

# **The Hub Power Company Limited.**

**Annual Report 2001**

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## **COMPANY INFORMATION**

### **Head**

**Office:** 3rd Floor, Islamic Chamber of Commerce Building,  
ST-2/A, Block-9, Clifton, P.O. Box No. 13841,  
Karachi-75600  
E.mail: info @ hubpower.com  
Website: <http://www.hubpower.com>

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

**Islamabad Office:** Sardar M. Yusuf Khan, Corporate Affairs Advisor  
250-B, Street No. 23, Sector E-7, Islamabad.

**Management:** Mr. Vince R. Harris, Chief Executive  
Mr. Paul F. W. Chapman, Operation Director  
Mrs. Huma Pasha, Chief Internal Auditor  
Mr. Arshad A. Hashmi, Company Secretary  
Mr. S. Khalid Masood, Financial Controller  
Mr. S. Hasnain Haider, Treasurer

Ms. Shahana Ahmed Ali, Legal Counsel

**Principal Bankers:**

**Account Banks:**

- National Development Finance Corporation, Karachi
- Citibank N.A., Karachi
- Standard Chartered Grindlays Bank Ltd. Karachi
- The Bank of Tokyo-Mitsubishi Limited, London
- Sumitomo Mitsui Banking Corporation, London
- Credem International (Lux) S.A., Luxembourg

**Inter-Creditor Agent:** Citibank International, Plc, London

**Legal Advisors:**

Linklaters & Alliance, London  
Kabraji & Talibuddin, Karachi  
Rizvi, Isa & Hosain, Karachi

**Auditors:**

Ford, Rhodes, Robson, Morrow

**Registrar:**

Ford, Rhodes, Robson, Morrow

**NOTICE OF THE TENTH ANNUAL GENERAL MEETING**

Notice is hereby given that the Tenth Annual General Meeting of the Company will be held on Saturday, December 22, 2001 at 2 pm at 250-B, Street No. 23, Sector E-7, Islamabad to transact the following business:

1. To confirm the minutes of the Extraordinary General Meeting of the Company held on March 27, 2001.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2001 together with the Directors' & Auditors Reports' thereon.
3. To approve and declare the final dividend of 22% (Rs. 2.20 per share) as recommended by the Board of Directors and the 17% (Rs. 1.70 per share) interim dividend already announced making a total dividend of 39% (Rs. 3.90 per share) for the year ended June 30, 2001.
4. To appoint Auditors and fix their remuneration.

By Order of the  
Board  
Arshad A.  
Hashmi  
Company  
Secretary

Karachi - November 23, 2001

**NOTES:**

1. The Share Transfer Books of the Company will remain closed from December 10 to 22, 2001 (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. Shareholders are requested to notify any change in their address immediately.
5. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

**A For Attending the Meeting**

- i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.
- ii) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

**B For Appointing Proxies**

- (i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- (ii) Attested copies of NIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy Form.
- (iii) The proxy shall produce his original NIC or original passport at the time of the meeting.
- (iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

**BOARD OF DIRECTORS**

**Mr. M. A. Alireza H. I.**  
**Chairman**  
Other directorships  
Xenel Industries Ltd  
& other Xenel Group  
Companies  
Xenel International Ltd

**Mr. P.**  
**Giller**

**V.R. Harris**

**Vice Chairman**

Other Directorships

International Power plc

National Power (Thailand) Limited

National Power AI Kamil Investments Limited

National Power International Limited

National Power Oman Investments Limited

**Mr. P. Atkinson**

**Mr. B. Chang**

Other directorships

Task Technology Ltd

Brian Chang Group of  
Companies

Asia Petroleum Ltd

Fauji Oil Terminal Co. Ltd

Pakistan Power Ltd

**Chief Executive**

Other directorships

Anglo Cayman Energy

Development Co. Ltd

British Cayman Energy

Development Co. Ltd

Jiaying Jinijian Cogeneration Co.

Ltd

Yichang Yihua Pacific Cogen Ltd

Shijiazhuang Yongtai Cogen Ltd

**Mr. P. G. Cox**

Other directorships

International Power plc

Wincanton plc

**Mr. P.M. Grasby**

Other directorships

Kot Addu Power Co. Ltd

Tejo Energia SA

National Power Enerji

AS

**Mr. Taufique  
Habib**

**Mr. T. Miura**

Other directorships

Hub Power Japan Corporation

**Mr. I.W. Nutt**

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

Other directorships

Jahangir Siddiqui & Co. Ltd

Philips Electrical Industries of Pakistan  
Ltd

Forbes, Forbes, Campbell & Co. (Pvt) Ltd

National Development Finance  
Corporation

**Mr. E. E. Silagy**

Other directorships

Entergy Pakistan Ltd

Entergy Power Chile S. A.

Entergy Power Peru S. A.

EWO Holdings Inc.

Highland Energy

Company

Latin America Holding I,

Ltd

Marine Safety Systems

**Mr. M. A. Tumbi**

Other appointments

General Manager Finance, Xenel

**Mr. S. A.  
Ali**

Nominee

of

Government of

Balochistan

**Mr. S. Hashmi**

Nominee of

Commonwealth

Development

Corporation

**Mr. B. Khan**

Nominee of

National Development Finance

Corporation

## **CHAIRMAN'S REVIEW**

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

I am pleased to report that the long drawn-out tariff dispute with the Water and Power Development Authority (WAPDA) and Government of Pakistan (GOP) has been resolved. On December 17, 2000, a Settlement Agreement (SA) was signed between the Company, WAPDA and GOP.

It must be appreciated that the GOP, WAPDA and the Company all contributed in finishing what was a very painful period in the history of the Company and had jeopardized international perceptions of investment in Pakistan. This has resulted in a lower tariff leading to a reduced return to shareholders, however, I am hopeful that the Company and the Country will benefit from a dispute free environment over the remainder of the project life. I am also delighted to advise that the amicable dispute settlement has led to a greater and cordial understanding with WAPDA and we foresee ourselves as partner in progress with our valuable customer. I am confident that with the resolution of tariff dispute foreign investors will see Pakistan as an investment friendly country and will find many avenues for investment in the country which in turn will strengthen the Pakistani economy.

The Hub Power Plant is operated in accordance with the highest international standards and International Standards Organisation (ISO) certifies both the Power Plant and its Operations & Maintenance (O&M) Contractor. As a result, the Plant has achieved very high availability rates. I feel great pleasure in seeing that Hubco is playing its part in reliably delivering much needed electricity for the development of Pakistan.

Hubco is and remains a socially responsible Company. The Company has been constantly taking part in various programmes designed towards the uplift of local people living around the Power Plant. At the core of these programmes are various education schemes by which the Company provided supplies needed in the local schools.

I am also pleased to see that with the dispute resolution the flow of dividends to the shareholders has started and the Company has announced its interim and final dividends. I am confident that with continued high standard operation of the Plant the return of investors' investment will also continue.

We all hope that the challenges faced by the Pakistani economy and our Company will be overcome with resolve and determination for achieving shared success. Electricity generation, being a fundamental building block of a modern economy, has a long-term future, the benefits of which, we hope, will be shared by the entire economy.

On behalf of all the shareholders, I also take this opportunity to welcome Mr. Vince Harris as the Company's new Chief Executive. I offer thanks to the employees of the Company who have worked hard and with dedication in order to seek negotiated settlement of the tariff dispute and together we managed to resolve one of the most difficult commercial disputes in the history of Pakistan.

