



growth through energy

**THE HUB POWER COMPANY LIMITED**

**UNAUDITED QUARTERLY FINANCIAL STATEMENTS**

**FOR THE THIRD QUARTER ENDED  
MARCH 31, 2011**

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## COMPANY INFORMATION

**BOARD OF DIRECTORS:** Mr. Mohamed A. Alireza H.I. Chairman  
Dr. Fereydoon Abtahi  
Mr. Yousuf A. Alireza  
Mr. Robin A. Bramley  
Dr. Asif A. Brohi NBP Nominee  
Mr. Malcolm P. Clampin  
Mr. Taufique Habib  
Mr. Vince R. Harris, OBE Chief Executive  
Mr. M. Javaid Iqbal  
Mr. Qaiser Javed  
Mr. Ahmad Raza Khan GOB Nominee  
Mr. Ali Munir  
Mr. Philippe F.A.L. Salmon  
Mr. S. Nizam A. Shah  
Mr. M. Ashraf Tumbi

**MANAGEMENT:** Vince R. Harris OBE 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  
Lesley A. Middlecoat Sr. Manager HR, PR & Admin  
Shamsul Islam Treasurer

**PRINCIPAL BANKERS** National Bank of Pakistan, Karachi  
**Accounts Banks:** Allied Bank of Pakistan  
Askari Bank Limited  
Bank Al-Falah Limited  
Bank Al-Habib Limited  
Citibank N.A. Karachi.  
Faisal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
JS Bank Limited  
Meezan Bank Limited  
MCB Bank Limited  
NIB Bank Limited  
Pak China Investment Company Limited  
Pak Kuwait Investment Company (Pvt) Limited  
Standard Chartered Bank (Pakistan) Ltd., Karachi  
Sumitomo Mitsui Banking Corp. Europe Ltd., London  
United Bank Limited

**INTER-CREDITOR**  
**AGENT:** National Bank of Pakistan, Karachi  
Habib Bank Limited  
Allied Bank Limited

## **COMPANY INFORMATION**

<b>REGISTERED OFFICE:</b>	C/o. Famco Associates (Pvt) Ltd., (Formerly Ferguson Associates (Pvt) Limited) 12, Capital Shopping Centre, Second Floor, G-11 Markaz, Islamabad
<b>HEAD OFFICE:</b>	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
<b>LEGAL ADVISORS:</b>	Rizvi, Isa, Afridi & Angell, Karachi
<b>AUDITORS:</b>	M. Yousuf Adil Saleem & Co.
<b>REGISTRAR:</b>	Famco Associates (Pvt) Limited (Formerly Ferguson Associates (Pvt) Limited)
<b>HUBCO NAROWAL PROJECT</b>	Hubco Narowal Project Mauza Poong 5 KM from Luban Pulli Point on Mureedkay- Narowal Road Distric Narowal

## **THE HUB POWER COMPANY LIMITED**

### **REPORT OF THE DIRECTORS FOR THE NINE MONTHS ENDED 31 MARCH 2011**

The Directors have pleasure in presenting the unaudited Financial Statements for the nine months ended 31 March 2011.

The Hub Power Company Limited (the "Company") was incorporated in Pakistan on August 1, 1991 as a public limited company under the Companies Ordinance, 1984 (the "Ordinance"). The shares of the Company are listed on the Karachi, Lahore and Islamabad Stock Exchanges and its Global Depository Receipts are listed on the Luxembourg Stock Exchange. The principal activities of the Company are to develop, own, operate and maintain power stations. The Company owns an oil-fired power station with an installed net capacity of 1,200 MW in Balochistan and a 214 MW oil-fired power station which is nearing Commercial Operation at Narowal in Punjab. The Company also has a 75% controlling interest in Laraib Energy Limited (LEL), a subsidiary company which is constructing an 84 MW hydel power project near Mangla in Azad Kashmir; this project achieved Financial Close in December 2009 and is required to achieve the Commercial Operations Date within 42 months of Financial Close, which will be June 2013.

Our customer WAPDA remains unable to meet its obligations to HUBCO required under the terms of the Power Purchase Agreement (PPA), these obligations remain secured by the sovereign guarantee of GOP. On the date of this Report an amount of Rs. 101 billion is outstanding against WAPDA, of this Rs. 94 billion is classified overdue (payable immediately). In addition, WAPDA remains unable to provide a Letter of Credit for Rs. 12.92 billion as required under the PPA. Despite continued dialogue with the GOP, it is disappointing to report there has been no improvement in the situation; as a consequence your Company owes Rs. 90 billion to PSO for fuel supply, part of which is covered by a Standby Letter of Credit of Rs. 8 billion provided by Hubco. This has also resulted in an irregular supply of fuel which has affected Plant Operations.

During the review period the Hub Plant operated at an average load factor of 73.5% and an average complex availability (ACA) of 86.4%. Electricity sold to WAPDA was 5,801 GWh.

Turnover for the period was Rs. 80,328 million (2010: Rs. 71,746 million) and operating costs were Rs. 73,845 million (2010: Rs. 65,971 million) resulting in a gross profit of Rs. 6,483 million compared to Rs. 5,774 million in the corresponding period last year. The Company earned a net profit of Rs. 4,284 million during the period resulting in earnings per share of Rs. 3.70 compared to a net profit of Rs. 4,291 million and earnings per share of Rs. 3.71 in the same period last year.

We have previously reported that a delay was encountered in the commissioning of our 214 MW Narowal Project due to a major equipment failure on August 26, 2010. Currently pre-commissioning tests are taking place and Commercial Operation is expected before the end of this month. Due to delay in completion the Government of Pakistan, through (PPIB), encashed the Company's Guarantee for USD 1.125 million in December 2010 for not meeting our contractual commitment.

The Company remains proactive in maintaining and expanding its Corporate Social Responsibility program. Our focus is to support health and education programs in the province of Balochistan, District Labella and in Narowal Punjab.

The Directors in compliance with the requirements of the 'Commission De Surveillance Du Secteur Financier, Societe de Bourse de Luxembourg SA'; are pleased to confirm that to the best of their knowledge, the condensed interim financial statements for the nine months ended March 31, 2011 give a true and fair view of the assets, liabilities, financial position and financial results of the Company and are in conformity with approved accounting standards as applicable in Pakistan. Further, the aforementioned business overview includes a fair review of the development and performance of the Company together with the potential risks and uncertainties faced, if any.

