



THE HUB POWER
COMPANY LIMITED



HUBCO



Growth through



Energy



ANNUAL REPORT 2007





Annual Report

2007



THE HUB POWER COMPANY LIMITED

Vision

E

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

Mission



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

Introduction

ISE

Energy is basic to economic development. It sustains modern day life of the country. No progress is possible without it.

The Hub Power Station was the first and the largest oil-fired thermal power project in Southern Asia to be financed by the private sector.

The Hub Power Company Limited, HUBCO, is a public limited company, which was incorporated in Pakistan in 1991. Currently, it is listed on the Karachi, Lahore and Islamabad Stock Exchanges and its Global Depository Receipts are listed on the Luxembourg Stock Exchange.

The Company has one of the largest market capitalization of any private company in Pakistan and has approximately fifteen thousand (15,000) Pakistani and International shareholders.

The Power Station was sponsored by recognized international investors and funded by several governments, the World Bank as well as international lenders and investors. International state-of-the-art technology was used to set up the project.

Energetic

Firsts!

1st

private sector
infrastructure
project
in Pakistan

1st

lending in
Pakistan by
15 onshore and
43 offshore
banks

1st

stock market
floatation of a
single power
station under
construction
(US\$ 380 million)

1st

mark up based
limited recourse
infrastructure
project financing

1st

private
infrastructure
project to be
financed by the
World Bank

1st

multi co-finance
private sector
infrastructure
project - 9
co-financiers

1st

mark up based
finance to rank
pari passu with
interest based
finance

1st

Political Risk
Guarantee
under ECO
Program

1st

COFACE, JEXIM,
MITI and SACE
supported limited
recourse financing
of an infrastructure
project

1st

use of the
ECO programme
to support a
private sector
project



Energy is Radiance for

Society

P

Pakistan is a land of varied colours. With a rich cultural heritage reflected through art, drama and music. Sustaining this lifestyle, HUBCO is one of the contributors through WAPDA.

Energy gives Pakistan the dynamics for sustainable development and HUBCO is one of the key producers of this energy.

SAVE ENERGY  FOR LIFE



Energy is Power for

Industries

A

A reliable power source is essential for industry, business and commerce which depend on it for economic progress.

The Hub Power Plant located near Hub, in District Lasbela, Balochistan, supplies energy to the national grid that runs the length and breadth of the country and helps in alleviating the growing energy needs of the country.

Energy produced through heat is akin to a key element of nature - fire. Highly skilled professionals at HUBCO convert this into invaluable electricity.

SAVE ENERGY  FOR LIFE



Energy is Input for

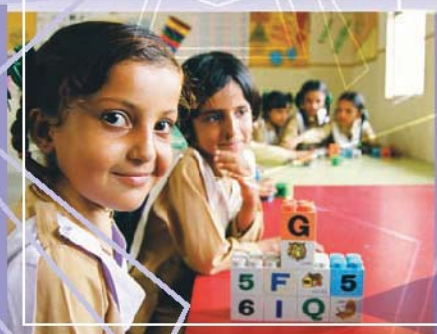
Agriculture

P

Pakistan is an agro-based economy which produces a huge variety of grains, fruits, vegetables, dairy products and other food items, to not only sustain a burgeoning population, but also for exports that earn invaluable foreign exchange for the country.

Today energy is as vital an input for agriculture as good soil and water. HUBCO through WAPDA contributes to the supply of this vital energy for agricultural growth.

SAVE ENERGY  FOR LIFE



Energy is Light for

Education

E

Education is a leading issue in Pakistan, and HUBCO has helped pave the way with a comprehensive literacy programme for children under its **SocialActionProgramme**

The Citizens Foundation School (TCF School Hubco-IPGD Campus) is a reflection of HUBCO's drive to promote quality education for the children living in the areas adjoining the plant. Complementing this is the support HUBCO gives regularly to the government schools in Hub and Gadani and the scholarships it extends every year to female students of the Sardar Bahadur Khan Women University (SBKWU), Quetta. These are all examples of how HUBCO cares for the community.

Education like energy comes from a motivation to move ahead: It is the fuel for society's progress.

SAVE ENERGY  FOR LIFE



Energy is Life for

Healthcare

H

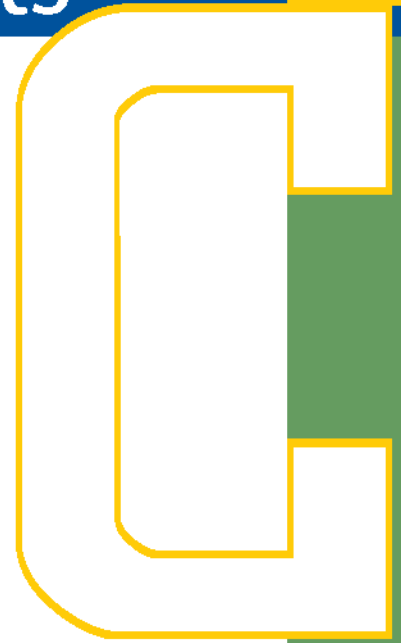
Hub and its adjoining areas suffer due to lack of basic healthcare for the sick and the suffering - young and old.

From early days, HUBCO was quick to realize that its Social Action Programme must include community healthcare under its umbrella. Like in previous years, the healthcare programme in the year under review has included the distribution of free medicines, regular eye clinics held in conjunction with Al Ibrahim Eye Hospital and the donation of high-tech medical equipment to the LRBT hospital in Quetta. The beneficiaries of the healthcare programme are the residents of Hub, Gadani, Lasbela and the surrounding *goths*, and also the residents of Quetta and other parts of Balochistan who visit the LRBT hospital.

Good health of the community, like energy, is essential for the well-being and growth of society. It is the nutrient of a successful nation.

SAVE ENERGY  FOR LIFE

Contents



Company Information	20
Notice of Meeting	22
Board of Directors	24
Chairman's Review	29
Report of the Directors	30
Statement of Compliance with Best Practices of Code of Corporate Governance and Auditor's Review Report	36
Auditor's Report	39
Profit & Loss Account	40
Balance Sheet	41
Cash Flow Statement	42
Statement of Changes in Equity	43
Notes to the Financial Statements	44
Pattern of Shareholdings	61
Shareholders' Information	70
Proxy Form	

Company

Information

HEAD OFFICE

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

REGISTERED OFFICE

C/o. Ferguson Associates (Pvt) Limited,
27, Capital Shopping Centre,
First Floor, G-11 Markaz,
Islamabad

MANAGEMENT

Javed Mahmood	Chief Executive
William Burrough	Chief Operations Officer
Abdul Nasir	Chief Financial Officer
Huma Pasha	Chief Internal Auditor
Arshad A. Hashmi	Company Secretary
Wasif Mustafa Khan	Head of Projects
Syed Hasnain Haider	Sr. Manager Special Assignments
Lesley A. Middlecoat	Sr. Manager HR & PR
Shamsul Islam	Treasurer

PRINCIPAL BANKERS

Account Banks:

National Bank of Pakistan (ICA)

Citibank N.A., Karachi

MCB Bank Limited

Standard Chartered Bank (Pakistan) Ltd.

Sumitomo Mitsui Banking Corporation

Europe Ltd., London

United Bank LimitedLim

INTER-CREDITOR AGENT

National Bank of Pakistan, Karachi

LEGAL ADVISORS

Rizvi, Isa, Afridi & Angell, Karachi

Kabraji & Talibuddin, Karachi

Linklaters & Alliance, London

AUDITORS

M. Yousuf Adil Saleem & Co.

REGISTRAR

Ferguson Associates (Pvt) Limited

ISLAMABAD OFFICE:

Sardar M. Yusuf Khan,
Corporate Affairs Advisor
House No. 22-A (Annexe), Street No. 2,
Sector E-7, Islamabad

Notice of the 16th Annual General Meeting

Notice is hereby given that the 16th Annual General Meeting of the Company will be held on Wednesday, October 24, 2007 at 12.00 Noon at Marriott Hotel, Islamabad to transact the following business.

- 1- To confirm the Minutes of the 15th Annual General Meeting of the Company held on September 20, 2006.
- 2- To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2007 together with the Directors' & Auditors Reports thereon.
- 3- To approve and declare the final dividend of 16% (Rs.1.60 per share) as recommended by the Board of Directors and the 12.50% (Rs.1.25 per share) interim dividend already announced and paid on April 4, 2007 making a total dividend of 28.5% (Rs. 2.85 per share) for the year ended June 30, 2007.
- 4- To appoint Auditors and to fix their remuneration.

Karachi: September 5, 2007

Arshad A. Hashmi
Company Secretary

Notes:

- (i) The Share Transfer Books of the Company will remain closed from October, 13 to October 24, 2007 (both days included) and the final dividend will be paid to the shareholders whose names will appear in the Register of Members on October 12, 2007.
- (ii) 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.
- (iii) 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.
- (iv) Shareholders (Non-CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Registrar of the Company M/s. Ferguson Associates (Pvt) Ltd., State Life Building No. 2-A, 4th Floor, I. I. Chundrigar Road, Karachi. All the Shareholders holding their shares through the CDC are requested to please update their addresses and Zakat status with their Participants. This will assist in the prompt receipt of Dividend.
- (v) Members who have not yet submitted photocopy of their computerized national identity card to the company are requested to send the same at the earliest

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

A For Attending the Meeting:

- (i) In case of individuals, the account holders or sub account holders whose registration details are uploaded as per the Regulations, shall authenticate his/her original 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.

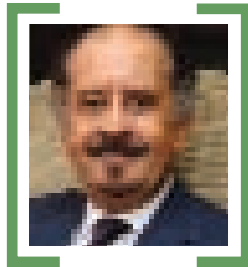
B For appointing Proxies

- (i) In case of individuals, the account holder or sub-account holders whose 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.
- (v) The proxy form will be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the forms.

