents fees payable to the State Bank of Pakistan (SBP) under the Foreign Exchange Risk Insurance Scheme (FERI) in respect of senior bank loans.

16.1.3 This represents income-tax accrued in respect of tax liabilities assumed under contracts by the Company, including a sum of Rs. 3.056 (1996: Rs. 3.600) million relating to an associated company.

16.1.4 This includes a sum of Rs. 1.079 (1996: Rs. 6.420) million in respect of professional services rendered by an associated company.

16.1.5 This represents Capacity Purchase Price invoiced for the succeeding month under the terms of Power Purchase Agreement.

17. COMMITMENTS AND CONTINGENCIES

17.1 The Company has entered into an Operation and Maintenance Agreement under which it is committed to pay certain fees to the Operator of the Plant. The portion of the fees relating to the mobilisation phase has been fully paid. The operational phase fee is payable in fixed and variable portions. The fixed portion is being paid in the specified amount for each month of the operating year whereas the variable portion is payable at the agreed rate for the actual power generated per month.

17.2 The Company has entered into a Fuel Supply Agreement under which it is committed to purchase a certain quantity of oil from Pakistan State Oil (PSO) every year.

17.3 Counter guarantees, to meet the requirements under the above agreements, issued to various banks which are secured pari passu with Senior Loans amount to Rs. 2,240 (1996: Rs. 733) million.

18. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

The aggregate amounts incurred during the year for remuneration, including all benefits to the Chief

Executive, a Director and the Executives of the Company were as follows:

	1997 (Rs. '000s)	1996 (Rs. '000s)
Chief Executive		
Managerial remuneration	7,836	8,278
Bonus	4,022	8,582
House rent	2,823	2,245
Utilities	627	738
Retirement benefits	627	541
Other benefits	840	481
	-----	-----
	16,775	20,865
	-----	-----
Number of persons	1	1
Director		
Managerial remuneration	1,241	1,049
Bonus	-	-
House rent	-	-
Utilities	-	-
Retirement benefits	-	-
Other benefits	-	-
	-----	-----
	1,241	1,049
	-----	-----
Number of persons	1	1
Executives		
Managerial remuneration	28,760	28,704
Bonus	9,862 -	
House rent	9,899	10,336
Utilities	1,756	3,219
Retirement benefits	2,442	2,398
Other benefits	4,457	5,237
	-----	-----

	57,176	49,894
	-----	-----
Number of persons	47	50
Total		
Managerial remuneration	37,837	38,031
Bonus	13,884	8,582
House rent	12,722	12,581
Utilities	2,383	3,957
Retirement benefits	3,069	2,939
Other benefits	5,297	5,718
	-----	-----
	75,192	71,808
	-----	-----
Number of persons	49	52

In addition, the Chief Executive and certain Executives are provided with the use of Company maintained automobiles.

19. TRANSACTIONS WITH ASSOCIATED COMPANIES

	1997 (Rs. '000s)	1996 (Rs. '000s)
Services rendered by Associated Companies during the year	1,253,995	334,575
	=====	=====

20. CAPACITY AND PRODUCTION

Theoretical maximum output	7,178 GWh	-
Output despatched	5,821 GWh	-
Actual plant utilisation	73.86%	-
Required availability - first year of operation	76.00%	-
Actual availability	83.96%	-

21. GENERAL

21.1 Figures presented in these accounts are rounded off to the nearest thousand rupees.

21.2 Figures have been rearranged for the purposes of comparison, wherever necessary.

21.3 Comparative figures for profit and loss account are not available as it has been

prepared for the first time.