Mohamed A. Alireza

Chairman

## **REPORT OF THE DIRECTORS**

The Directors have pleasure in presenting the Annual Report and the Financial Statements of the Company for the year ended June 30, 2001.

### **General**

The principal activities of the Company are to own, operate and maintain an oil-fired power station with a net capacity of 1,200 MW located at the Hub River estuary in Balochistan.

### **Resolution of dispute**

On December 17, 2000, a Settlement Agreement (SA) was signed between the Company, the Water and Power Development Authority (WAPDA) and Government of Pakistan (GOP) to resolve the tariff dispute. The SA revises, retroactively, the fixed portion of the tariff charged under the Power Purchase Agreement (PPA). All major requirements to make the SA binding on all parties have been fulfilled. On October 14, 2001, pursuant to the SA, an amendment to the PPA was signed between the Company and WAPDA which incorporates the terms of the SA.

### **Finance**

The Company made a net profit of Rs. 10,859 million in the current year compared to a net loss of Rs. 6,985 million last year. This is due to the reversal of provision which is no longer necessary in the light of the SA. Turnover for the year was Rs. 29,086 million (2000: Rs. 25,601 million) and operating costs were Rs. 20,622 million (2000: Rs. 14,886 million) resulting in a gross profit of Rs. 8,464 million (2000:Rs.10,715 million). These amounts are higher than previous year figures due to the cumulative effect of the revised tariff charged under the Settlement Agreement (SA), the continuous rise in the price of Residual Fuel Oil (RFO), higher electricity despatch by WAPDA at 68% (2000: 61%) and retirement of debt. The RFO price, as set by the Pakistan State Oil (PSO), at the beginning of the year was Rs. 9,680 per tonne compared to the Rs. 11,150 per tonne at the end of the year representing an increase of 15% in the current fiscal year.

The Company has reached an agreement with WAPDA in relation to the outstanding balance of unpaid Capacity Purchase Price and a schedule of payment has been set. WAPDA is making the payments in accordance with that schedule. In accordance with the International Accounting Standards (IAS) the Company has decided to reverse the provision for doubtful debts fully.

The Company continues to discharge its liabilities as they become due. During the year, the Company repaid two tranches of the senior debt amounting to Rs.2,989 million which were due in July 2000 and January 2001. The Company will continue to fulfill its obligations under its various contracts.

### **Operation**

s

During the year, the Plant's Actual Capability Available (ACA) was 85.3% which is higher than international standards for this class of plant. During the year, the station successfully met the Dependable Capacity Test by generating 1,204 MW.

Despatch during the year has been high resulting in the plant generating 7,165 GWh (2000:6,404 GWh) translating in a load factor of 68% (2000: 61%) and thermal efficiency of 37.68% (2000: 37.70%). Routine and preventive maintenance programmes have been completed as scheduled to ensure the long-term integrity of the plant. The Company earned a generation bonus in January 2001 for generating in excess of the bonus threshold limit of 6,791 GWh from January 2000 to December 2000.

#### **Environment, Health, Safety and Social Actions**

The overall health and safety performance of the Plant was excellent throughout the year. The Hub Power Station Site has an ongoing proactive approach to safety management.

During the year, Lloyds Register conducted two surveillance audits of the station's Quality Management System. The plant continues to operate within the strict guidelines and limits established by the World Bank for emission and waste.

Over the years, HUBCO, together with International Power (IPR), has been actively involved in various social action programmes in the locality of the Power Station site, under its Social Action Programme (SAP).

With the aim of assisting the people of the Hub region, HUBCO has contributed towards vital areas of human welfare, e.g. health care and education. Villages local to the Power Station have been provided with appropriate infrastructure, such as electric poles and transmission lines. There is also a two-year Apprenticeship Training Programme on site, to provide technical training of international standards to apprentices appointed from the local area, thus enhancing their technical skills.

The recent donation of a Laser Photo Coagulator to the Layton Rahmatulla Benevolent Trust (LRBT), at a cost of Rs. 2.3 million, was an essential contribution in facilitating eye surgery for the people of Balochistan, thus helping to eradicate blindness. Previously to obtain eye treatment, poor people of the province were faced with traveling to Karachi or Lahore, at a cost of thousands of rupees putting such treatment out of the reach of the common man. Through this contribution, the eyesight of 1,200 people will be salvaged every year, and this is yet another milestone of the company in its aim to serve the community.

HUBCO has also provided to the Government Boys' High School located in Hub Chowki, ventilation fans that have added some much-needed comfort to the students of the school. Furthermore, in collaboration with AI-Shifa, HUBCO made a generous donation of medicines to the people of Zhob, Balochistan.

Recently, a group of about 100 experts from 35 countries, belonging to an NGO called Leadership for Environment and Development (LEAD), visited the plant to assess HUBCO's Social Action Programme, as well as its environmental policies and practices. They were impressed by the international standards adhered to at the plant and the ISO 9000 and ISO 14000 certifications received as a result. The work done under the SAP and the Apprenticeship Training Programme were also appreciated by the LEAD experts.

#### **Appropriations**

In May 2001, the Board of Directors declared an interim dividend of Rs. 1.70 per share subject to lenders' approval. In October 2001, lenders' approval of interim dividend was granted. The Company expects to make the payment towards the end of November 2001.

The Directors have pleasure in recommending the final dividend of Rs. 2.20 per share subject to lenders approval in accordance with the Company's Agreements. As such, subject to the Lenders' approval being received by the Company

prior to the 22nd December 2001, the Total Dividend to be approved and declared by the shareholders at the Annual General Meeting on December 22nd, 2001 will be Rs. 3.90 per share i.e. 39% for the year ended June 30, 2001 which is inclusive of the Interim Dividend already announced.

#### **Board of Directors**

The current members of the Board are listed on Page 3 During the year the changes were as follows:

**Mr. C. R. W.  
Masterson**

(Retired w.e.f.  
13.9.2000)  
Nominee of National Power Intl.  
Holdings Bv

**Mr. P.H. Smith**

(Retired w.e.f.  
13.9.2000)  
Nominee of National Power Intl.  
Holdings Bv

**Mr. T.A.R. Allerbrand**

(Retired w.e.f.  
13.9.2000)

**Mr. P. J. Windsor**

(Resigned w.e.f.  
27.9.2000)  
Nominee of National Power Intl.  
Holdings By

**Mr. M. A. Said**

(Resigned w.e.f. 10.11.2000)  
Nominee of National Development Finance Corporation

**Mr. R. G. L Spiers**

(Resigned w.e.f. 15.11.2000)  
Nominee of National Power Intl.  
Holdings Bv

**Mr. D. W. Crane**

(Resigned w.e.f. 15.11.2000)  
Nominee of National Power Intl.  
Holdings By

**Mr. C. J. Parker**

(Resigned w.e.f. 15.11.2000)  
Nominee of National Power Intl.  
Holdings By

**Mr. W. M. Syed**

**Mr. D.W. Crane**

(Elected w.e.f. 13.9.2000)  
Nominee of National Power Intl. Holdings Bv

**Mr. P. J. Parker**

(Elected w.e.f. 13.9.2000)  
Nominee of National Power Intl. Holdings By

**Mr. Taufique Habib**

(Elected w.e.f. 13.9.2000)