Board of

Directors

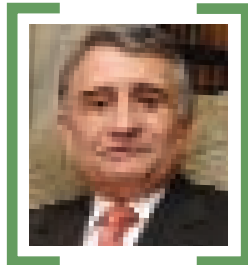
Mr. M. A. Alireza, H. I.
Chairman



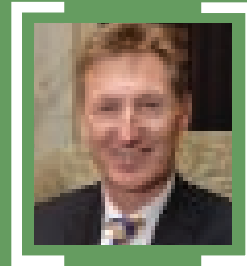
Mr. Masood Ahmed



Dr. Fereydoon Abtahi



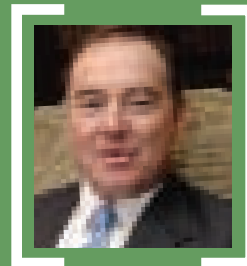
Mr. Robin A. Bramley



Mr. Malcolm Petter Clampin

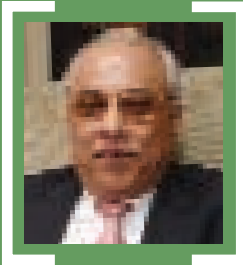


Mr. Taufique Habib

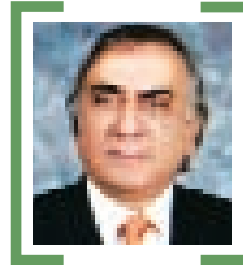


Mr. Vince R. Harris, O.B.E.

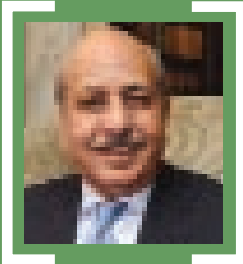
Mr. Arif Ijaz



Syed Ali Raza



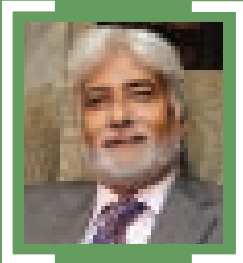
Mr. Qaiser Javed



Syed Nizam A. Shah



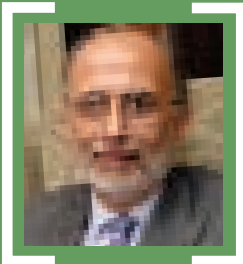
Mr. Javed Mahmood
Chief Executive



Mr. M. Ashraf Tumbi



Mr. Ali Munir



Mr. Yutaka Ueda



Board of Directors

Other Directorships of the Board

Mr. M. A. Alireza, H. I.

Xenel Industries Limited
Xenel Group Companies
Xenel International Limited

Mr. Javed Mehmod

Chief Executive

Mr. Masood Ahmed

Nominee of Government of Balochistan

Mr. Malcolm Petter Clampin

Kot Addu Power Co., Ltd
National Power

Mr. Robin A. Bramley

IPM Operation & Maintenance
National Power
Services Pte Limited

Dr. Fereydoon Abtahi

General Manager, Xenel

Mr. Taufique Habib

Golden Arrow Selected Stocks Mutual Funds

Mr. Vince R. Harris, O.B.E.

English Cayman Energy Development Co. Ltd
International Power (Uch) Limited
IPM Asia Pacific Pte Limited
IPM Asia Pte Limited
IPM Operation & Maintenance Services Pte Ltd
IPM Energy Power
IPM Energy Taupo Limited
IPM delcaribe Holding GmbH,
IPR Central Services (No. 1, 2, 3, 4) Limited
Island Capital S.a.r.l.
Kot Addu Power Co., Ltd
Malakoff Berhad, Malaysia
Rayong National Power Co., Ltd.,
Thai National Power Co., Ltd.,

Mr. Arif Ijaz

Adamjee Insurance Co. Ltd
Punjab Vocational Training Centre,
Government Engineering Academy, Lahore
Pakistan Foundry Association

Mr. Qaiser Javed

Fauji Foundation
Fauji Fertilizer Co Ltd
Fauji Fertilizer Bin Qasim Ltd
Marl Gas Company Limited
Fauji Cement Company Ltd
Fauji Oil Terminal & Distribution Co Ltd
Fauji Kabinwala Power Co Ltd
Foundation Power Co (Daharki) Ltd
Pakistan Maroc Phosphore S.A. (An off shore company)

Mr. Ali Munir

Muslim Commercial Bank Limited
Adamjee Insurance Co. Ltd

Syed Ali Raza

Nominee of National Bank of Pakistan

Syed Nizam A. Shah

Jahangir Siddiqui & Co., Ltd
Pakistan International Container Terminal Ltd
Hascombe Storage (Pvt) Limited
Telecard Limited
Public Procurement Regulatory Authority (Govt. of Pakistan)
Member Board

Mr. M. Ashraf Tumbi

General Manager Finance, Xenel

Mr. Yutaka Ueda

Mitsui Renewable Energy Europe Ltd
Zajaczkowo Windfarm sp.z o.o.
Green Power Ichihara Co., Ltd
Mitsui & Co., Power & Infrastructure Development Ltd.,
TM Energy (Australia) Limited
Mitsui Power Investment Pty Ltd.,
LYA Investment Pty Limited

Audit Committee

Mr. M. Ashraf Tumbi	Chairman
Mr. Vince Harris	Member
Mr. Malcolm Clampin	Member
Mr. Ali Munir	Member
Mr. Qaiser Javed	Member





Chairman's Review

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

On behalf of the Board of Directors of the Company I am pleased to present the Annual Report of the Hub Power Company Limited for our fiscal year ended June 30, 2007.

Our Power Plant continues to supply reliable and uninterrupted electricity and during the year we have been able to supply 7,214GWHrs, an 83% increase on 2006, which is a record output for the Company, which has contributed considerably to the economy of Pakistan. Our operational and maintenance regime conforms to best international standards which has enabled the delivery of the Company's objectives.

In the year under review much effort has gone into resolving the tax cases outstanding for the last seven years. I am happy to report that we have now been successful and have recovered Rs. 98 million of the tax refund due. Efforts are ongoing to recover the remaining balance of Rs. 373 million.

In common with other IPPs, liquidity problems have arisen due to delay in payments by WAPDA. The Company has appropriate arrangements for credit lines from commercial banks to ensure that there would be no adverse impact on our operations or availability of power to WAPDA. We appreciate WAPDA's understanding and efforts to settle the outstanding amounts in spite of the constraints they are currently facing and we look forward its complete resolution in the near future.

The Federal Government has approved Hubco's fast track proposal for a Residual Fuel Oil Power Project of 225MW in Narowal with an anticipated Commercial Operation Date of March 2010.

Our Social Action Programme continues with enthusiasm. We have donated medical equipment to be used for mobile eye surgery in Balochistan. In addition we have contributed funds to a Burns Unit in the WAPDA Hospital in Lahore. Our funded primary / secondary school and the 30 Hubco university scholarships continue to support the young students in Balochistan.

On behalf of all our shareholders I thank the Federal Government, our customer WAPDA, Hubco employees and our Operator International Power for contributing to our continued success.

Mohamed A. Alireza, H. I.
Chairman

Report of the Directors

The Board of Directors have pleasure in presenting the Annual Report with the Financial Statements of the Company for the year ended June 30, 2007.

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 and also to carry out the business of power generation, distribution and sale at other places in Pakistan.

FINANCE

During the year, our customer WAPDA facing financial constraints had difficulty in paying the Company on time. At present, an amount of Rs. 6,344 million is overdue from WAPDA. The obligations of WAPDA to the Company are fully secured by a letter of credit from WAPDA and a guarantee from the Government of Pakistan under the Implementation Agreement. The Company keeping the national interest as a priority, is supplying uninterrupted electricity supply to WAPDA and the Company has obtained a running finance facility of Rs. 6 billion comprising Rs. 2 billion each from National Bank of Pakistan and United Bank Limited and Rs. 1 billion each from Standard Chartered Bank (Pakistan) Limited and MCB Bank Limited.

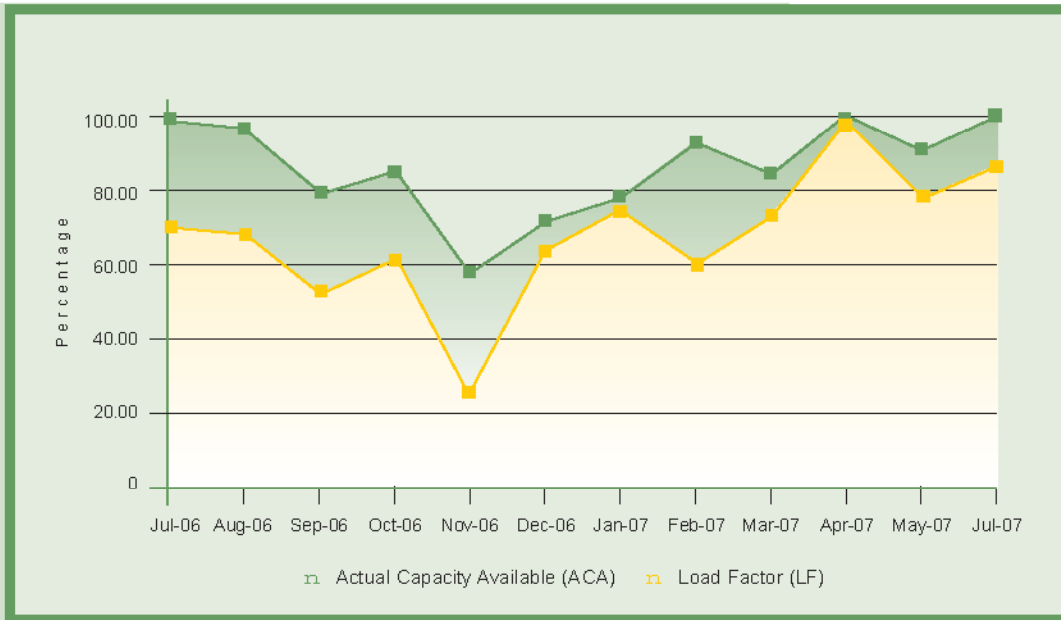
The Company earned a net profit of Rs. 2,654 million, resulting in earnings of Rs. 2.29 per share, compared to a net profit of Rs. 2,768 million last year. Both turnover and operating costs are higher mainly because of higher electricity generation. The power plant generated 7,214 GWhs (2006: 3,930 GWhs).

The Company continues to discharge its liabilities as they become due. During the year, the Company repaid two tranches of long term loan facilities amounting to Rs. 979 million which were due in July 2006 and January 2007. The Company will continue to fulfill its obligations under its various contracts.

OPERATIONS

Hubco continues to maintain an excellent relationship with WAPDA, its sole customer. The Company is managing the power plant as per the best utility practices and manufacturers recommendations and continues to allocate funds on various betterment expenditures towards the modernization of its power plant in order to ensure the plant's long term integrity and maximum availability for our customer





WAPDA. This year, the Company is planning to spend Rs. 1,012 million towards this program. The power station is being operated to the highest international standards by our O&M Operator under the Agreement.