**PATTERN OF SHAREHOLDING AS AT JUNE 30,
1997**

Size of Holding		No. of		No. of Shares Held
From	To	Shareholders		
1	100	1,745		173,451
101	500	42,275		20,465,142
501	1000	959		773,100
1001	5000	756		1,885,868
5001	10000	171		1,369,332
10001	15000	71		908,738
15001	20000	46		830,291
20001	25000	42		973,974
25001	30000	15		404,934
30001	35000	29		967,065
35001	40000	7		266,500
40001	45000	7		304,640
45001	50000	18		868,400
50001	55000	6		315,200
55001	60000	9		519,700
60001	65000	2		126,000
65001	75000	4		275,200
75001	80000	2		157,300
80001	85000	3		243,800
85001	95000	1		88,000
95001	100000	2		198,500
100001	105000	1		100,300
105001	115000	2		220,000
115001	125000	3		351,700
125001	130000	2		254,300
130001	150000	1		131,700
150001	170000	1		151,500
170001	175000	1		174,500
175001	180000	1		177,500
180001	185000	1		180,100
185001	190000	2		380,000
190001	195000	1		190,400
195001	205000	2		397,500
205001	215000	1		208,700
215001	220000	1		220,000
220001	225000	1		222,900

225001	230000	2	460,000
230001	235000	2	465,600
235001	240000	1	237,200
240001	275000	1	243,600
275001	355000	1	277,000
355001	360000	1	358,607
360001	410000	1	361,100
410001	490000	1	411,500
490001	535000	1	494,000
535001	545000	1	540,000
545001	570000	1	547,000
570001	750000	1	571,300
750001	845000	1	750,600
845001	905000	1	849,000
90500	920000	1	907,500
92000	925000	1	924,700
92500	940000	1	925,500
94000	995000	1	941,500
99500	1085000	1	999,000
108500	1140000	1	1,088,800
114000	1225000	1	1,142,700
1225001	1295000	1	1,229,500
1295001	1505000	1	1,295,108
1505001	1555000	1	1,506,000
1555001	1595000	1	1,556,200
1595001	1650000	1	1,600,000
1650001	1755000	1	1,650,971
1755001	1830000	1	1,756,500
1830001	1970000	1	1,831,600
1970001	2250000	1	1,974,183
2250001	2310000	1	2,252,000
2310001	2680000	1	2,314,983
2680001	2685000	1	2,684,000
3120001	5610000	1	3,124,800
5610001	6020000	1	5,610,500
6020001	7895000	1	6,022,100
7895001	14385000	1	7,900,000
14285001	15710000	1	14,389,786
15710001	18475000	1	15,711,500
18475001	20430000	1	18,475,750
20430001	21245000	1	20,432,459
21245001	34935000	1	21,248,016
34935001	76985000	1	34,936,700
76985001	159030000	1	76,985,441
159030001	239670000	1	159,030,623

239670001	462985000	1	239,674,509
462985001	462990000	1	462,988,616
-----	-----	-----	-----
		46,240	1,157,154,387

CATEGORIES OF SHAREHOLDERS AS ON JUNE 30, 1997

Sr. No.	Categories	No. of Shareholders	No. of Shares	Percentage
1.	Individuals	48,133	33,900,735	2.03
2.	Joint Stock Companies	61	574,077,079	49.01
3.	Financial Institutions	19	79,702,580	6.90
4.	Investment Companies	11	4,668,300	0.40
5.	Insurance Companies	8	1,346,500	0.12
6.	Modaraba Companies	6	22,000	0.00
7.	Govt of Balochistan	1	358,607	0.03
8.	GDR Depository	1	462,988,616	40.01
	-----	-----	-----	-----
	Total	46,240	1,157,154,387	100.00
	-----	-----	-----	-----

SHAREHOLDERS' INFORMATION

Shareholders' Enquiries

General enquiries relating to the Company should be addressed to:

The Company Secretary
The Hub Power Company Limited
3rd Floor, Islamic Chamber
Building
ST 2/A Block 9, Clifton
P.O. Box 13841, Karachi

Enquiries relating to Shares should be addressed to:

Ford, Rhodes, Robson, Morrow
Registrar of The Hub Power Company Limited
Writers
Chambers

Mumtaz Hasan
Road
Karachi

Enquiries relating to GDRs should be addressed to
either:

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

2) ANZ Grindlays Bank plc.
I. I. Chundrigar Road
Karachi