**Mr. P. Giller**

(Appointed on 15.11.2000)  
Nominee of National Power Intl. Holdings Bv

**Mr. W. M. Syed**

(Appointed on 15.11.2000)  
Nominee of National Development Finance Corporation

**Mr. P. G. Cox**

(Appointed on 15.11.2000)  
Nominee of National Power Intl. Holdings By

**Mr. I. W. Nutt**

(Appointed on 15.11.2000)  
Nominee of National Power Intl. Holdings Bv

**Mr. C. L. Gifford**

(Appointed on 15.11.2000)  
Nominee of National Power Intl. Holdings By

**Mr. B. Khan**



(Resigned w.e.f. 16.03.2001 )  
Nominee of National Development Finance Corporation

**Mr. A. Azim**  
(Resigned w.e.f. 19.06.2001 )  
Nominee of Government of Balochistan

**Mr. S. K. Husain**  
(Resigned w.e.f. 25.06.2001)

**Mr. D. V. Johns**  
(Resigned w.e.f. 29.06.2001)  
Nominee of CDC Group  
plc

**Mr. S. K. Mandokhail**  
(Resigned on 24.10.2001 )  
Nominee of Government of Balochistan

**Mr. Muhammad Arshad Bhatti**  
(Resigned on 31.10.2001)  
Nominee of Government of Balochistan

**Mr. C. L. Gifford**  
(Resigned on 16.7.2001)  
Nominee of National Power Intl.  
Holdings By

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

**Shareholding Pattern**  
A statement reflecting the distribution of shareholding is attached with this report.

Karachi - November 5,  
2001

(Appointed on 16.03.2001 )  
Nominee of National Development Finance Corporation

**Mr. S. K. Mandokhail**  
(Appointed on 19.06.2001 )  
Nominee of Government of Balochistan

**Mr. V. R. Harris**  
(Appointed on 25.06.2001)

**Mr. Shabbir Hashmi**  
(Appointed on 29.06.2001)  
Nominee of CDC Group plc

**Mr. Muhammad Arshad Bhatti**  
(Appointed on 25.10.2001 )  
Nominee of Government of Balochistan

**Mr. Syed Arshad All**  
(Appointed on 31.10.2001)  
Nominee of Government of Balochistan

**Mr. P. Atkinson**  
(Appointed on 5.11.2001)  
Nominee of National Power Intl. Holdings Bv

By Order of the  
Board

Vince R. Harris

Chief Executive

## **AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of THE HUB POWER COMPANY LIMITED as at June 30, 2001 and the

related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts 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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2001 and of the profit for the year then ended;

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

(e) without qualifying our opinion, we draw attention to the contents of note 20.4 relating to assessments raised by the Central Board of Revenue; the ultimate outcome of this matter cannot presently be determined.

Karachi - November 5,  
2001

Ford, Rhodes, Robson,  
Morrow

Chartered Accountants

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Note</i>	<b>2001</b> <i>(Rs. '000s)</i>	<b>2000</b> <i>(Rs. '000s)</i>
Turnover		29,086,288	25,600,782
Operating costs	3	(20,622,322)	(14,885,874)
		-----	-----
<b>GROSS PROFIT</b>		8,463,966	10,714,908
Other income	4	1,231,464	222,612
		-----	-----
		9,695,430	10,937,520
Selling, general and administration expenses	5	(326,953)	(375,813)
Reversal / (Provision) for doubtful debts	12.1	5,325,873	(13,444,967)
Other expenses	6	(152,551)	(193,868)
		-----	-----
<b>OPERATING PROFIT / (LOSS)</b>		14,541,799	(3,077,128)
Financing costs	7	(3,683,071)	(3,907,639)
		-----	-----
<b>NET PROFIT / (LOSS) FOR THE YEAR</b>		10,858,728	(6,984,767)
Unappropriated profit brought forward		9,767,998	16,752,765
		-----	-----
		20,626,726	9,767,998
<b>APPROPRIATION</b>			
Interim dividend @ 17% (2000: Nil)		(1,967,162)	--
Proposed final dividend @ 22% (2000: Nil)		(2,545,740)	--
		-----	-----
		(4,512,902)	--
		-----	-----
Unappropriated profit carried forward		16,113,824	9,767,998
		=====	=====
<b>BASIC EARNINGS / (LOSS) PER SHARE (RUPEES)</b>	25	9.38	(6.04)
		=====	=====

The annexed notes form an integral part of these financial statements.

**Vince R. Harris**  
Chief Executive

**Taufique Habib**  
Director

## BALANCE SHEET AS AT JUNE 30, 2001

	<i>Note</i>	<b>2001</b> <i>(Rs. '000s)</i>	<b>2000</b> <i>(Rs. '000s)</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible fixed assets			
Operating fixed assets	8	40,896,995	42,259,350
Capital work-in-progress	9	15,419	17,807

Long term deposits, prepayments and deferred costs	10	3,633,825	4,222,348
Long term trade debts	11	1,271,967	--
<b>CURRENT ASSETS</b>			
Stores and spares		521,657	514,881
Inventory of fuel oil		1,322,872	463,388
Trade debts	12	7,504,081	3,932,343
Advances, deposits, prepayments and other receivables	13	1,417,437	1,202,337
Cash and bank balances	14	8,599,152	5,072,638
		-----	-----
		19,365,199	11,185,587
		-----	-----
<b>TOTAL ASSETS</b>		<b>65,183,405</b>	<b>57,685,092</b>
		=====	=====
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVE</b>			
Share Capital			
Authorised, Issued, subscribed and paid-up	15	11,571,544	11,571,544
Revenue Reserve			
Unappropriated profit		16,113,824	9,767,998
		-----	-----
		27,685,368	21,339,542
<b>NON CURRENT LIABILITIES</b>			
Long term loans	16	24,586,447	28,064,941
Obligation under finance lease	17	3,251	4,879
Deferred liability	18	13,448	11,921
<b>CURRENT LIABILITIES</b>			
Current maturity of long term loans	16	3,478,494	2,988,963
Current obligation under finance lease	17	1,628	1,293
Creditors, accrued and other liabilities	19	9,414,769	5,273,553
		12,894,891	8,263,809
<b>COMMITMENTS AND CONTINGENCIES</b>			
	20	--	--
		-----	-----
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>65,183,405</b>	<b>57,685,092</b>
		=====	=====

The annexed notes form an integral part of these financial statements.

**Vince R. Harris**  
Chief Executive

**Taufique Habib**  
Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2001

	<i>Note</i>	<b>2001</b> <i>(Rs. '000s)</i>	<b>2000</b> <i>(Rs. '000s)</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit / (loss) for the year		10,858,728	(6,984,767)
Adjustments for:			
Depreciation		1,632,017	1,623,516
(Reversal) / provision of doubtful debts		(13,444,967)	13,444,967
Amortisation of deferred costs		152,551	152,551
(Gain) / Loss on disposal of fixed assets		(941)	79
Staff gratuity		8,204	4,058
Interest / mark-up on long term loans		3,346,445	3,597,912
		-----	-----
Operating profit before working capital changes		2,552,037	11,838,316
Working capital changes	24	7,277,869	(6,454,112)
		-----	-----
Cash generated from operations		9,829,906	5,384,204
Interest / mark-up paid on long term loans		(3,476,097)	(3,683,632)
Staff gratuity paid		(6,677)	(16)
		-----	-----
Net cash inflow from operating activities		6,347,132	1,700,556
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure (net)		(267,385)	(65,809)
Proceeds from disposal of fixed assets		1,051	10
Long term deposits and prepayments		435,972	421,967
		-----	-----
Net cash inflow from investing activities		169,638	356,168
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term loans		(2,988,963)	(2,988,963)
Repayment of obligation under finance lease		(1,293)	(1,027)
		-----	-----
Net cash (outflow) from financing activities		(2,990,256)	(2,989,990)
		-----	-----
Net increase/(decrease) in cash and cash equivalents		3,526,514	(933,266)
Cash and cash equivalents at the beginning of the year		5,072,638	6,005,904
		-----	-----
Cash and cash equivalents at the end of the year	14	8,599,152	5,072,638
		=====	=====

The annexed notes form an integral part of these financial statements.