During the year the plant continued to operate at high efficiency and dispatched 7,214 GWhs of electricity corresponding to a load factor of 68.6%. The power station maintained high availability of 86.4% for the full year.

PROJECT DEVELOPMENT

The Board adopted the tagline “Growth through Energy” for the Company to transform our single project company to a broad based energy company. In accordance with the Company’s mandate and initiative to develop new projects this year we applied for and received Federal Government approval for a 225 MW RFO fired Power Project at Narowal with an anticipated Commercial Operation Date of March 2010. The Company is presently working to achieve this and the Board has currently approved Rs. 733 million for this. The Company has also initiated discussions with potential lenders for an optimal financing plan. The Project is proposed to be financed by debt on the security of the Company’s assets. Site Land has been identified and the Company is currently carrying out the legal due diligence for its acquisition.

The Company continues to explore and evaluate other opportunities as well and has recently commenced its financial, legal and technical due diligence on a hydro project, based on these reports the Company may consider taking a controlling interest in the project. The Company also

remains unconditionally pre-qualified for participation in the International Competitive Bidding for three Combined Cycle power generation projects launched by the Private Power and Infrastructure Board (PPIB).

The Company is committed to providing reliable energy to the Country.

HEALTH, SAFETY & ENVIRONMENT (HSE)

The high standard of health and safety performance at the power station has been recognized by the presentation of the highest level award from the Royal Society for Prevention of Accidents (RoSPA). This reflects credit on employees of the Company and the Operator.

The strong commitment to HSE management is reflected by continual improvement in the activities and procedures. This year the environmental management system was successfully accredited against the new ISO 14001:2004 standard.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

As required by the Code of Corporate Governance, the directors are pleased to report the following:

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





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

Fiscal year ending June		2006	2005	2004	2003	2002	2001
Turnover	Rs. In millions	27,911	16,978	16,003	19,514	21,367	29,086
Profit	"	2,768	5,385	5,463	6,102	7,286	10,859
Assets	"	43,515	46,636	51,781	55,546	63,565	65,183
Dividend	"	4,455	3,355	4,281	7,985	7,175	1,967
Generation	(GWh)	3,930	1,975	1,647	2,727	3,630	7,165
Load Factor	%	37	19	16	26	35	68

Value of investments of provident fund and gratuity scheme based on their respective audited accounts as at June 30, 2006 were as follows:

Provident Fund	Rs. In million	49.065
Gratuity		31.900



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

01	Mr. Mohamed A. Aireza H.I.	5
02	Mr. Masood Ahmed	1
03	Dr. Fereydoon Abtahi	4
04	Mr. Robin A. Bramley	5
05	Mr. Malcolm P. Clampin	5
06	Mr. Taufique Habib	5
07	Mr. Vince R. Harris, OBE	5
08	Mr. Arif Ijaz	4
09	Mr. Qaiser Javed	4
10	Mr. Ali Munir	4
11	Mr. Javed Mahmood	5
12	Mr. S. Ali Raza	3
13	Mr. S. Nizam A. Shah	5
14	Mr. Ashraf Tumbi	5
15	Mr. Yutaka Ueda	2
16	Mr. Ghulam Sarwar Mengal	2

The pattern of shareholding as required by the SECP Code of Corporate Governance is attached with this report.

APPROPRIATIONS

The Directors have pleasure in recommending a final dividend of Rs. 1.60 per share. This will be paid to the shareholders on the Company's Member Register on October 12, 2007. An interim dividend of Rs. 1.25 per share that was declared on February 13, 2007 has already been paid in April 2007. The total dividend to be approved by the shareholders at the Annual General Meeting on Wednesday, October 24, 2007 will be Rs. 2.85 per share.

Movement in unappropriated profit is as follows:

	Rs. in millions
NET PROFIT FOR THE YEAR	2,654
Unappropriated profit at the beginning of the year	18,414
Profit available for appropriations	21,068
APPROPRIATIONS	
Final dividend for the fiscal year 2005-2006 @1.85 per share	(2,141)
Interim dividend for the fiscal year 2006-2007 @1.25 per share	(1,446)
	(3,587)
Unappropriated profit at the end of the year	17,481
Basic and diluted earnings per share (rupees)	2.29

The Directors would like to draw your attention to the last paragraph of the Auditors' Report relating to note 21.6 to the financial statements.

BOARD OF DIRECTORS

The Current members of the Board are listed on Page No. 24-25. In September 2006 during the Annual General Meeting 2006 the Election of Directors was held in the last Annual General Meeting and the following Directors were elected:

<u>Dr. Fereydoon Abtahi</u>	<u>elected Director w.e.f. September 20, 2006</u>
<u>Mr. Arif Ijaz</u>	<u>elected Director w.e.f. September 20, 2006</u>
<u>Mr. Qaiser Javed</u>	<u>elected Director w.e.f. September 20, 2006</u>
<u>Mr. Ali Munir</u>	<u>elected Director w.e.f. September 20, 2006</u>
<u>Mr. Yutaka Ueda</u>	<u>elected w.e.f. Director w.e.f. Sept. 20, 2006</u>
<u>Mr. P. G. Cox</u>	<u>retired w.e.f. September 20, 2006</u>
<u>Mr. Najamul Hassan</u>	<u>retired w.e.f. September 20, 2006</u>
<u>Mr. Seiki Ogura</u>	<u>retired w.e.f. September 20, 2006</u>
<u>Mr. S. K. Masood</u>	<u>retired w.e.f. September 20, 2006</u>
<u>Mr. Mark David Williamson</u>	<u>retired September 20, 2006</u>

In addition to above Mr. Masood Ahmed (Nominee of Government of Balochistan) was appointed Director on the board w.e.f. June 21, 2007 in place of Mr. Ghulam Sarwar Mengal who was retired on June 21, 2007.

AUDITORS

The retiring auditors Messrs M. Yusuf Adil Saleem & Company, Chartered Accountants being eligible offer themselves for reappointment.

SHAREHOLDING PATTERN

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

By Order of the Board

Karachi:
September 5, 2007

Javed Mahmood
Chief Executive



Statement of Compliance

with Best Practices of Code of Corporate Governance for the year ended June 30, 2007

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.37 (xlv) of listing regulations of The Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance. The company has applied the principles contained in the Code in the following manner:

1. The Board of Directors of The Hub Power Company Limited has always supported and re-confirms its commitment to continued support and implementation of the highest standards of Corporate Governance at all times.
2. The Hubco Board had already approved the Company's own Code of Corporate Governance on June 24, 1994 before the Company issued its shares to the public in October, 1994. This code has been followed ever since.

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

The Board at its meeting on September 4, 2002 (the first meeting after May 2002) has amended Hubco's Code of Corporate Governance of June 1994 which, after the incorporation of the SECP Code in the Stock Exchange Listing Rules, now includes the following:

- a) Primary and Secondary Delegations – 1997,
 - b) Karachi Stock Exchange circular dated May 9, 2002 incorporating the SECP Code of Corporate Governance dated March 28, 2002 in its Listing Rules,
 - c) Hubco's Code of Business Ethics – dated June 10, 2002,
 - d) Dealing by Directors and Employees in Shares of Hubco.
 - e) Role & Responsibilities of the Chairman – dated September 2, 2004
3. The Board had also adopted a Vision and Mission Statements at its meeting on September 4, 2002. These have been amended and updated Vision & Mission Statements have been adopted at the Board Meeting on August 10, 2006.
 4. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes at least one independent non-executive director and one director representing minority shareholders.
 5. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
 6. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
 7. Casual vacancies occurring in the Board were filled up by the directors within 30 days thereof.
 8. The Board has developed overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
 9. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive and other executive directors, have been taken by the Board.
 10. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

11. Board Members were offered orientation courses on their duties and responsibilities during the year.
12. The Board had approved appointment of the Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the Chief Executive.
13. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
14. The financial statements of the Company were duly endorsed by Chief Executive and the CFO before approval of the Board.
15. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
16. The Company has complied with all the corporate and financial reporting requirements of the Code.
17. The Board has formed an audit committee. It comprises 5 members; all 5 are non-executive directors including the chairman of the committee.
18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
19. The Board has the following functioning Committees with their Terms of Reference, these are composed of non-executive Directors:
 - (a) Audit Committee also ensures the independence of the internal audit function and the independence and objectivity of the External Auditors.
 - (b) Compensation Committee also monitors the remuneration and appointments of Senior Management as well as the personnel policies and its implementation.
 - (c) Technical Committee also monitors the operation of the plant as well as all O&M Contractor related issues.
 - (d) Corporate Communications Committee also monitors the social action programmes and public relations.

These committees meet regularly before Board meetings and each committee report is presented to the full Board meetings.
20. The Board of Directors has implemented an organizational structure for the Company and has appointed the Chief Executive, the CFO and the Company Secretary to manage the affairs in accordance with the Code of Corporate Governance of the Company as amended from time to time.
21. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.
22. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
23. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
24. We confirm that all other material principles contained in the Code have been complied with.