The Directors' Report on Consolidated Financial Statements (un-audited) of The Hub Power Company Limited (the Company) and its Subsidiary Laraib Energy Limited (the Subsidiary) for the nine months ended March 31, 2011 are being separately presented in this Report.

By Order of the Board

Vince Harris, OBE  
Chief Executive

Karachi: April 19, 2011



**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED**  
**PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2011**

	Note	3 months ended Mar 2011 (Rs. '000s)	3 months ended Mar 2010 (Rs. '000s)	9 months ended Mar 2011 (Rs. '000s)	9 months ended Mar 2010 (Rs. '000s)
Turnover		31,126,227	25,577,990	80,328,346	71,745,519
Operating costs	4	(28,891,637)	(23,582,362)	(73,845,311)	(65,971,182)
<b>GROSS PROFIT</b>		2,234,590	1,995,628	6,483,035	5,774,337
Other income		93	1,835	15,883	37,026
General and administration expenses		(108,511)	(92,741)	(314,083)	(268,153)
Finance costs	5	(684,538)	(468,891)	(1,900,374)	(1,252,032)
Workers' profit participation fund	6	-	-	-	-
<b>PROFIT FOR THE PERIOD</b>		1,441,634	1,435,831	4,284,461	4,291,178
Basic and diluted earnings per share (rupees)		1.25	1.24	3.70	3.71

The annexed notes from 1 to 16 form an integral part of these unconsolidated financial statements.

Vince R. Harris O.B.E.  
Chief Executive

Ali Munir  
Director



**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED**  
**STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2011**

	<b>3 months ended Mar 2011 (Rs. '000s)</b>	<b>3 months ended Mar 2010 (Rs. '000s)</b>	<b>9 months ended Mar 2011 (Rs. '000s)</b>	<b>9 months ended Mar 2010 (Rs. '000s)</b>
Profit for the period	1,441,634	1,435,831	4,284,461	4,291,178
Other comprehensive income for the period	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>1,441,634</u>	<u>1,435,831</u>	<u>4,284,461</u>	<u>4,291,178</u>

The annexed notes from 1 to 16 form an integral part of these unconsolidated financial statements.

Vince R. Harris O.B.E.  
Chief Executive

Ali Munir  
Director



**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED**  
**BALANCE SHEET (UNAUDITED)**  
**AS AT MARCH 31, 2011**

	Note	Mar 2011 (Rs. '000s)	Jun 2010 (Rs. '000s)
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS</b>			
Fixed Assets			
Property, plant and equipment	7	50,502,654	49,614,595
Intangibles		6,225	8,369
Stores and spares		637,023	637,023
Investment in subsidiary		3,428,061	2,610,118
Other assets		53,481	4,133
<b>CURRENT ASSETS</b>			
Inventory of fuel oil		3,212,730	1,559,876
Trade debts	8	99,407,699	66,712,461
Advances, prepayments and other receivables		1,713,906	739,628
Cash and bank balances		1,349,253	809,311
		105,683,588	69,821,276
<b>TOTAL ASSETS</b>		<b>160,311,032</b>	<b>122,695,514</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>SHARE CAPITAL AND RESERVE</b>			
<b>Share Capital</b>			
Authorised		12,000,000	12,000,000
Issued, subscribed and paid-up		11,571,544	11,571,544
<b>Revenue Reserve</b>			
Unappropriated profit		16,808,422	18,309,733
		28,379,966	29,881,277
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	9	24,558,323	23,444,521
Share premium payable		-	41,208
Deferred liability - Gratuity		13,732	15,689
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	96,092,607	59,595,332
Interest / mark-up accrued		1,271,724	1,317,961
Short term borrowings	11	8,087,913	6,743,596
Current maturity of long term loans		1,906,767	1,655,930
		107,359,011	69,312,819
<b>COMMITMENTS AND CONTINGENCIES</b>			
	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>160,311,032</b>	<b>122,695,514</b>

The annexed notes from 1 to 16 form an integral part of these unconsolidated financial statements.

Vince R. Harris O.B.E.  
Chief Executive

Ali Munir  
Director



**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED**  
**CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2011**

	Note	9 months ended Mar 2011 (Rs. '000s)	9 months ended Mar 2010 (Rs. '000s)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the period		4,284,461	4,291,178
Adjustments for:			
Depreciation		1,287,402	1,289,032
Amortisation		2,644	927
Loss / (gain) on disposal of fixed assets		965	(487)
Staff gratuity		10,307	19,893
Interest income		(8,100)	(10,893)
Interest / mark-up		1,730,456	1,098,205
Operating profit before working capital changes		7,308,135	6,687,855
Working capital changes		(1,490,285)	(2,728,774)
Cash generated from operations		5,817,850	3,959,081
Interest received		8,166	10,194
Interest / mark-up paid		(1,818,050)	(1,398,624)
Staff gratuity paid		(12,402)	(8,657)
Net cash from operating activities		3,995,564	2,561,994
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(2,178,879)	(11,683,993)
Proceeds from disposal of fixed assets		2,091	2,127
Investment in subsidiary		(1,048,159)	(1,438,489)
Other assets		(49,348)	172
Net cash used in investing activities		(3,274,295)	(13,120,183)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(2,890,284)	(2,311,299)
Proceeds from long term loans - Narowal (net)		(4,640)	13,448,023
Proceeds from long term loans - Laraib's investment (net)		2,559,394	-
Repayment of long term loans		(979,061)	(979,061)
Repayment of long term loans - Narowal		(211,053)	-
Repayment of finances under mark-up arrangements - Narowal		-	(1,148,890)
Net cash (used in) / from financing activities		(1,525,644)	9,008,773
Net decrease in cash and cash equivalents		(804,375)	(1,549,416)
Cash and cash equivalents at the beginning of the period		(5,934,285)	(1,399,564)
Cash and cash equivalents at the end of the period	14	(6,738,660)	(2,948,980)

The annexed notes from 1 to 16 form an integral part of these unconsolidated financial statements.

Vince R. Harris O.B.E.  
Chief Executive

Ali Munir  
Director



**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM UNCONSOLIDATED**  
**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2011**

	<b>9 months ended Mar 2011 (Rs. '000s)</b>	<b>9 months ended Mar 2010 (Rs. '000s)</b>
<b>Issued capital</b>		
Balance at the beginning of the period	11,571,544	11,571,544
Balance at the end of the period	11,571,544	11,571,544
<b>Unappropriated profit</b>		
Balance at the beginning of the period	18,309,733	17,960,806
Total comprehensive income for the period	4,284,461	4,291,178
Final dividend for the fiscal year 2009-2010 @ Rs. 2.50 (2008-2009 @ Rs. 2.00) per share	(2,892,886)	(2,314,309)
Interim dividend for the fiscal year 2010-2011 @ Rs. 2.50 (2009-2010: @ Rs. 2.50) per share	(2,892,886)	(2,892,886)
Balance at the end of the period	16,808,422	17,044,789
<b>Total equity</b>	<b>28,379,966</b>	<b>28,616,333</b>

The annexed notes from 1 to 16 form an integral part of these unconsolidated financial statements.