**Vince R. Harris**  
Chief Executive

**Taufique Habib**  
Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2001**

	<i>Note</i>	<i>2001</i> <i>(Rs. '000s)</i>	<i>2000</i> <i>(Rs. '000s)</i>
Issued capital			
Balance at the beginning of the year		11,571,544	11,571,544
Balance at the end of the year	15	11,571,544	11,571,544
Unappropriated profit			
Balance at the beginning of the year		9,767,998	16,752,765
Net profit / (loss)		10,858,728	(6,984,767)
Interim dividend	1	(1,967,162)	--
Proposed final dividend	1	(2,545,740)	--
		-----	-----
Balance at the end of the year		16,113,824	9,767,998
		-----	-----
Total equity		27,685,368	21,339,542
		=====	=====

The annexed notes form an integral part of these financial statements.

**Vince R.  
Harris**  
Chief  
Executive

**Taufique Habib**  
Director

**NOTES TO THE FINANCIAL  
STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2001**

**1. THE COMPANY AND ITS  
OPERATIONS**

(a) 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, Lahore and Islamabad Stock Exchanges and its Global Depository Receipts are listed on the Luxembourg Stock Exchange. The principal activities of the Company are to own, operate and maintain an oil-fired power-station with four generating units with an installed net capacity of 1,200 MW in Tehsil Hub, District Lasbella, Balochistan.

The Government of Pakistan (GoP), The Water and Power Development Authority (WAPDA) of Pakistan and the Company entered into a Settlement Agreement (SA) dated December 17, 2000 to conclude a negotiated settlement of the disputes relating to the Power Purchase Agreement (PPA) dated August 3, 1992 between the Company and

WAPDA, as amended from time to time. The SA called for retrospective reduction from July 1996 in the Fixed portion of tariff by US\$ 5.25 million per month until the twenty-fourth tariff period which ends on June 30, 2008 and US\$ 5,166,667 from tariff period twenty-fifth onwards ending on June 30, 2027 at Reference United States Dollar Exchange Rate of Rs. 30.58=US\$1 in accordance with the PPA.

The Settlement Agreement has been approved by (i) the Federal Cabinet, (ii) the WAPDA Authority, (iii) the Board of Directors and Shareholders in General meeting of the Company, and (iv) the Company's Lenders.

All legal cases listed in the SA have been disposed of with the exception of:

(i) A Constitutional Petition filed in the Sindh High Court. The Company is not impleaded in this petition and is not a party to it.

Hubco's Constitutional Petition D-997 of 2000 in the High Court of Sindh. The parties agreed this should proceed and a judgment obtained on merits.

Pursuant to the SA, an amendment to the PPA has been signed between the Company and WAPDA which incorporates the terms of the SA including reduction in the Capacity Purchase Price. With the full support and cooperation of WAPDA and the GOP all the required approvals have been granted.

The Board of Directors of the Company proposed an interim dividend @ 17% during the year, subject to approval from lenders of the Company, as required under the loan agreements. Subsequent to the year-end the required approval was granted and therefore the interim dividend has been reflected as a liability at the year-end (note 19).

The Board of Directors of the Company also recommended a final dividend @ 22% subject to lender's approval which is still awaited (Note 19).

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Basis of preparation**

These financial statements have been prepared, in all material respects, in accordance with the requirements of the Companies Ordinance, 1984 and International Accounting Standards as applicable in Pakistan.

### **2.2 Accounting convention**

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

### **2.3 Tangible fixed assets and depreciation**

#### **(a) Operating fixed assets- Owned**

These are stated at cost less accumulated depreciation 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, without taking into account any residual value, at the rates shown in note 8 to the financial statements. Depreciation on additions is charged for the full month in which an asset is put to use and on disposals up to the month immediately preceding the disposals.

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

are capitalized.

Gains and losses on disposals are taken to the profit and loss account.

(b) Operating fixed assets- Leased

Assets held under finance lease are stated at cost less accumulated depreciation over the lesser of the estimated useful lives of the assets or the lease period. The outstanding obligation under the lease less finance charges allocated to future periods are shown as a liability. The financial charge is calculated at the interest rate implicit in the lease and is charged to the profit and loss account.

(c) Capital work-in-progress

Capital work-in-progress is stated at cost.

2.4 Deferred costs

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

2.5 Staff retirement benefits

The Company operates a partially funded gratuity scheme covering eligible employees whose period of service with the Company is at least five years. This is fully explained in note 18 to the financial statements.

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 converted 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 are taken to the profit and loss account.

2.9

Taxation

Under the Implementation Agreement (IA) 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), as amended from time to time.



	<i>Note</i>	<b>2001</b> <i>(Rs. '000s)</i>	<b>2000</b> <i>(Rs. '000s)</i>
<b>3. OPERATING COSTS</b>			
Residual Fuel Oil		17,000,154	11,426,509
Operation and Maintenance - relating to an associated company	20.1	1,586,130	1,525,547
Insurance		260,138	247,293
Depreciation	8.2	1,624,861	1,616,614
Miscellaneous		151,039	69,911
		-----	-----
		20,622,322	14,885,874
		=====	=====
<b>4. OTHER INCOME</b>			
Interest and mark-up on bank accounts		921,114	222,570
Exchange gain		309,409	--
Gain on sale of fixed assets		941	--
Miscellaneous		--	42
		-----	-----
		1,231,464	222,612
		=====	=====
<b>5. SELLING, GENERAL AND ADMINISTRATION EXPENSES</b>			
Salaries, benefits and other allowances	5.1	145,434	91,365
Fuel and power		1,566	1,524
Property, vehicles and equipment rentals		5,710	5,231
Repairs and maintenance		1,008	1,301
Legal and professional charges		77,018	162,270
Insurance		9,635	10,090
Auditors' remuneration	5.2	5,159	6,241
Depreciation	8.2	7,156	6,902
Miscellaneous	5.3	74,267	90,889
		-----	-----
		326,953	375,813
		=====	=====

5.1 These include Rs. 12.986 million (2000: Rs. 6.529 million) in respect of staff retirement benefits.

5.2 Auditors' remuneration

Audit fee	500	500
Secretarial, taxation and other services	4,380	5,420
Out-of-pocket expenses	279	321