By order of the Board

Karachi:
September 5, 2007

Javed Mahmood
Chief Executive

Review Report

to the Members on Statement of Compliance with best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **The Hub Power Company Limited** to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2007.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi
Date: September 5, 2007

Auditors' Report to the Members

We have audited the annexed balance sheet of The Hub Power Company Limited (the Company) as at June 30, 2007 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 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, 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, 2007 and of the profit, its cash flows and changes in equity for the year then ended;
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance; and
- e) without qualifying our opinion, we draw attention to the matter described in note 21.6 to the financial statements. The ultimate outcome of this contingency cannot presently be determined and accordingly, no provision for any liability that may result has been made in the financial statements.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi

Date: September 5, 2007

Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 (Rs. '000s)	2006 (Rs. '000s)
Turnover	3	44,130,911	27,911,386
Operating costs	4	(39,967,042)	(23,553,045)
GROSS PROFIT		4,163,869	4,358,341
Other income	5	160,786	268,321
General and administration expenses	6	(252,919)	(280,729)
Finance costs	7	(1,417,499)	(1,577,496)
Workers' profit participation fund	8	–	–
PROFIT FOR THE YEAR		2,654,237	2,768,437
Basic and diluted earnings per share (rupees)	27	2.29	2.39

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

Balance Sheet

AS AT JUNE 30, 2007

	Note	2007 (Rs. '000s)	2006 (Rs. '000s)
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	9	31,856,615	33,319,208
Intangibles	10	5,170	5,472
Stores and spares		612,870	592,486
Long term deposits and prepayments	11	6,020	4,311
CURRENT ASSETS			
Inventory of fuel oil		2,563,757	1,890,864
Trade debts	12	7,936,783	2,938,436
Advances, prepayments and other receivables	13	1,269,439	1,401,309
Cash and bank balances	14	742,861	3,363,306
		12,512,840	9,593,915
TOTAL ASSETS		44,993,515	43,515,392
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Share Capital			
Authorised	15	12,000,000	12,000,000
Issued, subscribed and paid-up	15	11,571,544	11,571,544
Revenue Reserve			
Unappropriated profit		17,480,719	18,413,661
		29,052,263	29,985,205
NON-CURRENT LIABILITIES			
Long term loans	16	8,271,160	9,250,221
Deferred liability	17	18,411	14,986
CURRENT LIABILITIES			
Current maturity of long term loans	16	979,062	979,062
Short term borrowings	18	2,090,000	–
Trade and other payables	19	3,937,899	2,590,852
Interest / mark-up accrued	20	644,720	695,066
		7,651,681	4,264,980
COMMITMENTS AND CONTINGENCIES	21	–	–
TOTAL EQUITY AND LIABILITIES		44,993,515	43,515,392

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

Javed Mahmood
Chief Executive

Taufique Habib
Director

Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 (Rs. '000s)	2006 (Rs. '000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		2,654,237	2,768,437
Adjustments for:			
Depreciation		1,657,043	1,652,669
Amortisation		4,794	6,825
Gain on disposal of fixed assets		(298)	(391)
Staff gratuity		13,533	10,424
Interest income		(160,541)	(266,296)
Interest / mark-up		1,361,735	1,514,740
Operating profit before working capital changes		5,530,503	5,686,408
Working capital changes	25	(4,196,220)	(579,587)
Cash generated from operations		1,334,283	5,106,821
Interest received		166,047	294,877
Interest / mark-up paid		(1,412,081)	(1,512,529)
Staff gratuity paid		(10,108)	(348)
Net cash from operating activities		78,141	3,888,821
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure - net		(199,445)	(45,374)
Proceeds from disposal of fixed assets		801	1,098
Stores and spares		(20,384)	(29,806)
Long term deposits and prepayments		(1,709)	158,005
Net cash (used in) / from investing activities		(220,737)	83,923
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term loans		(979,061)	(2,204,534)
Dividends paid		(3,588,788)	(4,443,040)
Net cash used in financing activities		(4,567,849)	(6,647,574)
Net decrease in cash and cash equivalents		(4,710,445)	(2,674,830)
Cash and cash equivalents at the beginning of the year		3,363,306	6,038,136
Cash and cash equivalents at the end of the year	26	(1,347,139)	3,363,306

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

Javed Mahmood
Chief Executive

Taufique Habib
Director

Statement Of Changes In Equity

FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007 (Rs. '000s)	2006 (Rs. '000s)
Issued capital			
Balance at the beginning of the year		11,571,544	11,571,544
Balance at the end of the year	15	11,571,544	11,571,544
Unappropriated Profit			
Balance at the beginning of the year		18,413,661	20,100,268
Profit for the year		2,654,237	2,768,437
Total recognised income and expenses for the year		2,654,237	2,768,437
Final dividend for the fiscal year 2005-2006 @ Rs. 1.85 (2004-2005 @ Rs.2.60) per share		(2,140,736)	(3,008,601)
Interim dividend for the fiscal year 2006-2007 @ Rs.1.25 (2005-2006 @ Rs.1.25) per share		(1,446,443)	(1,446,443)
Balance at the end of the year		17,480,719	18,413,661
Total equity		29,052,263	29,985,205

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

Javed Mahmood
Chief Executive

Taufique Habib
Director

Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2007

1 THE COMPANY AND ITS OPERATIONS

The Hub Power Company Limited (the "Company") was incorporated in Pakistan on August 1, 1991 as a public limited company under the Companies Ordinance, 1984 (the "Ordinance"). The shares of the Company are listed on the Karachi, Lahore and Islamabad Stock Exchanges and its Global Depository Receipts are listed on the Luxembourg Stock Exchange. The principal activities of the Company are to 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 and to carry out the business of power generation, distribution and sale at other places in Pakistan.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Ordinance. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or directives issued by the Securities and Exchange Commission of Pakistan (the "SECP") differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.2 Accounting convention

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

2.3 Property, plant and equipment

(a) Operating property, plant, equipment and depreciation

These are stated at cost less accumulated depreciation except for freehold land which is stated at cost.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets at the rates shown in note 9.1 to the 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 account as and when incurred. Major renewals and improvements are capitalised.

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

(b) Capital work-in-progress

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

2.4 Intangible assets and amortisation

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

2.5 Stores and spares

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

2.6 Impairment of assets

The carrying amounts of operating property, plant and equipment, intangible assets and stores and spares are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts and where carrying values exceed these estimated recoverable amounts, assets are written down to their recoverable amounts. Impairment losses are recognised as expense in the profit and loss account.

2.7 Inventory of fuel oil

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

2.8 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks on savings, call and term deposit accounts and running finance under mark-up arrangements. Running finance under mark-up arrangements are shown in current liabilities.

2.9 Revenue recognition

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

2.10 Interest income

Interest income is recorded on accrual basis.

2.11 Staff retirement benefits

The Company operates a partially funded defined benefit gratuity plan covering eligible employees whose period of service with the Company is at least five years.

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

2.12 Related party transactions and transfer pricing

All transactions with related parties and associated undertakings are entered into at an arm's length price using permissible valuation method. However, payments under The Operation & Maintenance Agreement, The Support Services Agreement and The Project Co-ordination Agreement are made at contracted rates because the Company had entered into these agreements before the incorporation of transfer pricing requirements in the Fourth Schedule to the Ordinance.

2.13 Foreign currency translation

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

2.14 Taxation

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

2.15 Dividend

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

2.16 Financial instruments

(a) Cash and bank balances

Cash in hand and in banks and short-term deposits which are held to maturity are carried at cost.

Cash and bank balances are defined as cash in hand, demand deposits and short-term placements readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

(b) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Other receivables and receivable from related parties are recognised and carried at cost.

(c) Borrowings

All borrowings are recognised at cost.

(d) Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services.

2.17 Borrowing Costs

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

3 TURNOVER

Note	2007 (Rs. '000s)	2006 (Rs. '000s)
Turnover	49,575,047	30,915,687
Less: Sales Tax	(5,444,136)	(3,004,301)
	44,130,911	27,911,386

4 OPERATING COSTS

Residual Fuel Oil		35,905,208	20,096,147
Operation and Maintenance - relating to an associated company	21.1	1,688,330	1,253,267
Insurance		369,328	413,291
Depreciation	9.3	1,646,103	1,642,078
Amortisation	10.1	4,177	6,681
Miscellaneous		353,896	141,581
		39,967,042	23,553,045

5 OTHER INCOME

	Note	2007 (Rs. '000s)	2006 (Rs. '000s)
Interest income		160,541	266,296
Gain on disposal of fixed assets		298	391
Exchange (loss) / gain		(53)	1,634
		160,786	268,321

6 GENERAL AND ADMINISTRATION EXPENSES

Salaries, benefits and other allowances	6.1	135,150	122,602
Fuel and power		1,410	1,517
Property, vehicles and equipment rentals		6,848	6,085
Repairs and maintenance		3,662	3,856
Legal and professional		17,135	21,777
Insurance		6,115	7,682
Auditors' remuneration	6.2	1,492	1,494
Depreciation	9.3	10,940	10,591
Amortisation	10.1	617	144
Miscellaneous	6.3	69,550	104,981
		252,919	280,729

6.1 These include Rs. 18.499 million (2006: Rs. 16.548 million) in respect of staff retirement benefits.

6.2 Auditors' remuneration

	2007 (Rs. '000s)	2006 (Rs. '000s)
Statutory audit	900	900
Half yearly review	300	300
Other services	185	186
Out-of-pocket expenses	107	108
	1,492	1,494

6.3 Includes donation of Rs. 14.003 million (2006: Rs. 59.846 million). No directors or their spouses had any interest in any donee to which donations were made.

7 FINANCE COSTS

	2007 (Rs. '000s)	2006 (Rs. '000s)
Interest / mark-up on long term loans	1,320,310	1,514,740
Mark-up on short term borrowings	41,425	–
Miscellaneous finance costs	55,748	62,625
Bank charges	16	131
	1,417,499	1,577,496

8 WORKERS' PROFIT PARTICIPATION FUND

	Note	2007 (Rs. '000s)	2006 (Rs. '000s)
Provision for Workers' profit participation fund	19	132,712	–
Payment of Workers' profit participation fund recoverable from WAPDA	13	(132,712)	–
		–	–

In the Finance Act, 2006, amendments have been made in the Companies Profits (Workers' Participation) Act, 1968. These changes entail that effective from July 1, 2006 the Company is required to pay 5% of its profit to the workers' profit participation fund (the "Fund") commencing from Fiscal Year ending June 30, 2007. However, such payment will not affect the Company's overall profitability because after payment to the Fund, the Company will bill this to WAPDA as a pass through item under the Power Purchase Agreement (PPA). These changes to the law will not affect the petition filed by the Company disclosed in note 21.8 to the financial statements insofar as it relates to the financial years ending prior to July 1, 2006.