Vince R. Harris O.B.E.  
Chief Executive

Ali Munir  
Director



**THE HUB POWER COMPANY LIMITED**  
**NOTES TO THE CONDENSED INTERIM**  
**UNCONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2011**

**1. THE COMPANY AND ITS OPERATIONS**

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation followed for the preparation of these condensed interim unconsolidated financial statements are same as those applied in preparing the unconsolidated financial statements for the year ended June 30, 2010.

**3. BASIS OF PREPARATION**

These unaudited condensed interim unconsolidated financial statements have been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" as applicable in Pakistan and are being submitted to the shareholders as required under Section 245 of the Ordinance.

	Note	3 months ended Mar 2011 (Rs. '000s)	3 months ended Mar 2010 (Rs. '000s)	9 months ended Mar 2011 (Rs. '000s)	9 months ended Mar 2010 (Rs. '000s)
<b>4. OPERATING COSTS</b>					
Residual fuel oil		27,490,019	22,106,244	69,735,480	61,818,391
Operation & Maintenance	4.1	746,031	689,438	2,099,371	2,007,970
Insurance		121,810	120,008	365,714	360,281
Depreciation		423,550	424,054	1,270,980	1,272,152
Amortisation		-	-	-	302
Miscellaneous		110,227	242,618	373,766	512,086
		<u>28,891,637</u>	<u>23,582,362</u>	<u>73,845,311</u>	<u>65,971,182</u>

4.1 This represents services rendered by an associated company under Operation & Maintenance Agreement.

**5. FINANCE COSTS**

Interest / mark-up on long term loans		220,811	251,095	710,432	808,065
Mark-up on short term borrowings		301,279	131,129	835,356	266,129
Miscellaneous finance costs		33,422	37,477	93,129	79,167
		<u>555,512</u>	<u>419,701</u>	<u>1,638,917</u>	<u>1,153,361</u>
<b>Narowal</b>					
Interest / mark-up on long term loans		751,089	673,417	2,225,020	1,542,605
Mark-up on short term borrowings		-	-	-	15,150
Other finance costs		18,582	13,786	44,956	160,399
		<u>769,671</u>	<u>687,203</u>	<u>2,269,976</u>	<u>1,718,154</u>
<b>Laraib's investment</b>					
Interest / mark-up on long term loans		100,235	-	184,666	-
Mark-up on short term borrowings		-	18,302	-	24,011
Unwinding of discount on share premium payable		8,831	21,565	33,684	21,565
Other finance costs		9,155	9,323	32,229	53,095
		<u>118,221</u>	<u>49,190</u>	<u>250,579</u>	<u>98,671</u>
		<u>1,443,404</u>	<u>1,156,094</u>	<u>4,159,472</u>	<u>2,970,186</u>
Less: amount capitalised in the cost of qualifying assets - Narowal		<u>(758,866)</u>	<u>(687,203)</u>	<u>(2,259,098)</u>	<u>(1,718,154)</u>
		<u>684,538</u>	<u>468,891</u>	<u>1,900,374</u>	<u>1,252,032</u>

**6. WORKERS' PROFIT PARTICIPATION FUND**

Provision for Workers' profit participation fund		72,082	71,792	214,223	214,559
Payment of Workers' profit participation fund recoverable from WAPDA		<u>(72,082)</u>	<u>(71,792)</u>	<u>(214,223)</u>	<u>(214,559)</u>
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Company is required to pay 5% of its profit to the Workers' profit participation fund (the "Fund"). However, such payment does not affect the Company's overall profitability because after payment to the Fund, the Company bills this to WAPDA as a pass through item under the Power Purchase Agreement (PPA).

	Note	Mar 2011 (Rs. '000s)	Jun 2010 (Rs. '000s)
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating property, plant and equipment		26,326,864	27,598,326
Capital work-in-progress			
Plant betterments		55,995	42,685
Narowal	7.2	24,119,795	21,973,584
		24,175,790	22,016,269
	7.1	50,502,654	49,614,595

7.1 Additions to property, plant and equipment during the period were Rs. 2,180.750 million (June 2010:Rs. 13,445.400 million) and disposals therefrom at net book value were Rs. 3.056 million (June 2010: Rs. 6.348 million).

7.2 This includes total Liquidated Damages from the EPC contractor for delay in achieving commercial operations date.

	Note	Mar 2011 (Rs. '000s)	Jun 2010 (Rs. '000s)
<b>8. TRADE DEBTS - Secured</b>			
Considered good	8.1	99,407,699	66,712,461

8.1 This includes an amount of Rs. 85,650 million (June 2010: Rs. 57,764 million) from WAPDA which is overdue but not impaired because the trade debts are secured by a guarantee from the Government of Pakistan under the Implementation Agreement. The overdue amount carries interest / mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

	Note	Mar 2011 (Rs. '000s)	Jun 2010 (Rs. '000s)
<b>9. LONG TERM LOANS - Secured</b>			
Hub plant		5,333,975	6,313,037
Narowal plant		18,571,721	18,787,414
Laraib's investment			
Syndicated term finance facility	9.1	2,173,474	-
Islamic finance facility	9.2	459,000	-
Transaction cost		(73,080)	-
		2,559,394	-
	9.3	26,465,090	25,100,451
Less : Current portion of long term loans		(1,906,767)	(1,655,930)
		24,558,323	23,444,521

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

9.2 The Company has also entered into a long term islamic financing arrangement with a bank for an amount of Rs. 759 million to meet its investment obligations in the Subsidiary. The loan is repayable in nine equal installments on semi-annual basis following the six months after the end of availability period which is 42 months from the facility effective date at a mark-up rate of six months KIBOR plus 2.20% per annum. The facility became effective on November 24, 2010. The mark-up is payable on semi-annual basis in arrear starting from the availability period. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate. This loan is secured by way of second ranking / subordinated charge over all present and future undertaking and assets of the Company other than: (i) assets relating to the Narowal power plant; (ii) Commercial Facility Disbursement Account; (iii) any shares in Demerged Company (special purpose vehicle that the Company may incorporate under the laws of Pakistan for the purpose of construction, ownership, operations & maintenance of Narowal project); and (iv) present and future shares acquired in the Subsidiary including bonus shares and right shares.