As at June 30, 2001	--	--	--	--	--	8,014	8,014
Total as at June 30, 2001	18,890	183,857	862	47,952,864	22,474	52,466	48,231,413
<b>Depreciation:</b>							
Rate %	--	3.33, 10 & 20	3.33	3.33 to 33.33	20	25	
As at July 1,2000	--	30,244	163	5,628,895	16,042	31,912	5,707,256
Charge for the year	--	9,050	29	1,613,664	4,091	5,183	1,632,017
Disposals	--	--	--	(3,223)	--	(1,632)	(4,855)
As at June 30, 2001	--	39,294	192	7,239,336	20,133	35,463	7,334,418
Net book value as at June 30, 2001	18,890	144,563	670	40,713,528	2,341	17,003	40,896,995
Net book value as at June 30, 2000	18,890	153,613	699	42,058,309	6,357	21,482	42,259,350

#### 8.1 Disposal of fixed assets

Cost	Accumulated Depreciation	Net book Value	Sale proceeds	Mode of disposal	Particulars of buyer
----- (Rs. '000s) -----					
Computer	121	121	--	5 Bid Sale	Musharraf Hussain - Executive
Computer	121	121	--	5 Bid Sale	Ikhtlaq Ahmed Siddiqui - Executive
Computer	120	120	--	6 Bid Sale	Zakaullah Baloch - Executive
Computers	1,575	1,575	--	-- Donated	Not applicable
Software	1,286	1,286	--	-- Write off	Not applicable
Suzuki Hiroof Van	186	186	--	150 Bid Sale	Car Complex, Karachi Company
Suzuki Margalla	458	458	--	10 Poli	Amir Siddiqui- Executive
Suzuki Margalla	434	434	--	250 Bid Sale	Waheed Ahmed, Karachi
- Toyota Corolla XE	665	554	111	Insurance 625 Cla	EFU General Insurance Co., Karachi
Total as at June 30, 2001	4,966	4,855	111	1,051	
Total as at June 30, 2000	4,981	4,892	89	10	

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

Note	2001 (Rs. '000s)	2000 (Rs. '000s)
------	---------------------	---------------------

Operating costs	3	1,624,861	1,616,614
Selling, general and administration expenses	5	7,156	6,902
		-----	-----
		1,632,017	1,623,516
		=====	=====

#### 9. CAPITAL WORK-IN-PROGRESS

Plant Betterment		15,419	17,807
		=====	=====

#### 10. LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS

	<i>Note</i>	<i>2001</i> <i>(Rs. '000s)</i>	<i>2000</i> <i>(Rs. '000s)</i>
Deposits			
Sezione Speciale per l' Assicurazione del Credito all' Esportazione of Italy (SACE) - interest bearing	10.1	443,864	634,317
Miscellaneous		3,635	3,600
		-----	-----
		447,499	637,917
Cash on deposit - restricted	10.2	2,729,636	2,848,424
Prepayments			
Guarantee fees	10.3	21,507	28,676
Insurance premium	10.3	351,054	468,072
Interest rate hedging costs	10.3	4,853	6,795
Miscellaneous		3,002	3,639
		-----	-----
		380,416	507,182
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		(686,479)	(533,928)
		-----	-----
		76,274	228,825
		-----	-----
		3,633,825	4,222,348
		=====	=====

10.1 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.

10.2 Included in these are total restricted funds of Rs.2,581 million (2000:Rs.2,733 million) held as reserves against various loan facilities.

10.3 These are amortised over the life of the Senior Loan facilities.

#### 11. LONG TERM TRADE DEBTS -

##### Secured

Considered good	11.1	1,271,967	--
		=====	=====

11.1 As stipulated in the Settlement Agreement (SA) and a subsequent amendment to the Power Purchase Agreement on October 14, 2001, WAPDA has paid Rs. 3,180 million and agreed to pay Rs. 2,544 million in two semi annual instalments commencing March 31,2002, towards a "Sum Due" amount determined pursuant to the Settlement Agreement. Hence, the instalment due on September 30, 2002 has been shown as long term debts.

#### 12. TRADE DEBTS- Secured

Considered good		7,504,081	3,932,343
Considered doubtful	11.10	--	13,444,967
		-----	-----
		7,504,081	17,377,310
Provision for doubtful debts	11.1 & 12.1	--	(13,444,967)
		-----	-----
		7,504,081	3,932,343
		=====	=====

12.1 This has been arrived at after writing off Rs. 8,119 million (2000: Rs. Nil) and consequently Rs. 5,326 million (2000: Rs. Nil) has been reversed.

#### 13. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<i>Note</i>	<i>2001</i> <i>(Rs. '000s)</i>	<i>2000</i> <i>(Rs. '000s)</i>
Advances - considered good			
Executives	13.1	333	165
Suppliers		4,354	29,899
		-----	-----
		4,687	30,064
		=====	=====
Deposits			
Sezione Speciale per l' Assicurazione del Credito all' Esportazione of Italy (SACE) - interest bearing	10.1	88,238	88,238
Miscellaneous		--	3,127
		-----	-----
		88,238	91,365

P repayments		131,561	169,773
Other receivables			
Mark-up on bank deposits		187,299	77,482
Insurance claims		450,126	374,324
	20.4	296,872	296,872
Input tax		252,533	151,998
Miscellaneous		6,121	10,459
		-----	-----
		1,192,951	911,135
		-----	-----
		1,417,437	1,202,337
		=====	=====

13.1 The maximum aggregate amount due from the Chief Executive and Executives at the end of any month during the year was Rs. 0.19 million and Rs. 0.29 million respectively (2000: Rs. 0.32 and Rs. 0.31 million respectively).

#### 14. CASH AND BANK BALANCES

With banks			
Saving checking accounts	14.1	3,897,467	1,117,825
Call and term deposits	14.1	4,701,425	3,843,546
With a financial institution	14.1	184	97,225
In hand		76	14,042
		-----	-----
		8,599,152	5,072,638
		=====	=====

14.1 Included in these are total restricted funds of Rs. 304 million (2000: Rs. 253 million) held as reserves against various loan facilities.

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

2001 (No. of Shares)	2001	2001 (Rs. '000s)	2000
	Authorised:		
1,200,000,000	1,200,000,000 Ordinary shares of Rs. 10/- each	12,000,000	12,000,000
	Issued, subscribed and paid-up:		
818,773,317	818,773,317 For cash	8,187,733	8,187,733
338,381,070	338,381,070 For consideration other than cash	3,383,811	3,383,811
-----	-----	-----	-----
1,157,154,387	1,157,154,387	11,571,544	11,571,544

15.1 Associated companies hold 429,480,478 (2000: 420,677,978) Ordinary shares in the Company as at year end.

## 16. LONG TERM LOANS - Secured

Title/Source of loan/Other details	Interest Rate	Repayment Terms
<b>SENIOR LOANS</b>		
From Banks		
Under the World Bank, Expanded Co-financing Operation (ECO) - guaranteed loan	LIBOR plus ECO Margin (2.00% p.a. up to September 30, 2002 and 2.25% p.a. thereafter subject to reduction by 0.25% p.a. in respect of any period immediately following a semi-annual Payment Date at which the Company is in compliance with certain debt service ratio).	The Loan is repayable in 16 equal installments on semi-annual Payment Dates (January 1998 to July 2005).
Under the Japan Bank for International Co-operation (JBIC) - guaranteed loan; Formerly - Export-Import Bank of Japan (JEXIM)	TIBOR plus JBIC Margin (2.00% p.a. up to September 30, 2002 and 2.25% p.a. thereafter, subject to reduction by 0.25% p.a. in respect of any period immediately following a semi-annual Payment Date at which the Company is in compliance with certain debt service ratio).	Same as above.
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 the Government of Japan (MITI) - Insured loan	7.20% per annum	Same as above.
Under the Sezione Speciale per l' Assicurazione del Credito all' Esportazione of Italy (SACE) - Insured loan	5.95% p.a. during the subsistence of Mediocredito Interest Agreement and the sum of LIBOR and SACE Margin (2.00% p.a. upto March 31, 1997 and 1.15% p.a. thereafter) during the period the Mediocredito Interest Subsidy Agreement is not in force. The SACE Margin is subject to reduction by 0.05% p.a. in respect of any period immediately following a semi-annual Payment Date at which the Company is in compliance with certain debt service ratio.	Same as above.
Under the CDC Group plc of the U.K.	11% per annum	Same as above.