9 PROPERTY, PLANT AND EQUIPMENT

	Note	2007 (Rs. '000s)	2006 (Rs. '000s)
Operating property, plant and equipment	9.1	31,832,770	33,283,583
Capital work-in-progress			
Plant betterments		22,800	35,625
New project development		1,045	–
	9.4	23,845	35,625
		31,856,615	33,319,208

9.1 Operating property, plant and equipment

	Freehold land	Freehold building	Leasehold property	Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Total
	(Rs. '000s)							
Cost:								
As at July 1, 2006	18,890	186,495	862	48,401,674	25,802	57,947	5,728	48,697,398
Additions	–	–	–	194,447	1,165	10,889	232	206,733
Disposals	–	–	–	(6,317)	(43)	(6,194)	(855)	(13,409)
As at June 30, 2007	18,890	186,495	862	48,589,804	26,924	62,642	5,105	48,890,722
Depreciation:								
Rate (%)	–	3.33, 10 & 20	3.33	3.33 to 33.33	20	25	20	–
As at July 1, 2006	–	70,125	337	15,286,942	21,589	30,158	4,664	15,413,815
Charge for the year	–	5,920	29	1,641,641	1,189	7,868	396	1,657,043
Disposals	–	–	–	(6,059)	(43)	(5,949)	(855)	(12,906)
As at June 30, 2007	–	76,045	366	16,922,524	22,735	32,077	4,205	17,057,952
Net book value as at June 30, 2007	18,890	110,450	496	31,667,280	4,189	30,565	900	31,832,770
Net book value as at June 30, 2006	18,890	116,370	525	33,114,732	4,213	27,789	1,064	33,283,583
Cost of fully depreciated assets as at June 30, 2007	–	16,972	–	108,395	19,803	17,445	2,584	165,199
Cost of fully depreciated assets as at June 30, 2006	–	16,972	–	93,307	19,846	18,360	2,002	150,487

9.2 Disposal of property, plant and equipment

Assets	Cost	Accumulated depreciation	Net book value	Sale price	Mode of disposal	Particulars of buyer
(Rs. '000s)						
Vehicle	619	374	245	255	Company Policy	Muhammad Atif - Ex-employee
Computer	130	72	58	-	Negotiation	Syed Khalid Masood - Ex - employee
Equipment	710	544	166	-	Negotiation	Syed Khalid Masood - Ex - employee
Items having a net book value not exceeding Rs. 50,000 each						
Vehicles	5,575	5,575	-	367	Various	Various
Computers	3,587	3,587	-	108	Various	Various
Equipments	2,745	2,711	34	69	Various	Various
Furniture & fixtures	43	43	-	2	Various	Various
Total - June 30, 2007	13,409	12,906	503	801		
Total - June 30, 2006	12,538	11,831	707	1,098		

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

	Note	2007 (Rs. '000s)	2006 (Rs. '000s)
Operating costs	4	1,646,103	1,642,078
General and administration expenses	6	10,940	10,591
		1,657,043	1,652,669

9.4 Capital work-in-progress

Opening balance	35,625	26,539
Additions during the year	16,832	20,562
Transfers during the year	(28,612)	(11,476)
	23,845	35,625

10 INTANGIBLES

	Cost as at July 1, 2006	Additions	Disposals	Cost as at June 30, 2007	Accumulated amortisation as at July 1, 2006	Charge for the year	Disposals	Accumulated amortisation as at June 30, 2007	Net Book value as at June 30, 2007	Net Book value as at June 30, 2006
(Rs. '000s)										
Computer Softwares	22,066	4,492	-	26,558	16,594	4,794	-	21,388	5,170	5,472

10.1 Amortisation charge for the year at 33.33% has been allocated as follows:

	Note	2007 (Rs. '000s)	2006 (Rs. '000s)
Operating costs	4	4,177	6,681
General and administration expenses	6	617	144
		4,794	6,825

11 LONG TERM DEPOSITS AND PREPAYMENTS

Note	2007 (Rs. '000s)	2006 (Rs. '000s)
Deposits	1,554	1,564
Prepayments	4,466	2,747
	6,020	4,311

12 TRADE DEBTS - Secured

Considered good	12.1 & 12.2	7,936,783	2,938,436
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12.1 This includes an overdue amount of Rs. 4,437 million (2006: Rs. Nil) which was fully received by August 7, 2007.

12.2 This includes Rs. 471 million relating to contractors' tax. (See note 21.7 & note 31.2)

13 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Note	2007 (Rs. '000s)	2006 (Rs. '000s)
Advances - considered good		
Executives	284	36
Employees	73	42
Suppliers	352,389	497,521
	352,746	497,599
Prepayments		
Guarantee fees and other loan related costs	1,552	990
Miscellaneous	5,240	4,600
	6,792	5,590
Other receivables		
Interest accrued	5,681	11,187
Income tax	21.6	296,872
Sales tax	473,905	589,563
Receivable from an associated company	190	99
Payment of Workers' Profit Participation Fund recoverable from WAPDA	8	132,712
Miscellaneous	541	399
	909,901	898,120
	1,269,439	1,401,309

14 CASH AND BANK BALANCES

Savings accounts	217,223	299,810
Call and term deposits	525,582	3,063,440
In hand	56	56
	742,861	3,363,306

15 AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2007 (No. of Shares)	2006 (No. of Shares)		2007 (Rs. '000s)	2006 (Rs. '000s)
1,200,000,000	1,200,000,000	Authorised : Ordinary shares of Rs.10/- each	12,000,000	12,000,000
		Issued, subscribed and paid-up : Ordinary shares of Rs.10/- each		
818,773,317	818,773,317	For cash	8,187,733	8,187,733
338,022,463	338,022,463	For consideration other than cash – against project development cost	3,380,225	3,380,225
358,607	358,607	– against land	3,586	3,586
338,381,070	338,381,070		3,383,811	3,383,811
1,157,154,387	1,157,154,387		11,571,544	11,571,544

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

15.2 Associated companies held 495,731,583 (2006: 332,084,142) shares in the Company as at year end.

16 LONG TERM LOANS - Secured

	Note	2007 (Rs. '000s)	2006 (Rs. '000s)
From Banks			
Under the Private Sector Energy Development Fund's (PSEDF) 1 Facility	16.1 & 16.2	6,822,502	7,544,607
Under the Private Sector Energy Development Fund's (PSEDF) 2 Facility	16.1 & 16.3	2,427,720	2,684,676
		9,250,222	10,229,283
Less: Current maturity of long term loans		(979,062)	(979,062)
		8,271,160	9,250,221

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

- (a) a fixed charge over each of the following, namely:
 - (i) the tangible moveable property of the Company;
 - (ii) the intellectual property of the Company; and
 - (iii) all goodwill belonging to the Company.
- (b) a 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.
- (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.

16.2 Interest is payable @ 14% per annum.

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

17 DEFERRED LIABILITY

Note	2007 (Rs. '000s)	2006 (Rs. '000s)
Staff Gratuity	18,411	14,986

Actuarial valuation was carried out as on June 30, 2007. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Actuarial Cost method.

Reconciliation of the liability recognised in the balance sheet

Present value of defined benefit obligation	65,126	59,165
Fair value of plan assets	(38,725)	(33,531)
Net actuarial losses not recognised	(7,990)	(10,648)
Net liability recognised in the balance sheet	18,411	14,986

Reconciliation of the movements during the year in the net liability recognised in the balance sheet

Opening net liability		14,986	4,910
Expense recognised	17.1	13,533	10,424
Contributions to the fund made during the year		(10,108)	(348)
Closing net liability		18,411	14,986

Expense recognised in the profit and loss account

Current service cost	6,238	4,418
Interest cost	5,917	3,679
Expected return on plan assets	(3,353)	(2,234)
Past service cost recognised	–	206
Actuarial loss recognised	4,731	4,355
Expense recognised in the profit and loss account	13,533	10,424

17.1 The total expense recognised is included in general and administration expenses.

Actual return on plan assets		
Expected return on plan assets	3,353	2,234
Actuarial loss / (gain) on plan assets	225	(621)
Actual return on plan assets	3,578	1,613

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

- Interest rate 10% per annum
- Discount factor 10% per annum
- Expected rate of increase in salary level 10% per annum

18 SHORT TERM BORROWINGS - Secured

	Note	2007 (Rs. '000s)	2006 (Rs. '000s)
Finances under mark-up arrangements	18.1 & 18.2	2,090,000	–

18.1 The facilities for running finance available from various banks amounted to Rs. 6,000 million (2006: Rs 2,000 million) at a mark-up of one month KIBOR plus 0.25% per annum. The mark-up on the facilities is payable on monthly/quarterly basis in arrears. The facilities will expire during the period from December 31, 2007 to December 31, 2008. These facilities are secured by way of charge over the trade debts and stocks of the Company pari passu with the existing charge. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate.

18.2 Included herein is a sum of Rs. 500 million (2006: Rs. Nil) payable to an associated undertaking. The available facility amounts to Rs. 1,000 million (2006: Rs. Nil).

19 TRADE AND OTHER PAYABLES

	Note	2007 (Rs. '000s)	2006 (Rs. '000s)
Creditor	19.1	2,796,734	1,771,248
Accrued liabilities			
Due to operation and maintenance contractor	19.2	85,256	76,419
Miscellaneous finance costs		13,478	16,343
Miscellaneous	19.3	274,482	105,601
		373,216	198,363
Advance payment	19.4	578,335	561,629
Unclaimed dividend		48,328	49,937
Other payables			
Provision for Workers' Profit Participation Fund	8	132,712	–
Income-tax deducted at source		–	25
Retention money		8,574	9,650
		141,286	9,675
		3,937,899	2,590,852

19.1 This represents amount payable to Pakistan State Oil.

19.2 This represents amount payable in respect of services rendered by an associated company.

19.3 This includes a sum of Rs.128.255 million (2006: Rs.87.021 million) in respect of services rendered by an associated company.

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

20 INTEREST / MARK-UP ACCRUED

	Note	2007 (Rs. '000s)	2006 (Rs. '000s)
Interest / mark-up accrued on long term loans		604,470	695,066
Mark-up accrued on short term borrowings	20.1	40,250	–
		644,720	695,066

20.1 Included herein is a sum of Rs. 6.252 million (2006: Rs. Nil) payable to an associated undertaking.

21 COMMITMENTS AND CONTINGENCIES

- 21.1** The Company has entered into an Operation and Maintenance Agreement under which it is committed to pay certain fee 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.
- 21.2** 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.
- 21.3** Counter guarantees, to meet the requirements under the FSA, issued to various banks which are secured pari passu with long term loans amount to Rs. 3,500 million (2006: Rs.3,000 million).
- 21.4** Commitments in respect of capital and revenue expenditure amount to Rs. 565.195 million (2006: Rs.390.218 million).
- 21.5** The Company has entered into term finance facility on mark-up basis for an amount equivalent to Rs 600 million from banks at a mark-up of six months KIBOR plus 1.25% per annum. The facility will be repayable in 10 equal semi-annual installments commencing from January 2, 2008 after its draw down latest by December 31, 2007. The facility is secured by way of charge over all the present and future moveable and immoveable assets of the Company pari passu with the existing charge. Any late payment by the Company is subject to an additional payment of 1% per annum above the normal mark-up rate.