9.3 Included herein is a sum of Rs. 1,942.811 million (June 2010: Rs. 1,711.571 million) out of the total available facilities of Rs. 3,000 million (June 2010: Rs. 2,000 million) from an associated undertaking.



## 10. TRADE AND OTHER PAYABLES

This includes an amount of Rs. 88,241 million (June 2010: Rs. 55,532 million) payable to Pakistan State Oil, out of which overdue amount is Rs. 75,423 million (June 2010: Rs. 48,769 million). The overdue amount carries interest / mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

	Mar 2011 (Rs. '000s)	Jun 2010 (Rs. '000s)
11. SHORT TERM BORROWINGS - Secured		
Finances under mark-up arrangements	8,087,913	6,743,596

- 11.1 The facilities for running finance available from various banks amounted to Rs. 10,000 million (June 2010: Rs. 9,300 million) at mark-up ranging between 0.75% to 3.00% per annum above one month KIBOR. The mark-up on the facilities is payable on monthly / quarterly basis in arrears. The facilities will expire during the period from April 30, 2011 to March 11, 2012. 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.
- 11.2 This includes a sum of Rs. 367.404 million (June 2010: Rs. Nil) payable to an associated undertaking. The available facility amounts to Rs. 2,000 million (June 2010: Rs. Nil).

## 12. COMMITMENTS AND CONTINGENCIES

- 12.1 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 falls 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 agreed that this petition should proceed and a judgment obtained on merits. During the quarter, the petition was dismissed by the High Court (HC). Against the decision of the HC, the Company has filed petition for leave to appeal before the Supreme Court. No provision has been made in these unconsolidated financial statements as any payment made by the Company is a pass through item under the PPA.

Following the amendments made by the Finance Act 2006 to the Companies Profits (Workers' Participation) Act, 1968 (the Act), the Company established the Hubco Workers' Participation Fund on August 03, 2007 to allocate the amount of annual profits stipulated by the Act for distribution amongst worker(s) eligible to receive such benefits under the Act and any amendments thereto from time to time (see note 6).

- 12.2 In connection with the Narowal power plant, under the Fuel Supply Agreement the Company is committed to purchase certain quantity of oil from Bakri Trading Company Pakistan (Pvt.) Ltd. and provide Stand By Letter of Credit (SBLC) for an amount of approximately Rs. 3,000 million.

During the quarter, the Company has provided SBLC for an amount of Rs. 1,000 million for an interim period. This SBLC will expire on May 21, 2011 and is 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 a mark-up rate of one month KIBOR plus 4.00% per annum.



	Note	9 months ended Mar 2011 (Rs. '000s)	9 months ended Mar 2010 (Rs. '000s)
<b>13. TRANSACTIONS WITH RELATED PARTIES / ASSOCIATED UNDERTAKINGS</b>			
Amounts paid for services rendered	13.1	2,537,507	2,535,690
Reimbursement of expenses and others		1,987	1,261
Proceeds from long term loans		250,000	1,195,380
Repayment of long term loans		18,760	-
Mark-up on long term loans		216,785	137,444
Mark-up on short term borrowings		24,013	-
Other finance costs		104,275	52,611
Remuneration to key management personnel:			
Salaries, benefits and other allowances		52,525	38,738
Retirement benefits		5,109	7,626
	13.2	57,634	46,364
Fees	13.3	3,000	1,925
Contribution to staff retirement benefit plans		19,599	14,447

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

13.2 Transactions with key management personnel are carried out under the terms of their employment. Key management personnel are also provided with the use of Company maintained automobiles.

13.3 This represents fee paid to four directors.

13.4 The transactions with associated companies are made under normal commercial terms and conditions.

	9 months ended Mar 2011 (Rs. '000s)	9 months ended Mar 2010 (Rs. '000s)
<b>14. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	1,349,253	1,380,571
Finances under mark-up arrangements	(8,087,913)	(4,329,551)
	(6,738,660)	(2,948,980)

#### 15. DATE OF AUTHORISATION

These condensed interim unconsolidated financial statements were authorised for issue on April 19, 2011 in accordance with the resolution of the Board of Directors.

#### 16. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Vince R. Harris O.B.E.  
Chief Executive

Ali Munir  
Director

**THE HUB POWER COMPANY LIMITED**

**REPORT OF THE DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR NINE MONTHS ENDED 31 MARCH 2011**

The Board of Directors has pleasure in presenting the Financial Statements (unaudited) of The Hub Power Company Limited (the Company) and its Subsidiary Laraib Energy Limited (the Subsidiary) for the nine months ended 31 March 2011.

The Company holds 75% shares in the Subsidiary. The Subsidiary is developing the 84MW hydropower generating complex near the New Bong Escape 8km downstream of the Mangla Dam in Azad Jammu and Kashmir. The Financial Close of the project was achieved in December 2009. The construction activities have commenced and the Project is scheduled to achieve Commercial Operation by June 2013.

The Report of Directors on the Financial Statements (unaudited) of The Hub Power Company Limited for the nine months ended 31 March 2011 is being separately presented in this Report.

By Order of the Board

Vince Harris  
Chief Executive

Karachi: April 19, 2011



**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM CONSOLIDATED**  
**PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2011**

	Note	3 months ended Mar 2011 (Rs. '000s)	3 months ended Mar 2010 (Rs. '000s)	9 months ended Mar 2011 (Rs. '000s)	9 months ended Mar 2010 (Rs. '000s)
Turnover		31,126,227	25,577,990	80,328,346	71,745,519
Operating costs	4	(28,891,637)	(23,582,362)	(73,845,311)	(65,971,182)
<b>GROSS PROFIT</b>		<u>2,234,590</u>	<u>1,995,628</u>	<u>6,483,035</u>	<u>5,774,337</u>
Other income		5,319	11,315	28,278	50,368
General and administration expenses		(120,790)	(133,968)	(365,061)	(344,023)
Finance costs	5	(684,619)	(469,009)	(1,901,602)	(1,258,847)
Workers' profit participation fund	6	-	-	-	-
Profit before taxation		<u>1,434,500</u>	<u>1,403,966</u>	<u>4,244,650</u>	<u>4,221,835</u>
Taxation - current					
- for the period		(4,947)	-	(11,986)	-
- prior years		-	-	(3,670)	-
<b>PROFIT FOR THE PERIOD</b>		<u>1,429,553</u>	<u>1,403,966</u>	<u>4,228,994</u>	<u>4,221,835</u>
Attributable to:					
- Owners of the holding company		1,432,557	1,411,830	4,242,765	4,238,881
- Non-controlling interest		(3,004)	(7,864)	(13,771)	(17,046)
		<u>1,429,553</u>	<u>1,403,966</u>	<u>4,228,994</u>	<u>4,221,835</u>
Basic and diluted earnings per share attributable to owners of the holding company (rupees)		<u>1.24</u>	<u>1.22</u>	<u>3.67</u>	<u>3.66</u>

The annexed notes from 1 to 17 form an integral part of these consolidated financial statements.