(CDC) Loan; Formerly - Commonwealth  
Development  
Corporation

From Financial  
Institution

Under the local banks'/financial  
institutions'  
Senior Rupee Facility (SRF)

Mark-up rate per thousand per day Rupees of  
61.1112 paisas upto July 10, 1998, 66.6667  
paisas thereafter up to July 10, 2002 and  
72.2223 paisas for the subsequent period based  
on the Marked-up Price of PKR 8,158 million  
and the Purchase Price of PKR 3,012 million.

The Marked-up Price is payable in  
installments established pursuant to the  
terms of the Senior Rupee Facility  
Agreement on semi-annual Payment Dates  
(January 1998 to July 2005).

**SUBORDINATED LOANS**

14% per annum

The Loan is repayable in 30 equal  
installments on semi-annual Payment Dates

From Financial  
Institution

starting from January 10, 2002.

Under the Private Sector Energy  
Development Fund's (PSEDF) 1 Facility

(a) upto March 31, 1997 - 14% p.a.  
(b) thereafter until the Senior Termination Date  
(expected on July 10, 2005), the rate per  
annum which is the greater of the sum of

Same as above.

Under the Private Sector Energy  
Development Fund's (PSEDF) 2 Facility

(i) United States Treasury bill rate, FERI  
Margin and 3.00% and (ii) World Bank  
Lending Rate, the FERI Margin and 2.50%

(c) thereafter until the Final Termination Date  
(expected on July 10, 2016), the rate per  
annum which is the greater of the sum of  
(i) United States Treasury bill rate, FERI  
Margin and 4.00% and (ii) World Bank  
Lending Rate, the FERI Margin and 3.50%.

**Security**

Each Senior Loan is secured pari passu by way of:

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

(i) the tangible moveable property of the Company;

(ii) the intellectual property of the Company; and

(iii) all goodwill belonging to the  
Company.

	<b>2001</b>	<b>2000</b>
	<b>(Rs. '000s)</b>	<b>(Rs. '000s)</b>

	2,740,259	3,352,708
--	-----------	-----------

(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.

	2,069,716	2,532,299
--	-----------	-----------



(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,

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

919,497 1,125,005

(e) an assignment of the benefit of the encumbrances and obligations arising in relation to:

1,817,411 2,222,049

(i) the ECO Guarantee Reserve Account and all notices of assignment given pursuant thereto for the benefit of ECO Financing Parties;

3,947,987 4,830,363

(ii) the JBIC Guarantee Reserve Account and all notices of assignment given pursuant thereto for the benefit of JBIC 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;

(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.

670,641 820,529

1,219,178 1,490,699

The PSEDF loans are secured against the same securities as the Senior Loans but on a subordinated basis to the Senior Loans.

10,827,419 10,827,419

3,852,833 3,852,833

28,064,941 31,053,904

Current maturity of long term loans

(3,478,494) (2,988,963)

24,586,447 28,064,941

=====

16.1 Any late payment by the Company is subject to payment of interest at rates ranging between 1.5% to 3% per annum above the normal rate of interest.

**17. OBLIGATION UNDER FINANCE LEASE**

The Company has entered into a finance lease agreement in respect of a motor vehicle. The rate of interest used as the discounting factor is 24.42% per annum.

The amounts of future payments and the periods during which they fall due are:

	<i>Minimum Payments</i>	<i>Present Value of Payments</i>	<i>Minimum Payments</i>	<i>Present Value of Payments</i>
	<b>2001 (Rs. in '000s)</b>		<b>2000 (Rs. in '000s)</b>	
Year ending June 30, 2001	--	--	1,990	1,293
Year ending June 30, 2002	1,990	1,628	2,432	1,628
Year ending June 30, 2003	3,634	3,251	3,634	3,251
	-----	-----	-----	-----
	5,624	4,879	8,056	6,172
Finance charges allocated to future periods	(745)	--	(1,884)	--
Obligation shown under current liabilities	(1,628)	(1,628)	(1,293)	(1,293)
	-----	-----	-----	-----
	3,251	3,251	4,879	4,879
	=====	=====	=====	=====

There are no financial restrictions in the lease agreement.

	<b>2001 (Rs. '000s)</b>	<b>2000 (Rs. '000s)</b>
<b>18. DEFERRED LIABILITY</b>		
Staff Gratuity	13,448	11,921
	=====	=====

Actuarial valuations was carried out on June 30, 2000. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Method.

Present value of defined benefit obligation	13,448	11,921
	-----	-----
Liability in the balance sheet	13,448	11,921

The amount recognised in the Profit and Loss account are as follows:

Current service cost	8,204	4,058
	=====	=====

Movement in the liability recognised in the balance sheet are as follows:

Liability at the beginning of the year	11,921	7,879
Expense recognised during the year	8,204	4,058
Paid during the year	(77)	(16)

Contribution to the fund	(6,600)	--
	-----	-----
Liability at the end of the year	13,448	11,921
	=====	=====

Significant actuarial assumptions used were as follows:

Interest rate	12% per annum
Discount factor	12% per annum
Expected rate of increase in salary level	11% per annum

	<i>Note</i>	<i>2001</i> <i>(Rs. '000s)</i>	<i>2000</i> <i>(Rs. '000s)</i>
<b>19. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Creditors		811,577	1,064,214
Accrued liabilities			
Interest / mark-up accrued on long term loans		1,542,949	1,672,602
Due to construction, operation and maintenance contractors and others	19.1	62,128	49,358
Foreign Exchange Risk Insurance Fee (FERI)	19.2	485,001	593,721
Miscellaneous financing costs		36,388	31,987
Income tax accrued - contractors	19.3	5,325	5,325
- employees		--	2,725
Miscellaneous accrued liabilities	19.4	340,228	264,666
		-----	-----
		2,472,019	2,620,384
Other liabilities			
Custom duties and taxes		37,231	13,136
Income tax deducted at source		3,711	6,821
Unearned income	19.5	969,108	1,193,915
Deferred income	19.6	600,282	366,747
Due to directors		--	397
Dividend payable		7,939	7,939
Interim dividend payable		1,967,162	--
Proposed final dividend		2,545,740	--
		-----	-----
		6,131,173	1,588,955
		-----	-----
		9,414,769	5,273,553
		=====	=====

19.1 This includes a sum of Rs.44.668 million (2000:Rs.35.582 million) in respect of services rendered by an associated

company.

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

19.3 This represents income-tax accrued in respect of tax liabilities assumed under contracts by the Company, including a sum of Rs.2.865 million (2000:Rs.2.865 million) relating to an associated company.

19.4 This includes a sum of Rs.17.350 million (2000:Rs.3.679 million) in respect of services rendered by an associated company.