The facility was not utilised as at June 30, 2007.

- 21.6 (i)** The Deputy Commissioner of Income Tax (DCIT) made assessments (under section 52/86 of the Income Tax Ordinance, 1979 [ITO,79]) amounting to Rs. 1,896 million stating that the Company did not withhold tax at the time of issue of shares to sponsors against project development costs incurred by them. The Company deposited tax amounting to Rs. 297 million against the above assessments 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. Against the decision of the ITAT the Company filed 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 ITO,79 expired on August 2, 1999. However, the LHC directed the DCIT not to institute recovery measures without its permission.

Without prejudice to the appeals before the LHC, the Company filed an application for the resolution of the matter under the Alternate Dispute Resolution (ADR) provided under section 134A of the Income Tax Ordinance, 2001 with the Central Board of Revenue (CBR). The Alternate Dispute Resolution Committee (ADRC) made certain recommendations to the CBR which required the Company to pay a total of Rs. 380 million (including Rs. 297 million already paid). However, the Company informed the CBR that the recommendation of the ADRC was not maintainable under the law because ADRC had gone beyond their mandate. The CBR, after reviewing the recommendations of the ADRC and the Company, decided not to agree with the recommendation of the ADRC and let the dispute be decided by the LHC before which the appeal is pending.

The management and their tax and legal advisors are of the opinion that the position of the Company is sound on technical basis and eventual outcome will be in favour of the Company.

(ii) On the unpaid tax demands referred in (i) above, further assessment orders were issued for Rs. 50 million (Rs. 29 million being additional tax and Rs. 21 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. 29 million and reduced the penalty of Rs. 21 million by Rs. 6 million. Against the decision of the CIT(A), the Company and Income Tax Department filed further appeals before the ITAT which had upheld the decision of the CIT(A). Against this, the Company moved reference application to the ITAT to refer the issue to the LHC, which stands rejected by the ITAT. The management and their tax advisors are of the opinion that if the LHC decides the appeals against assessments made under section 52/86 of the ITO,79 in favour of the Company, the penalty would also be deleted.

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

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

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

On Hubco's and other Independent Power Producers' (IPPs) representation, Economic Coordination Committee (ECC) of the Federal Cabinet of the GOP directed the CBR to refund the tax recovered by it over and above 4%. The CBR refunded Rs. 495 million but withheld Rs. 471 million on the pretext that ECC decision was not applicable on "tax on tax" which was payable at corporate rates and also because CBR has filed appeals before the courts which are pending adjudication.

During the year, discussions with the GOP including CBR resulted in CBR agreeing to refund an amount of Rs 98 million. This was received in July 2007 after the close of fiscal year. The management and their tax advisors are of the opinion that the position of the Contractor and the Company is strong on the basis of ECC decision as well as on legal grounds and the eventual outcome will be in favour of the Contractor and the Company and the tax of Rs. 373 million will be refunded. Simultaneously, the Company continues its discussions with GOP and CBR for the refund of Rs. 373 million.

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

- 21.8** The Company had filed a petition on June 28, 2000 challenging the application of the Companies Profits (Workers' Participation) Act, 1968 (The Act) to the Company on the ground that since its inception the Company has not employed any persons who fall within the definition of the term "Worker" as it has been defined in the Act.

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

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

Both HUBCO and WAPDA have agreed that this petition should proceed and a judgment obtained on merits. No provision has been made in these financial statements as any payment made by the Company is a pass through item under the PPA. (See note 8)

22 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Note	2007 (Rs. '000s)	2006 (Rs. '000s)
CHIEF EXECUTIVE			
Managerial remuneration		7,355	21,576
House Rent		3,310	1,103
Utilities		736	2,158
Retirement benefits		736	2,158
Other benefits		2,474	974
		14,611	27,969
Number of persons		1	1
DIRECTORS			
Managerial remuneration / Fees	22.1 & 22.2	3,989	12,729
Bonus		19	744
House Rent		576	2,451
Utilities		128	545
Retirement benefits		410	3,547
Other benefits		427	1,600
		5,549	21,616
Number of persons		3	4
EXECUTIVES			
Managerial remuneration		36,651	27,499
Termination Benefits		14,726	–
Bonus		8,005	3,707
House rent		16,493	12,375
Utilities		3,665	2,750
Retirement benefits		15,287	9,060
Other benefits		7,442	5,421
		102,269	60,812
Number of persons		28	21
TOTAL			
Managerial remuneration / Fees		47,995	61,804
Termination Benefits		14,726	–
Bonus		8,024	4,451
House rent		20,379	15,929
Utilities		4,529	5,453
Retirement benefits		16,433	14,765
Other benefits		10,343	7,995
		122,429	110,397
Number of persons		32	26

- 22.1 This includes fee of Rs. 1.500 million (2006: Rs. 1.500 million) to three (2006: three) independent directors.
- 22.2 This includes technical consultancy fee of Rs. 1.209 million (2006: Rs.5.783 million) to one (2006: one) independent director.
- 22.3 The Chief Executive and certain Executives are provided with the use of Company maintained automobiles in accordance with the terms of their employment.
- 22.4 The number of persons does not include those who resigned during the year but remuneration paid to them is included in the above amounts.

23 TRANSACTIONS WITH RELATED PARTIES / ASSOCIATED UNDERTAKINGS

	Note	2007 (Rs. '000s)	2006 (Rs. '000s)
Amounts paid for services rendered	23.1	1,796,294	1,447,349
Reimbursement of expenses and others		946	1,697
Mark-up on short term borrowings		6,252	–
Remuneration to key management personnel			
Salaries, benefits and other allowances		25,580	42,278
Retirement benefits		3,077	6,833
Termination benefits	23.2	14,726	–
	23.3	43,383	49,111
Fees	22.1 & 22.2	2,709	7,283
Contribution to staff retirement benefit plans		18,499	16,548

- 23.1 These include transactions with principal shareholders of the Company under various service agreements.
- 23.2 In addition to this, certain assets having book value of Rs. 0.258 million were given to Ex- Director Finance as termination benefits.
- 23.3 Transactions with key management personnel are carried out under the terms of their employment. Key management personnel are also provided with the use of Company maintained automobiles.
- 23.4 The transactions with associated companies are made under normal commercial terms and conditions.

24 PLANT CAPACITY AND PRODUCTION

	2007	2006
Theoretical Maximum Output	10,512 GWh	10,512 GWh
Total Output	7,214 GWh	3,930 GWh
Load Factor (Base Case 64.6%)	68.63%	37.38%

Practical maximum output for the power plant taking into account all the scheduled outages is 9,216 GWh (2006: 9,216 GWh). Output produced by the plant is dependent on the load demanded by WAPDA and the plant availability.

25 WORKING CAPITAL CHANGES

	Note	2007 (Rs. '000s)	2006 (Rs. '000s)
(Increase) / decrease in current assets			
Inventory of fuel oil		(672,893)	(639,819)
Trade debts		(4,998,347)	(1,494,199)
Advances, prepayments and other receivables		126,364	(48,131)
		(5,544,876)	(2,182,149)
Increase in current liabilities			
Trade and other payables		1,348,656	1,602,562
		(4,196,220)	(579,587)

26 CASH AND CASH EQUIVALENTS

Cash and bank balance	14	742,861	3,363,306
Finances under mark-up arrangements	18	(2,090,000)	–
		(1,347,139)	3,363,306

27 BASIC AND DILUTED EARNINGS PER SHARE

		2007	2006
27.1 Basic			
Profit for the year (Rupees in thousand)		2,654,237	2,768,437
Number of shares in issue during the year	15	1,157,154,387	1,157,154,387
Basic earnings per share (Rupees)		2.29	2.39

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

28 PROPOSED FINAL DIVIDEND

The Board of Directors proposed a final dividend for the year ended June 30, 2007 of Rs.1.60 per share, amounting to Rs. 1,851.447 million, at their meeting held on September 5, 2007, for approval of the members at the Annual General Meeting to be held on October 24, 2007. These financial statements do not reflect this dividend payable which will be accounted for in the period in which it is declared.

29 FINANCIAL INSTRUMENTS

These comprise deposits, receivables, cash, loans and certain other assets and liabilities.

(a) Financial Assets

The financial assets of the Company amount to Rs. 8,820.322 million (2006: Rs.6,314.991 million) of which Rs. 742.805 million (2006: Rs.3,363.250 million) are interest bearing and subject to interest rate risk.

	Interest Bearing			Non Interest Bearing			Total	
	Interest rate	Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year		Sub-Total
	%	(Rs '000)						
Year ended June 30, 2007								
Deposits		-	-	-	-	1,554	1,554	1,554
Trade debts		-	-	-	7,936,783	-	7,936,783	7,936,783
Other receivables		-	-	-	139,124	-	139,124	139,124
Cash and bank balances	2.75 - 8.25	742,805	-	742,805	56	-	56	742,861
Total		742,805	-	742,805	8,075,963	1,554	8,077,517	8,820,322
Year ended June 30, 2006								
Deposits		-	-	-	-	1,564	1,564	1,564
Trade debts		-	-	-	2,938,436	-	2,938,436	2,938,436
Other receivables		-	-	-	11,685	-	11,685	11,685
Cash and bank balances	2.0 - 8.50	3,363,250	-	3,363,250	56	-	56	3,363,306
Total		3,363,250	-	3,363,250	2,950,177	1,564	2,951,741	6,314,991

Currency Risk

Currency Risk is the risk that the value of a financial asset will fluctuate due to changes in foreign exchange rates.

Interest bearing financial assets of the Company include Rs. 512.127 million (2006: Rs.603.597 million) in foreign currencies which are subject to currency risk exposure.

Credit Risk and Concentration of Credit Risk

Credit Risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk indicates relative sensitivity of a company's performance to developments affecting a particular industry.

The financial assets exposed to credit risks amount to Rs. 8,077.461 million (2006: Rs 2,951.685 million) out of which trade debts in the amount of Rs. 7,936.783 million (2006: Rs.2,938.436 million) are mitigated by a letter of credit from WAPDA and a guarantee from the Government of Pakistan under the Implementation Agreement (IA).

(b) Financial Liabilities

The financial liabilities of the Company amount to Rs. 15,344.506 million (2006: Rs. 12,953.547 million) out of which Rs. 11,340.222 million (2006: Rs. 10,229.283 million) are interest bearing.