Vince R. Harris O.B.E.  
Chief Executive

Ali Munir  
Director



**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM CONSOLIDATED**  
**STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2011**

	<b>3 months ended Mar 2011 (Rs. '000s)</b>	<b>3 months ended Mar 2010 (Rs. '000s)</b>	<b>9 months ended Mar 2011 (Rs. '000s)</b>	<b>9 months ended Mar 2010 (Rs. '000s)</b>
Profit for the period	1,429,553	1,403,966	4,228,994	4,221,835
Other comprehensive income for the period	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>1,429,553</u>	<u>1,403,966</u>	<u>4,228,994</u>	<u>4,221,835</u>
Attributable to:				
- Owners of the holding company	1,432,557	1,411,830	4,242,765	4,238,881
- Non-controlling interest	(3,004)	(7,864)	(13,771)	(17,046)
	<u>1,429,553</u>	<u>1,403,966</u>	<u>4,228,994</u>	<u>4,221,835</u>

The annexed notes from 1 to 17 form an integral part of these consolidated financial statements.

Vince R. Harris O.B.E.  
Chief Executive

Ali Munir  
Director



**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM CONSOLIDATED**  
**BALANCE SHEET (UNAUDITED)**  
**AS AT MARCH 31, 2011**

	Note	Mar 2011 (Rs. '000s)	Jun 2010 (Rs. '000s)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed Assets			
Property, plant and equipment	7	58,804,977	53,981,348
Intangibles		1,421,721	1,424,160
Stores and spares		637,023	637,023
Other assets		70,886	25,023
<b>CURRENT ASSETS</b>			
Inventory of fuel oil		3,212,730	1,559,876
Trade debts	8	99,407,699	66,712,461
Advances, deposits, prepayments and other receivables		1,728,719	764,397
Cash and bank balances		1,954,335	927,940
		106,303,483	69,964,674
<b>TOTAL ASSETS</b>		<b>167,238,090</b>	<b>126,032,228</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVE</b>			
<b>Share Capital</b>			
Authorised		12,000,000	12,000,000
Issued, subscribed and paid-up		11,571,544	11,571,544
<b>Revenue Reserve</b>			
Unappropriated profit		16,654,254	18,196,909
Attributable to owners of the holding company		28,225,798	29,768,453
<b>NON-CONTROLLING INTEREST</b>		615,971	357,415
		28,841,769	30,125,868
<b>NON-CURRENT LIABILITIES</b>			
Long term loans	9	30,363,116	25,453,790
Liabilities against assets subject to finance lease		-	943
Share premium payable		-	41,208
Deferred liabilities		14,527	15,781
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	96,625,129	60,582,340
Interest / mark-up accrued		1,391,776	1,412,109
Short term borrowings	11	8,087,913	6,743,596
Current maturity of long term loans		1,906,767	1,655,930
Current maturity of liabilities against assets subject to finance lease		-	663
Taxation - provisions less payments		7,093	-
		108,018,678	70,394,638
<b>COMMITMENTS AND CONTINGENCIES</b>	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>167,238,090</b>	<b>126,032,228</b>

The annexed notes from 1 to 17 form an integral part of these consolidated financial statements.

Vince R. Harris O.B.E.  
Chief Executive

Ali Munir  
Director



**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM CONSOLIDATED**  
**CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2011**

	Note	9 months ended Mar 2011 (Rs. '000s)	9 months ended Mar 2010 (Rs. '000s)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		4,244,650	4,221,835
Adjustments for:			
Depreciation		1,290,877	1,291,347
Amortisation		3,120	1,269
Gain on disposal of fixed assets		(25)	(487)
Deferred income realised		(249)	(118)
Staff gratuity		10,705	20,019
Interest income		(26,498)	(18,070)
Interest / mark-up		1,730,506	1,101,650
Operating profit before working capital changes		<u>7,253,086</u>	<u>6,617,445</u>
Working capital changes		(1,942,196)	(2,742,686)
Cash generated from operations		<u>5,310,890</u>	<u>3,874,759</u>
Interest received		31,468	7,036
Interest / mark-up paid		(1,818,100)	(1,402,083)
Staff gratuity paid		(12,402)	(8,657)
Taxes paid		(6,215)	-
Net cash from operating activities		<u>3,505,641</u>	<u>2,471,055</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(6,106,689)	(14,575,178)
Proceeds from disposal of fixed assets		4,022	2,127
Share premium paid		(230,216)	(585,578)
Other assets		(45,863)	296,846
Net cash used in investing activities		<u>(6,378,746)</u>	<u>(14,861,783)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares to minority shareholders		272,679	212,858
Advance against issue of shares to minority shareholders		-	71,570
Dividends paid to owners of the holding company		(2,890,284)	(2,311,299)
Proceeds from long term loans - Narowal (net)		(4,640)	13,448,023
Proceeds from long term loans - Laraib's investment (net)		2,559,394	-
Proceeds from long term loans - Subsidiary (net)		3,809,754	1,987,350
Repayment of long term loans		(979,061)	(979,061)
Repayment of long term loans - Narowal		(211,053)	-
Repayment of finances under mark-up arrangements - Narowal		-	(1,148,890)
Short term borrowing from an associated undertaking of the subsidiary		-	43,000
Repayment of short term borrowing from an associated undertaking of the subsidiary		-	(43,000)
Repayment of liabilities against assets subject to finance lease		(1,606)	(1,334)
Net cash from financing activities		<u>2,555,183</u>	<u>11,279,217</u>
Net decrease in cash and cash equivalents		(317,922)	(1,111,511)
Cash and cash equivalents at the beginning of the period		(5,815,656)	(1,410,210)
Cash and cash equivalents at the end of the period	15	<u><u>(6,133,578)</u></u>	<u><u>(2,521,721)</u></u>

The annexed notes from 1 to 17 form an integral part of these consolidated financial statements.