19.5 This represents Capacity Purchase Price invoiced for the succeeding month under the terms of Power Purchase Agreement (PPA).

19.6 This includes ongoing amounts billed by the Company and disputed but paid by WAPDA into an Escrow account. The Company has deferred income recognition until the resolution of disputes.

## **20. COMMITMENTS AND CONTINGENCIES**

20.1 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. These are payable in fixed and variable portions. The fixed portion is being paid in specified amounts for each month of the operating year whereas the variable portion is payable at the agreed rate for the actual power generated per month.

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

20.3 Counter guarantees, to meet the requirements under the FSA, issued to various banks which are secured pari passu with Senior Loans amount to Rs.1,400 million (2000:Rs.1,250 million).

20.4 (i) The Deputy Commissioner of Income tax (DCIT) raised assessments amounting to Rs.1,895.666 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 has deposited tax of Rs.296.872 million against the above demands in accordance with the departmental procedures. Appeals filed by the Company before the Commissioner of Income tax (Appeals) [the CIT(A)] and thereafter with the Income Tax Appellate Tribunal (the ITAT) were decided against the Company. The Company has filed further appeals before the Lahore High Court (the LHC) which are pending adjudication. The LHC granted a stay of demand for the outstanding tax liability which according to the provisions of section 136 of the Income Tax Ordinance, 1979, expired on August 2, 1999. However, the LHC has directed the DCIT not to institute recovery measures without its permission. The management and their tax advisors are of the opinion that the eventual outcome will be in favour of the Company and the tax of Rs.296.872 million paid will become refundable.

(ii) On the unpaid tax demands referred in (i) above, further assessment orders were issued for Rs.49.571 million (Rs.28.399 million being additional tax and Rs.21.172 million being penalty). Against these orders, the Company filed appeals before the CIT(A) who has deleted the amount

of additional tax levied of Rs.28.399 million and reduced the penalty from Rs.21.172 million to Rs.6.351 million. Against the decision of CIT(A) reducing the penalty, the Company and the tax department have filed further appeals before the ITAT, which are pending adjudication. The management and their tax advisors are of the opinion that the eventual outcome will be in favour of the Company.

## 21. 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:

	<i>Note</i>	<b>2001</b> <i>(Rs. '000s)</i>	<b>2000</b> <i>(Rs. '000s)</i>
<b>Chief Executive</b>			
Managerial remuneration		27,205	21,757
Compensation for loss of office		35,316	--
House rent		5,737	9,791
Utilities		415	337
Retirement benefits		8,072	1,696
Other benefits		3,654	2,335
		-----	-----
		80,399	35,916
		-----	-----
Number of persons		1	1
<b>Director</b>			
Managerial remuneration	21.1	538	816
Bonus		--	--
House rent		--	--
Utilities		--	--
Retirement benefits		--	--
Other benefits		--	--
		-----	-----
		538	816
		-----	-----
Number of persons		1	1
<b>Executives</b>			
Managerial remuneration		27,153	22,189
Bonus		5,344	6,548
House rent		12,218	9,985
Utilities		2,537	2,065
Retirement Benefits		4,836	4,681
Other benefits		4,760	3,138
		-----	-----

	56,848	48,606
	-----	-----
Number of persons	45	38
	<b>Total</b>	
Managerial remuneration	54,896	44,762
Compensation for loss of office	35,316	--
Bonus	5,344	6,548
House rent	17,955	19,776
Utilities	2,952	2,402
Retirement benefits	12,908	6,377
Other benefits	8,414	5,473
	-----	-----
	137,785	85,338
	-----	-----
Number of persons	47	40

21.1 This represents fee paid to a Director for his services.

21.2 The Chief Executive and certain Executives are provided with the use of Company maintained automobile  
s.

21.3 The number of employees at the end of the year were 52 (2000: 50).

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

## 22. TRANSACTIONS WITH ASSOCIATED COMPANIES

	<i>Note</i>	<b>2001</b> <i>(Rs. '000s)</i>	<b>2000</b> <i>(Rs. '000s)</i>
Amounts paid for services rendered	22.1	1,800,143	1,868,573
		=====	=====
Repayment of loan, interest / markup and fees	22.2	590,958	653,792
		=====	=====
Repayment of loan, interest and fees	22.2	2,311,200	2,302,680
		=====	=====
Reimbursement of expenses and others		6,316	6,857
		=====	=====

22.1 These represent transactions with principal shareholders of the Company under various service agreements

22.2 These represent amounts paid to a lender (financial institution) having representation on the Board of Directors of the Company.

## 23. CAPACITY AND PRODUCTION

Theoretical Maximum Output	10,512 GWh	10,540 GWh
Total Output	7,165 GWh	6,404 GWh
Load Factor (Base Case 64.6%)	68.16%	60.76%

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

#### 24. WORKING CAPITAL CHANGES

(Increase)/decrease in current assets

Stores and spares	(6,776)	--
Inventory of fuel oil	(859,484)	123,111
Trade debts	8,601,262	(7,490,170)
Advances, deposits, prepayments and other receivables	(215,100)	223,181
	-----	-----
	7,519,902	(7,143,878)

(Decrease)/increase in current liabilities

Creditors, accrued and other liabilities	(242,033)	689,766
	-----	-----
	7,277,869	(6,454,112)
	=====	=====

#### 25. BASIC EARNINGS / (LOSS) PER SHARE (RUPEES)

Net profit / (loss) for the year (rupees in thousand)	10,858,728	(6,984,767)
	=====	=====
Number of ordinary shares in issue during the year	1,157,154,387	1,157,154,387
	=====	=====
Basic earnings / (Loss) per share (Rupees)	9.38	(6.04)
	=====	=====

#### 26. FINANCIAL INSTRUMENTS

These comprise deposits, receivables, advances, cash, loans, obligation under finance lease and certain other assets and liabilities.

(a) Financial Assets

The financial assets of the Company amount to Rs. 21,284 million (2000: Rs. 13,045 million) of which Rs. 12,448 million (2000: Rs. 8,630 million) are interest bearing and subject to interest rate risk. These include amounts held as reserve for debt service of various loan facilities and amounts held with financial institutions.

	Interest / Mark-up Bearing		Non Interest / Mark-up Bearing		Total
	<i>Maturity</i>	<i>Maturity</i>	<i>Maturity</i>	<i>Maturity</i>	





Long term loans	3,478,494		24,586,447				28,064,94	31,053,90
Obligation under finance lease	1,628	3,251	4,879				1	4
Creditor, accrued and other liabilities	--	--	--	7,623,118	--	7,623,118	7,623,118	3,571,770
June 30, 2001	3,480,122	24,589,698	28,069,820	7,623,118	--	7,623,118	35,692,938	34,631,846
June 30, 2000	2,990,256	28,069,820	31,060,076	3,571,770	--	3,571,770	34,631,846	

#### Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates.

Interest bearing financial liabilities of the Company include Rs.19,536 million (2000:Rs.21,322 million) subject to fixed interest rate and Rs.8,534 million (2000:Rs.9,738 million) subject to floating interest rates. The floating rate liabilities comprise bank borrowings, bearing interest rate fixed in advance for stipulated time period by reference to LIBOR or TIBOR. The Company also hedges for interest rate cap for transactions in Japanese Yen relating to ECO and JBIC facilities.