	Interest Bearing			Non Interest Bearing			Total
	Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total	
	(Rs '000)						
Year ended June 30, 2007							
Long term loans	979,062	8,271,160	9,250,222	-	-	-	9,250,222
Trade and other payables	-	-	-	3,359,564	-	3,359,564	3,359,564
Interest / mark-up accrued	-	-	-	644,720	-	644,720	644,720
Short term borrowings	2,090,000	-	2,090,000	-	-	-	2,090,000
Total	3,069,062	8,271,160	11,340,222	4,004,284	-	4,004,284	15,344,506
Year ended June 30, 2006							
Long term loans	979,062	9,250,221	10,229,283	-	-	-	10,229,283
Trade and other payables	-	-	-	2,029,198	-	2,029,198	2,029,198
Interest / mark-up accrued	-	-	-	695,066	-	695,066	695,066
Total	979,062	9,250,221	10,229,283	2,724,264	-	2,724,264	12,953,547

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 / mark-up bearing financial liabilities of the Company include Rs. 6,822.502 million (2006: Rs. 7,544.607 million) subject to fixed interest rate and Rs. 4,517.720 million (2006: Rs. 2,684.676 million) subject to floating interest rates. The interest rates on interest bearing financial liabilities are disclosed in note 16.2, 16.3 & 18.1 to the financial statements.

Currency Risk

Currency Risk is the risk that the value of financial liabilities will fluctuate due to changes in foreign exchange rates.

(c) Fair value of Financial Assets and Liabilities

The carrying amounts of the financial assets and liabilities approximate their fair values.

30 APPLICABILITY OF IAS 17 - LEASES

The Securities and Exchange Commission of Pakistan (SECP) has deferred the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease". The Company will be required to apply this interpretation from the financial year beginning July 1, 2009.

After the application of the above interpretation, the Company will be required to account for a portion of its Power Purchase Agreement as a lease under International Accounting Standard (IAS) – 17. There will be significant changes to the Company's financial statements due to this application, without affecting the overall cash flow position. This accounting change will not affect the contractual rights and obligations of both Hubco and WAPDA under the PPA and therefore there will be no impact on the dividend stream.

31 EVENTS AFTER THE BALANCE SHEET DATE

- 31.1 The Company has entered into a facility agreement with a commercial bank (an associated undertaking) for issuance of performance guarantee to the Private Power and Infrastructure Board (PPIB) for an amount of Rs. 68.063 million (USD 1.125 million), in connection with the development of the new project. This guarantee is valid upto September 30, 2010 and is secured by way of a second charge over the Company's entire immovable assets.
- 31.2 In July 2007, the Company has received income tax refund of Rs. 98 million in connection with the matter disclosed in note 21.7 to the financial statements.

32 DATE OF AUTHORISATION

These financial statements were authorised for issue on September 5, 2007 in accordance with the resolution of the Board of Directors.

33 GENERAL

Figures have been rounded off to the nearest thousand rupees.

Javed Mahmood
Chief Executive

Taufique Habib
Director

Pattern of Shareholding

AS ON JUNE 30, 2007

Number of Shares		Number of Shareholders	Number of Shares Held
From	To		
1	100	206	17,596
101	500	6,122	3,025,980
501	1000	1,699	1,625,799
1001	5000	2,742	8,330,228
5001	10000	988	8,159,653
10001	15000	398	5,220,479
15001	20000	256	4,731,787
20001	25000	194	4,600,300
25001	30000	152	4,350,034
30001	35000	80	2,674,563
35001	40000	82	3,180,130
40001	45000	49	2,109,208
45001	50000	91	4,486,975
50001	55000	46	2,436,100
55001	60000	38	2,249,900
60001	65000	29	1,835,200
65001	70000	26	1,793,471
70001	75000	26	1,924,000
75001	80000	19	1,492,000
80001	85000	22	1,836,000
85001	90000	13	1,153,700
90001	95000	5	464,500
95001	100000	58	5,795,000
100001	105000	7	721,000
105001	110000	9	974,500
110001	115000	6	681,525
115001	120000	9	1,066,000
120001	125000	13	1,613,762
125001	130000	7	901,318
130001	135000	6	800,700
135001	140000	4	554,000
140001	145000	5	719,500
145001	150000	15	2,247,500
150001	155000	3	459,500
155001	160000	3	480,000
160001	165000	2	328,000
165001	170000	4	674,700
170001	175000	4	690,800
175001	180000	6	1,069,100
180001	185000	5	913,600
185001	190000	1	187,000
190001	195000	2	382,900
195001	200000	19	3,800,000
205001	210000	2	414,674
210001	215000	1	211,000
215001	220000	2	438,000
220001	225000	7	1,570,500
225001	230000	3	686,000

Number of Shares		Number of Shareholders	Number of Shares Held
From	To		
230001	235000	2	463,000
235001	240000	2	476,000
240001	245000	2	487,700
245001	250000	9	2,249,500
250001	255000	1	253,000
255001	260000	2	513,500
260001	265000	2	530,000
265001	270000	3	804,000
270001	275000	3	821,000
275001	280000	2	555,000
280001	285000	4	1,129,826
285001	290000	1	290,000
290001	295000	1	294,500
295001	300000	11	3,296,200
305001	310000	2	617,500
320001	325000	2	646,100
325001	330000	1	329,000
330001	335000	1	335,000
345001	350000	4	1,395,000
350001	355000	1	351,500
355001	360000	1	358,607
360001	365000	3	1,084,000
365001	370000	1	370,000
370001	375000	2	745,000
375001	380000	3	1,135,100
385001	390000	3	1,167,500
390001	395000	1	395,000
395001	400000	6	2,396,000
400001	405000	1	405,000
410001	415000	1	413,500
425001	430000	2	856,000
445001	450000	1	450,000
450001	455000	4	1,812,385
455001	460000	1	459,500
465001	470000	2	939,500
495001	500000	6	3,000,000
505001	510000	1	505,700
510001	515000	1	511,000
515001	520000	1	518,500
525001	530000	1	529,000
530001	535000	1	535,000
535001	540000	2	1,077,000
545001	550000	2	1,100,000
560001	565000	2	1,129,500
565001	570000	1	567,500
570001	575000	1	575,000
580001	585000	1	580,500
590001	595000	1	594,000
595001	600000	2	1,200,000
600001	605000	1	601,900
610001	615000	1	611,000
620001	625000	1	625,000
625001	630000	1	628,000
630001	635000	1	633,500
640001	645000	1	645,000

Number of Shares		Number of Shareholders	Number of Shares Held
From	To		
645001	650000	1	650,000
675001	680000	2	1,357,600
695001	700000	4	2,800,000
710001	715000	1	710,400
735001	740000	1	737,000
745001	750000	1	750,000
765001	770000	1	770,000
790001	795000	1	790,500
795001	800000	1	800,000
835001	840000	1	837,500
845001	850000	2	1,700,000
855001	860000	1	858,500
860001	865000	1	860,500
880001	885000	1	884,000
895001	900000	1	900,000
900001	905000	1	905,000
960001	965000	1	962,000
970001	975000	1	975,000
985001	990000	1	985,500
995001	1000000	1	1,000,000
1015001	1020000	1	1,016,400
1030001	1035000	1	1,032,000
1035001	1040000	1	1,040,000
1050001	1055000	1	1,051,000
1070001	1075000	1	1,075,000
1095001	1100000	2	2,200,000
1120001	1125000	1	1,125,000
1150001	1155000	1	1,153,500
1155001	1160000	1	1,159,536
1190001	1195000	2	2,388,000
1200001	1205000	1	1,202,000
1245001	1250000	1	1,250,000
1280001	1285000	1	1,285,000
1295001	1300000	1	1,300,000
1305001	1310000	1	1,307,500
1390001	1395000	1	1,394,400
1400001	1405000	1	1,401,000
1460001	1465000	1	1,464,000
1470001	1475000	1	1,473,500
1580001	1585000	1	1,583,500
1590001	1595000	1	1,595,000
1595001	1600000	1	1,597,500
1665001	1670000	1	1,670,000
1675001	1680000	1	1,680,000
1845001	1850000	1	1,850,000
1855001	1860000	1	1,859,000
1910001	1915000	1	1,913,000
1930001	1935000	1	1,933,500
1935001	1940000	1	1,937,500
1950001	1955000	1	1,954,500
2055001	2060000	1	2,056,500
2060001	2065000	1	2,064,500
2065001	2070000	1	2,069,000
2320001	2325000	1	2,325,000

Number of Shares		Number of Shareholders	Number of Shares Held
From	To		
2445001	2450000	1	2,450,000
2610001	2615000	1	2,614,000
2770001	2775000	1	2,775,000
2845001	2850000	1	2,850,000
2995001	3000000	1	3,000,000
3015001	3020000	1	3,018,829
3145001	3150000	1	3,150,000
3370001	3375000	1	3,371,500
3470001	3475000	1	3,475,000
3695001	3700000	2	7,398,000
3890001	3895000	1	3,890,500
3895001	3900000	1	3,900,000
3900001	3905000	1	3,904,000
3915001	3920000	1	3,919,000
3920001	3925000	1	3,924,850
3965001	3970000	1	3,970,000
4475001	4480000	1	4,476,000
4605001	4610000	1	4,609,217
5005001	5010000	1	5,009,000
5330001	5335000	1	5,333,295
5545001	5550000	1	5,550,000
5785001	5790000	1	5,786,000
5800001	5805000	1	5,802,000
6200001	6205000	1	6,204,000
6245001	6250000	1	6,246,000
6385001	6390000	1	6,389,500
6495001	6500000	1	6,500,000
6550001	6555000	1	6,550,500
6585001	6590000	1	6,587,571
7055001	7060000	1	7,059,500
7295001	7300000	1	7,300,000
7360001	7365000	1	7,364,553
7660001	7665000	1	7,662,505
7925001	7930000	1	7,926,500
9555001	9560000	1	9,557,000
16560001	16565000	1	16,561,059
17085001	17090000	1	17,089,341
17270001	17275000	1	17,270,871
17350001	17355000	1	17,351,561
18295001	18300000	1	18,300,000
19645001	19650000	1	19,650,000
20430001	20435000	1	20,432,459
20840001	20845000	1	20,840,316
21245001	21250000	1	21,248,016
22075001	22080000	1	22,076,000
23225001	23230000	1	23,228,000
27250001	27255000	1	27,254,425
30040001	30045000	1	30,042,391
45370001	45375000	1	45,374,500
51100001	51105000	1	51,101,450
53015001	53020000	1	53,016,500
140280001	140285000	1	140,280,633
201800001	201805000	1	201,803,509
		13,718	1,157,154,387