Vince R. Harris O.B.E.  
Chief Executive

Ali Munir  
Director



**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM CONSOLIDATED**  
**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2011**

	<b>9 months ended Mar 2011 (Rs. '000s)</b>	<b>9 months ended Mar 2010 (Rs. '000s)</b>
<b>Attributable to owners of the holding company</b>		
Issued capital		
Balance at the beginning of the period	11,571,544	11,571,544
Balance at the end of the period	<u>11,571,544</u>	<u>11,571,544</u>
Unappropriated profit		
Balance at the beginning of the period	18,196,909	17,912,568
Total comprehensive income for the period	4,242,765	4,238,881
Final dividend for the fiscal year 2009-2010 @ Rs. 2.50 (2008-2009 @ Rs. 2.00) per share	(2,892,886)	(2,314,309)
Interim dividend for the fiscal year 2010-2011 @ Rs. 2.50 (2009-2010: @ Rs. 2.50) per share	(2,892,886)	(2,892,886)
Reduction in controlling interest of the holding company	352	1,126
Balance at the end of the period	<u>16,654,254</u>	<u>16,945,380</u>
Attributable to owners of the holding company	<u>28,225,798</u>	<u>28,516,924</u>
<b>Advance against issue of shares to minority shareholders</b>		
Balance at the beginning of the period	-	-
Advance received during the period	-	284,428
Shares issued during the period	-	(212,858)
Balance at the end of the period	<u>-</u>	<u>71,570</u>
<b>Non-controlling interest</b>		
Balance at the beginning of the period	357,415	95,687
Shares issued during the period	272,679	212,858
Total comprehensive income for the period	(13,771)	(17,046)
Reduction in controlling interest of the holding company	(352)	(1,126)
Balance at the end of the period	<u>615,971</u>	<u>290,373</u>
<b>Total equity</b>	<u><u>28,841,769</u></u>	<u><u>28,878,867</u></u>

The annexed notes from 1 to 17 form an integral part of these consolidated financial statements.

Vince R. Harris O.B.E.  
Chief Executive

Ali Munir  
Director



**THE HUB POWER COMPANY LIMITED**  
**NOTES TO THE CONDENSED INTERIM**  
**CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2011**

**1. STATUS AND NATURE OF BUSINESS**

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

The Group consists of:

- The Hub Power Company Limited (the holding company); and
- Laraib Energy Limited (the subsidiary) – Holding of 75.12%.

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

**2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation followed for the preparation of these condensed interim consolidated financial statements are same as those applied in preparing the consolidated financial statements for the year ended June 30, 2010. During the period, the subsidiary has recognised a provision for current taxation based on taxable income at the applicable rates of taxation determined in accordance with the prevailing law for taxation. The charge for current tax includes adjustments for prior years, if any.

**3. BASIS OF PREPARATION**

These unaudited condensed interim consolidated financial statements have been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" as applicable in Pakistan and are being submitted to the shareholders of the holding company as required under Section 245 of the Ordinance.

	Note	3 months ended Mar 2011 (Rs. '000s)	3 months ended Mar 2010 (Rs. '000s)	9 months ended Mar 2011 (Rs. '000s)	9 months ended Mar 2010 (Rs. '000s)
<b>4. OPERATING COSTS</b>					
Residual fuel oil		27,490,019	22,106,244	69,735,480	61,818,391
Operation & Maintenance	4.1	746,031	689,438	2,099,371	2,007,970
Insurance		121,810	120,008	365,714	360,281
Depreciation		423,550	424,054	1,270,980	1,272,152
Amortisation		-	-	-	302
Miscellaneous		110,227	242,618	373,766	512,086
		<u>28,891,637</u>	<u>23,582,362</u>	<u>73,845,311</u>	<u>65,971,182</u>

4.1 This represents services rendered by an associated company under Operation & Maintenance Agreement.

	3 months ended Mar 2011 (Rs. '000s)	3 months ended Mar 2010 (Rs. '000s)	9 months ended Mar 2011 (Rs. '000s)	9 months ended Mar 2010 (Rs. '000s)
<b>5. FINANCE COSTS</b>				
<i> Holding company</i>				
Interest / mark-up on long term loans	220,811	251,095	710,432	808,065
Mark-up on short term borrowings	301,279	131,129	835,356	266,129
Miscellaneous finance costs	33,422	37,477	93,129	79,167
	<u>555,512</u>	<u>419,701</u>	<u>1,638,917</u>	<u>1,153,361</u>
<i> Narowal</i>				
Interest / mark-up on long term loans	751,089	673,417	2,225,020	1,542,605
Mark-up on short term borrowings	-	-	-	15,150
Other finance costs	18,582	13,786	44,956	160,399
	<u>769,671</u>	<u>687,203</u>	<u>2,269,976</u>	<u>1,718,154</u>
<i> Laraib's investment</i>				
Interest / mark-up on long term loans	100,235	-	184,666	-
Mark-up on short term borrowings	-	18,302	-	24,011
Unwinding of discount on share premium payable	8,831	21,565	33,684	21,565
Other finance costs	9,155	9,323	32,229	53,095
	<u>118,221</u>	<u>49,190</u>	<u>250,579</u>	<u>98,671</u>
	<u>1,443,404</u>	<u>1,156,094</u>	<u>4,159,472</u>	<u>2,970,186</u>
Less: amount capitalised in the cost of qualifying assets - Narowal	(758,866)	(687,203)	(2,259,098)	(1,718,154)
Finance cost of the holding company	<u>684,538</u>	<u>468,891</u>	<u>1,900,374</u>	<u>1,252,032</u>
<i> Subsidiary</i>				
Interest / mark-up on long term loans	117,891	42,732	268,197	44,015
Mark-up on salary payable to ex-CEO	-	-	-	837
Mark-up on short term borrowings from ex-CEO	-	-	-	122
Mark-up on short term borrowings	-	(10)	-	2,308
Finance charges on leased assets	-	47	50	178
Other finance costs	14,801	34,212	56,760	216,636
Bank charges	81	81	1,178	3,370
	<u>132,773</u>	<u>77,062</u>	<u>326,185</u>	<u>267,466</u>
Less: amount capitalised in the cost of qualifying assets - Subsidiary	(132,692)	(76,944)	(324,957)	(260,651)
Finance cost of the subsidiary	<u>81</u>	<u>118</u>	<u>1,228</u>	<u>6,815</u>
	<u>684,619</u>	<u>469,009</u>	<u>1,901,602</u>	<u>1,258,847</u>
<b>6. WORKERS' PROFIT PARTICIPATION FUND</b>				
Provision for Workers' profit participation fund	72,082	71,792	214,223	214,559
Payment of Workers' profit participation fund recoverable from WAPDA	(72,082)	(71,792)	(214,223)	(214,559)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The holding company is required to pay 5% of its profit to the Workers' profit participation fund (the "Fund"). However, such payment does not affect the holding company's overall profitability because after payment to the Fund, the holding company bills this to WAPDA as a pass through item under the Power Purchase Agreement (PPA).