#### Foreign Currency Risk

The loans payable by the Company in foreign currencies are covered under the Foreign Exchange Risk Insurance Scheme (FERI) provided by the State Bank of Pakistan, which protects the loan liability against the devaluation of Pakistan Rupee.

#### (c) Fair value of Financial Assets and Liabilities

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

#### 27. GENERAL

27.1 Figures presented in these financial statements are rounded off to the nearest thousand rupees.

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

**Vince R. Harris**  
Chief Executive

**Taufique Habib**  
Director

#### PATTERNS OF SHAREHOLDING AS OF JUNE 30, 2001

##### Number of Shares

From	To	No. of Shareholders	No. of Shares Held
1	100	213	20,672

101	500	10,191	5,047,348
501	1000	1,696	1,576,700
1001	5000	2,673	8,036,145
5001	10000	848	6,931,532
10001	15000	305	3,953,830
15001	20000	199	3,716,937
20001	25000	145	3,445,894
25001	30000	111	3,153,940
30001	35000	71	2,372,026
35001	40000	63	2,416,400
40001	45000	33	1,435,318
45001	50000	65	3,207,400
50001	55000	32	1,697,300
55001	60000	14	818,700
60001	65000	17	1,074,700
65001	70000	12	816,300
70001	75000	25	1,825,000
75001	80000	13	1,026,200
80001	85000	12	994,400
85001	90000	11	977,200
90001	95000	5	463,000
95001	100000	35	3,490,000
100001	105000	28	2,903,600
105001	110000	4	437,500
110001	115000	7	789,500
115001	120000	6	710,959
120001	125000	7	865,000
125001	130000	12	1,532,400
130001	135000	9	1,195,200
135001	140000	9	1,247,200
140001	145000	7	1,003,800
145001	150000	13	1,935,900
150001	155000	2	308,100
155001	160000	5	791,000
160001	165000	3	493,000
165001	170000	4	673,600
170001	175000	3	520,000
175001	180000	2	360,000
180001	185000	4	732,100
185001	190000	2	379,500
190001	195000	1	193,000
195001	200000	5	1,000,000
200001	205000	2	405,000
205001	210000	3	623,000
210001	215000	2	427,500
215001	220000	5	1,095,000
220001	225000	3	675,000
225001	230000	5	1,146,425

230001	235000	2	465,000
235001	240000	5	1,194,500
240001	245000	4	976,000
245001	250000	5	1,239,500
255001	260000	2	516,150
265001	270000	2	540,000
270001	275000	4	1,088,300
275001	280000	1	276,000
280001	285000	2	568,000
290001	295000	2	587,000
295001	300000	5	1,500,000
325001	330000	1	325,500
345001	350000	4	1,395,400
350001	355000	2	705,649
355001	360000	2	715,607
360001	365000	1	365,000
385001	390000	1	390,000
390001	395000	1	391,446
395001	400000	3	1,200,000
415001	420000	1	416,000
425001	430000	3	1,287,100
445001	450000	1	450,000
450001	455000	1	451,000
465001	470000	1	468,000
480001	485000	1	482,000
495001	500000	2	1,000,000
500001	505000	2	1,002,500
510001	515000	2	1,028,000
545001	550000	3	1,646,800
560001	565000	1	563,500
590001	595000	2	1,186,500
595001	600000	1	600,000
600001	605000	2	1,201,500
605001	610000	1	608,000
615001	620000	1	620,000
640001	645000	1	640,500
660001	665000	1	661,500
695001	700000	2	1,400,000
705001	710000	1	707,200
715001	720000	1	720,000
745001	750000	2	1,495,500
800001	805000	1	804,500
820001	825000	1	822,500
880001	885000	1	882,000
970001	975000	1	971,500
990001	995000	1	995,000
995001	1000000	1	1,000,000
1040001	1045000	1	1,043,710

1045001	1050000	1	1,050,000
1105001	1110000	1	1,105,500
1245001	1250000	1	1,250,000
1285001	1290000	1	1,286,100
1290001	1295000	1	1,292,300
1420001	1425000	2	2,844,000
1440001	1445000	1	1,445,000
1455001	1460000	1	1,458,100
1465001	1470000	1	1,465,500
1560001	1565000	1	1,562,000
1585001	1590000	1	1,586,000
1640001	1645000	1	1,645,000
1765001	1770000	1	1,770,000
1845001	1850000	1	1,850,000
1855001	1860000	1	1,858,800
1970001	1975000	1	1,974,000
2215001	2220000	1	2,218,100
2350001	2355000	1	2,351,000
2390001	2395000	1	2,395,000
2585001	2590000	1	2,590,000
2600001	2605000	1	2,602,000
2625001	2630000	1	2,626,000
2755001	2760000	1	2,759,000
2975001	2980000	1	2,975,700
3060001	3065000	1	3,063,000
3090001	3095000	1	3,094,500
3225001	3230000	1	3,230,000
3615001	3620000	1	3,620,000
4025001	4030000	1	4,030,000
4570001	4575000	1	4,574,351
4590001	4595000	1	4,591,000
4915001	4920000	1	4,920,000
5120001	5125000	1	5,125,000
5250001	5255000	1	5,254,000
5520001	5525000	1	5,521,000
5895001	5900000	1	5,900,000
6090001	6095000	1	6,090,500
7470001	7475000	1	7,472,500
7995001	8000000	1	8,000,000
8870001	8875000	1	8,873,000
12775001	12780000	1	12,776,500
13910001	13915000	1	13,914,000
14385001	14390000	1	14,389,786
15115001	15120000	2	30,235,750
18535001	18540000	1	18,537,208
18920001	18925000	1	18,925,000
20430001	20435000	1	20,432,459
21245001	21250000	1	21,248,016

21580001	21585000	1	21,581,900
27415001	27420000	1	27,416,000
29840001	29845000	1	29,844,000
51395001	51400000	1	51,396,721
140280001	140285000	1	140,280,633
239670001	239675000	1	239,674,509
246645001	246650000	1	246,649,866
-----	-----	-----	-----
TOTAL		17,088	1,157,154,387

**CATEGORIES OF SHAREHOLDING AS ON JUNE 30, 2001**

<b>Categories</b>	<b>No. of Shareholders</b>	<b>No. of Shares held</b>	<b>Percentage</b>
Individual	16,780	115,064,043	9.94
Joint Stock Companies	125	468,988,432	40.53
Financial Institutions	113	308,678,489	26.67
Investment Companies	32	9,902,700	0.86
Insurance Companies	16	5,812,200	0.50
Modaraba & Leasing Companies	20	1,700,050	0.15
Government of Balochistan	1	358,607	0.03
GDR Depository	1	246,649,866	21.32
Total	17,088	1,157,154,387	100.00
	-----	-----	-----

The above two statements include 4,987 Shareholders holding 450,022,349 shares through the Central Depository Company of Pakistan Limited (CDC).

**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 of Commerce Building,  
ST-2/A, Block 9,  
Clifton.  
P.O. Box No. 13841, Karachi.

Enquiries relating to Shares should be addressed to:

Ford, Rhodes, Robson, Morrow,  
Registrars of The Hub Power Company  
Limited,  
Writers Chambers, First Floor,

Mumtaz Hassan Road,  
Off: I. I. Chundrigar  
Road,  
Karachi.

Enquiries relating to GDRs should be addressed to either:

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

(2) Standard Chartered Grindlays Bank  
Limited,  
Main Branch, I.I. Chundrigar Road,  
Karachi.