Categories of Shareholding

AS ON JUNE 30, 2007

Sr. No.	Categories	No. of Shareholders	No. of Shares held	Percentage
1	Individuals	13,250	125,353,453	10.83
2	Joint Stock Companies	218	516,365,219	44.62
3	Financial Institutions	55	311,470,236	26.92
4	Investment Companies	46	65,162,625	5.63
5	Insurance Companies	20	46,366,756	4.01
6	Modaraba & Leasing Companies	16	4,438,600	0.38
7	Others			
	Governor of Balochistan	1	358,607	0.03
	Employee's Old Age Benefits Inst.	1	19,650,000	1.70
	GDR Depository	1	30,042,391	2.60
	Charitable Trusts	17	2,568,800	0.22
	Cooperative Societies	11	1,463,700	0.13
	Provident/Pension/Gratuity Funds etc	82	33,914,000	2.93
	Total	13,718	1,157,154,387	100.00

The above two statements include 7,513 shareholders holding 937,800,800 shares through the Central Depository Company of Pakistan Limited (CDC)

Details of Associated Companies, Undertakings and related parties are given below:

Xenel Industries Limited	140,280,633
National Power Intl. Holdings BV	201,803,509
Adamjee Insurance Co. Limited	6,204,000
MCB Bank Limited	27,254,425
Committee of Admn. Fauji Foundation	98,391,000
Golden Arrow Selected Stock Fund Ltd	550,000
Mitsui & Company	21,248,016

NIT & ICP

Investment Corporation of Pakistan	1,100
National Bank of Pakistan, Trustee Deptt.	16,561,059
National Investment Trust Limited	3,018,829

Directors

S. Nizam A. Shah	1,000
Qaiser Javed	5,000
Taufique Habib	5,500
Ali Munir	1,000
Arif Ijaz	1,000

Executives

Huma Pasha	21,700
Syed Hasnain Haider	3,000
Mohammad Salim Mahfooz Siddiqui	25,200
Mohsin Maqsood	1,300
Mohammed Aamir Siddiqi	1,100
Mushrraf Hussain	2,000
Muhammad Iqbal Shivani	5,000
Syed Raees Ahmed	2,400

Banks, Development Financial Institutions, Non-Banking Financial Institutions

Prudential Stocks Fund Limited	100
MCB Bank Limited	27,254,425
National Development Finance	200
First Dawood Investment Bank Limited	540,000
Capital One Equities Limited.	170,000
National Dev.Finance Corp. (Investor)	1,500
BMA Capital Management Ltd.	2,747
Crescent Commercial Bank Limited	294,500

Allied Bank Limited	7,364,553
Habib Bank Limited-Treasury Division	17,351,561
Faysal Bank Limited	1,595,000
PICIC	9,557,000
Crescent Standard Investment Bank Ltd.	500
Bank Al Habib Limited	1,597,500
Pak Libya Holding Company (Pvt.) Limited	3,150,000
Indus Bank Limited	594,000
Meezan Bank Limited	1,859,000
Saudi Pak Leasing Company Limited	2,450,000
Security Leasing Corporation Limited	700,000
Universal Leasing Corp. Limited	5,500
Bank Alfalah Limited	90,000
PICIC Commercial Bank Limited	5,009,000
Escorts Investment Bank Ltd.	122,500
Pakistan Industrial & Commercial Leasing Limited	45,000
National Bank of Pakistan	7,662,505
Saudi Pak Commercial Bank Ltd.	650,000
Crescent Leasing Corporation Ltd.	500,000
KASB Bank Limited	3,475,000
Askari Bank Limited	400,000
SME Bank Limited	107,000
NIB Bank Limited	3,919,000
Saudi Pak Inv. Co.	1,125,000
Trust Investment Bank Limited - CFS	40,000
The Universal Insurance Company Limited	40,000

Insurance Companies

New Hampshire Insurance Co.	225,000
New Jubilee Insurance Company Limited	2,775,000
State Life Insurance Corp. of Pakistan	17,270,871
IGI Insurance Limited	275,000
EFU General Insurance Limited	500,000
EFU Life Assurance Ltd	2,069,000
National Insurance Company Limited	6,246,000
Pakistan Reinsurance Company Limited	451,885
Reliance Insurance Company Ltd.	100,000
New Jubilee Life Insurance Co. Ltd	1,937,500
Habib Insurance Co. Limited	850,000
East West Insurance Co. Ltd	37,500
Century Insurance Company Ltd.	17,500
Saudi Pak Insurance Company Ltd	1,000
Askari General Insurance Co. Ltd.	10,000
Security General Insurance Co Ltd	7,300,000
The United Insurance Company of Pak. Ltd.	6,500
Shaheen Insurance Company Ltd.,	50,000

Modaraba & Mutual Funds

B.R.R. Guardian Modaraba	20,100
Dawood Money Market Fund	1,694,000
First Capital Mutual Fund Ltd.	100,000
First Habib Bank Modaraba	250,000
Guardian Modaraba	45,000
B.F. Modaraba	100,000
First Alnoor Modaraba	125,000
First Elite Capital Modaraba	2,000
Golden Arrow Selected Stocks Fund Ltd.	550,000
CDC - Trustee PICIC Investment Fund	3,900,000
CDC - Trustee PICIC Growth Fund	7,926,500
CDC - Trustee Atlas Stock Market Fund	75,000
CDC - Trustee Meezan Balanced Fund	2,056,500
CDC - Trustee Faysal Balanced Growth Fund	300,000
CDC - Trustee Alfalah GHP Value Fund	858,500
CDC - Trustee Faysal Income & Growth Fund	150,000
CDC - Trustee AKD Index Tracker Fund	389,500
CDC - Trustee PICIC Energy Fund	2,614,000
CDC - Trustee AKD Opportunity Fund	500,000
Trustee - UTP A30+Fund	379,500
Al Meezan Mutual Fund Limited	1,680,000
Cdc-Trustee Meezan Islamic Fund	2,064,500
FDIBL Trustee - Namco Balanced Fund	125,000
CDC - Trustee AMZ Plus Stock Fund	518,500
CDC - Trustee WE Balanced Fund	150,000
CDC Trustee - Pakistan Income Fund - CFS	1,401,000
CDC - Trustee UTP Income Fund - CFS	225,000
CDC -Trustee Nafa Cash Fund - CFS	1,307,500
CDC - Trustee Atlas Income Fund - CFS	628,000
CDC -Trustee KASB Liquid Fund - CFS	222,000
CDC - Trustee United Growth And Income Fund - CFS	426,000
CDC - Trustee United Money Market Fund - CFS	30,500
CDC - Trustee Askari Income Fund - CFS	266,000
CDC -Trustee Reliance Income Fund - CFS	770,000
CDC - Trustee Meezan Islamic Income Fund	600,000
CDC - Trustee Atlas Islamic Fund	82,500
CDC - Trustee United Composite Islamic Fund	1,100,000
CDC - Trustee Nafa Stock Fund	700,000
CDC - Trustee Nafa Multi Asset Fund	300,000
CDC - Trustee HBL Income Fund - CFS	15,500
CDC - Trustee MCB Dynamic Stock Fund	1,032,000
CDC - Trustee KASB Stock Market Fund.	511,000
CDC - Trustee Askari Asset Allocation Fund	250,000
CDC - Trustee Pak Oman Advantage Fund - CFS	59,500

**Shareholders holding ten percent or more voting interest in Listed companies
(name wise details)**

National Power International Holdings BV	201,803,509
Xenel Industries Limited	140,280,633

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

Mr. Taufique Habib, Director sold 3,500 shares of the company during the year. None of the other Directors, CEO, Chief Financial Officer, Company Secretary and their spouses and minor children have traded in Hubco Shares during the financial year ended June 30, 2007.

Shareholders' Information

Shareholders' Enquiries

General enquiries relating to the Company should be addressed to:

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

Enquiries relating to Shares should be addressed to:

Ferguson Associates (Pvt) Limited,
State Life Building No. 2A, 4th Floor,
I.I. Chundrigar Road,
Karachi

Enquiries relating to GDRs should be addressed to either:-

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

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

Proxy Form



**THE HUB
POWER
COMPANY
LIMITED**

The Company Secretary,
The Hub Power Company Limited,
3rd Floor, Islamic Chamber of Commerce Building,
ST-2/A, Block-9, Clifton, P.O. Box No. 13841,
Karachi-75600.

I/We

of

being a member of THE HUB POWER COMPANY LIMITED and holder of

Ordinary Shares as per the Share Register Folio No. _____ and / or CDC Participant

I.D. No. _____ and Account / Sub-Account No. _____

hereby appoint _____ of

or failing him / her

as my / our Proxy to vote for me & on my / our behalf at the 16th Annual General Meeting of the Company to be held at Marriot Hotel, Islamabad on October 24, 2007 at 12.00 Noon and at any adjournment thereof.

Signature of Shareholder | _____

Name of Shareholder | _____

Folio No. / CDC No. | _____

Signature on
Revenue Stamp
of Rs. 5/-

WITNESSES:

1. Signature

2. Signature:

Name

Name:

Address

Address:

NIC / Passport No. | _____

NIC / Passport No. | _____

NOTES:

- n 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.
- n If a member is unable to attend the meeting, they may complete and sign this form and send it to the Company Secretary, The Hub Power Company Limited, Head Office at 3rd Floor, Islamic Chamber Building, ST-2/A, Block 9, Clifton, Karachi 75600 so as to reach not less than 48 hours before the time appointed for holding the Meeting.
- n **For CDC Account Holders / Corporate Entities**
In addition to the above the following requirements have to be met.
 - (i) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be stated on the form.
 - (ii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be provided 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 a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.



AFFIX
CORRECT
POSTAGE

The Comapny Secretary.
The Hub Power Company Limited,
3rd Floor, Islamic Chamber of Commerce Building,
ST-2/A, Block-9, Clifton, P.O. Box No. 13841,
Karachi-75600.

SAVE ENERGY  FOR **LIFE**

THE HUB POWER COMPANY LIMITED
www.hubpower.com