	Note	Mar 2011 (Rs. '000s)	Jun 2010 (Rs. '000s)
<b>7. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating property, plant and equipment		26,362,303	27,609,409
Capital work-in-progress			
Plant betterments		55,995	42,685
Narowal	7.2	24,119,795	21,973,584
Subsidiary		8,266,884	4,355,670
		<u>32,442,674</u>	<u>26,371,939</u>
	7.1	<u>58,804,977</u>	<u>53,981,348</u>



7.1 Additions to property, plant and equipment during the period were Rs. 6,123.826 million (June 2010:Rs. 17,489.317 million) and disposals therefrom at net book value were Rs. 3.997 million (June 2010: Rs. 6.348 million).

7.2 This includes total Liquidated Damages from the EPC contractor for delay in achieving commercial operations date.

	Note	Mar 2011 (Rs. '000s)	Jun 2010 (Rs. '000s)
<b>8. TRADE DEBTS - Secured</b>			
Considered good	8.1	99,407,699	66,712,461

8.1 This includes an amount of Rs. 85,650 million (June 2010: Rs. 57,764 million) from WAPDA which is overdue but not impaired because the trade debts are secured by a guarantee from the Government of Pakistan under the Implementation Agreement. The overdue amount carries interest / mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

	Note	Mar 2011 (Rs. '000s)	Jun 2010 (Rs. '000s)
<b>9. LONG TERM LOANS - Secured</b>			
<b>Holding company</b>			
Hub plant		5,333,975	6,313,037
Narowal plant		18,571,721	18,787,414
Laraib's investment			
Syndicated term finance facility	9.1	2,173,474	-
Islamic finance facility	9.2	459,000	-
Transaction cost		(73,080)	-
		2,559,394	-
	9.3	26,465,090	25,100,451
Less : Current portion of long term loans		(1,906,767)	(1,655,930)
Long term loans of the holding company		24,558,323	23,444,521

**Subsidiary**

Foreign currency loans		4,973,190	1,990,985
Local currency loans		1,385,000	555,000
Transaction cost		(553,397)	(536,716)
Long term loans of the subsidiary		5,804,793	2,009,269
		30,363,116	25,453,790

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

9.2 The holding company has also entered into a long term islamic financing arrangement with a bank for an amount of Rs. 759 million to meet its investment obligations in the subsidiary. The loan is repayable in nine equal installments on semi-annual basis following the six months after the end of availability period which is 42 months from the facility effective date at a mark-up rate of six months KIBOR plus 2.20% per annum. The facility became effective on November 24, 2010. The mark-up is payable on semi-annual basis in arrear starting from the availability period. Any late payment by the holding company is subject to an additional payment of 2% per annum above the normal mark-up rate. This loan is secured by way of second ranking / subordinated charge over all present and future undertaking and assets of the holding company other than: (i) assets relating to the Narowal power plant; (ii) Commercial Facility Disbursement Account; (iii) any shares in Demerged Company (special purpose vehicle that the holding company may incorporate under the laws of Pakistan for the purpose of construction, ownership, operations & maintenance of Narowal project); and (iv) present and future shares acquired in the subsidiary including bonus shares and right shares.

9.3 Included herein is a sum of Rs. 1,942.811 million (June 2010: Rs. 1,711.571 million) out of the total available facilities of Rs. 3,000 million (June 2010: Rs. 2,000 million) from an associated undertaking.



## 10. TRADE AND OTHER PAYABLES

This includes an amount of Rs. 88,241 million (June 2010: Rs. 55,532 million) payable to Pakistan State Oil, out of which overdue amount is Rs. 75,423 million (June 2010: Rs. 48,769 million). The overdue amount carries interest / mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

	Mar 2011 (Rs. '000s)	Jun 2010 (Rs. '000s)
<b>11. SHORT TERM BORROWINGS - Secured</b>		
Finances under mark-up arrangements	<u>8,087,913</u>	<u>6,743,596</u>

11.1 The facilities for running finance available from various banks amounted to Rs. 10,000 million (June 2010: Rs. 9,300 million) at mark-up ranging between 0.75% to 3.00% per annum above one month KIBOR. The mark-up on the facilities is payable on monthly / quarterly basis in arrears. The facilities will expire during the period from April 30, 2011 to March 11, 2012. These facilities are secured by way of charge over the trade debts and stocks of the holding company pari passu with the existing charge. Any late payment by the holding company is subject to an additional payment of 2% per annum above the normal mark-up rate.

11.2 This includes a sum of Rs. 367.404 million (June 2010: Rs. Nil) payable to an associated undertaking. The available facility amounts to Rs. 2,000 million (June 2010: Rs. Nil).

## 12. COMMITMENTS AND CONTINGENCIES

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

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

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

Both HUBCO and WAPDA agreed that this petition should proceed and a judgment obtained on merits. During the quarter, the petition was dismissed by the High Court (HC). Against the decision of the HC, the holding company has filed petition for leave to appeal before the Supreme Court. No provision has been made in these consolidated financial statements as any payment made by the holding company is a pass through item under the PPA.

Following the amendments made by the Finance Act 2006 to the Companies Profits (Workers' Participation) Act, 1968 (the Act), the holding company established the Hubco Workers' Participation Fund on August 03, 2007 to allocate the amount of annual profits stipulated by the Act for distribution amongst worker(s) eligible to receive such benefits under the Act and any amendments thereto from time to time (see note 6).

12.2 In connection with the Narowal power plant, under the Fuel Supply Agreement the holding company is committed to purchase certain quantity of oil from Bakri Trading Company Pakistan (Pvt.) Ltd. and provide Stand By Letter of Credit (SBLC) for an amount of approximately Rs. 3,000 million.

During the quarter, the holding company has provided SBLC for an amount of Rs. 1,000 million for an interim period. This SBLC will expire on May 21, 2011 and is secured by way of charge over the trade debts and stocks of the holding company pari passu with the existing charge. Any late payment by the holding company is subject to a mark-up rate of one month KIBOR plus 4.00% per annum.



### 13. SEGMENT ANALYSIS

#### 13.1 SEGMENT RESULTS

	..... 3 months ended Mar 2011.....				
	Hub power plant	Narowal power plant	Laraib power plant	Unallocated	Total
	..... (Rs. '000s) .....				
Turnover	31,126,227	-	-	-	31,126,227
Operating costs	(28,891,637)	-	-	-	(28,891,637)
<b>GROSS PROFIT</b>	<b>2,234,590</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,234,590</b>
Other income - net	1,883	(1,790)	5,226	-	5,319
General and administration expenses	(90,154)	(17,915)	(12,279)	(442)	(120,790)
Finance costs	(555,512)	(10,805)	(81)	(118,221)	(684,619)
Workers' profit participation fund					-
Profit before taxation	1,590,807	(30,510)	(7,134)	(118,663)	1,434,500
Taxation - current					
- for the period	-	-	(4,947)	-	(4,947)
- prior years	-	-	-	-	-
<b>PROFIT FOR THE PERIOD</b>	<b>1,590,807</b>	<b>(30,510)</b>	<b>(12,081)</b>	<b>(118,663)</b>	<b>1,429,553</b>
	..... 3 months ended Mar 2010.....				
	Hub power plant	Narowal power plant	Laraib power plant	Unallocated	Total
	..... (Rs. '000s) .....				
Turnover	25,577,990	-	-	-	25,577,990
Operating costs	(23,582,362)	-	-	-	(23,582,362)
<b>GROSS PROFIT</b>	<b>1,995,628</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,995,628</b>
Other income - net	1,835	-	9,480	-	11,315
General and administration expenses	(81,583)	(10,907)	(41,227)	(251)	(133,968)
Finance costs	(419,701)	-	(118)	(49,190)	(469,009)
Workers' profit participation fund					-
Profit before taxation	1,496,179	(10,907)	(31,865)	(49,441)	1,403,966
Taxation - current					
- for the period	-	-	-	-	-
- prior years	-	-	-	-	-
<b>PROFIT FOR THE PERIOD</b>	<b>1,496,179</b>	<b>(10,907)</b>	<b>(31,865)</b>	<b>(49,441)</b>	<b>1,403,966</b>
	..... 9 months ended Mar 2011.....				
	Hub power plant	Narowal power plant	Laraib power plant	Unallocated	Total
	..... (Rs. '000s) .....				
Turnover	80,328,346	-	-	-	80,328,346
Operating costs	(73,845,311)	-	-	-	(73,845,311)
<b>GROSS PROFIT</b>	<b>6,483,035</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,483,035</b>
Other income - net	17,593	(1,795)	12,395	85	28,278
General and administration expenses	(265,800)	(47,360)	(50,978)	(923)	(365,061)
Finance costs	(1,638,917)	(10,878)	(1,228)	(250,579)	(1,901,602)
Workers' profit participation fund					-
Profit before taxation	4,595,911	(60,033)	(39,811)	(251,417)	4,244,650
Taxation - current					
- for the period	-	-	(11,986)	-	(11,986)
- prior years	-	-	(3,670)	-	(3,670)
<b>PROFIT FOR THE PERIOD</b>	<b>4,595,911</b>	<b>(60,033)</b>	<b>(55,467)</b>	<b>(251,417)</b>	<b>4,228,994</b>



	..... 9 months ended Mar 2010.....				
	Hub power plant	Narowal power plant	Laraib power plant	Unallocated	Total
	..... (Rs. '000s) .....				
Turnover	71,745,519	-	-	-	71,745,519
Operating costs	(65,971,182)	-	-	-	(65,971,182)
<b>GROSS PROFIT</b>	<u>5,774,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,774,337</u>
Other income - net	37,020	6	13,342	-	50,368
General and administration expenses	(231,020)	(35,163)	(75,870)	(1,970)	(344,023)
Finance costs	(1,153,361)	-	(6,815)	(98,671)	(1,258,847)
Workers' profit participation fund					-
Profit before taxation	<u>4,426,976</u>	<u>(35,157)</u>	<u>(69,343)</u>	<u>(100,641)</u>	<u>4,221,835</u>
Taxation - current					
- for the period	-	-	-	-	-
- prior years	-	-	-	-	-
<b>PROFIT FOR THE PERIOD</b>	<u>4,426,976</u>	<u>(35,157)</u>	<u>(69,343)</u>	<u>(100,641)</u>	<u>4,221,835</u>

The unallocated items relate to costs incurred by the holding company for investment in the subsidiary.

### 13.2 SEGMENT ASSETS

	..... Mar 2011.....				
	Hub power plant	Narowal power plant	Laraib power plant	Unallocated	Total
	..... (Rs. '000s) .....				
<b>TOTAL ASSETS</b>	<u>129,880,507</u>	<u>26,996,377</u>	<u>10,355,119</u>	<u>6,087</u>	<u>167,238,090</u>

  

	..... Jun 2010.....				
	Hub power plant	Narowal power plant	Laraib power plant	Unallocated	Total
	..... (Rs. '000s) .....				
<b>TOTAL ASSETS</b>	<u>98,086,517</u>	<u>21,992,687</u>	<u>5,946,832</u>	<u>6,192</u>	<u>126,032,228</u>



	Note	9 months ended Mar 2011 (Rs. '000s)	9 months ended Mar 2010 (Rs. '000s)
<b>14. TRANSACTIONS WITH RELATED PARTIES / ASSOCIATED UNDERTAKINGS</b>			
Amounts paid for services rendered	14.1	2,537,507	2,535,690
Reimbursement of expenses and others		1,987	1,261
Proceeds from long term loans		250,000	1,195,380
Repayment of long term loans		18,760	-
Short term borrowing from an associated undertaking of the subsidiary		-	43,000
Repayment of short term borrowing from an associated undertaking of the subsidiary		-	43,000
Mark-up on long term loans		216,785	137,444
Mark-up on short term borrowings		24,013	-
Other finance costs		104,275	52,611
Mark-up on short term borrowings from subsidiary's ex-CEO		-	122
Mark-up on salary payable to subsidiary's ex-CEO		-	837
Remuneration to key management personnel:			
Salaries, benefits and other allowances		63,435	64,490
Retirement benefits		6,381	8,093
	14.2	69,816	72,583
Fees	14.3	3,000	1,925
Contribution to staff retirement benefit plans		19,599	14,788

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

14.2 Transactions with key management personnel are carried out under the terms of their employment. Key management personnel are also provided with the use of Company maintained automobiles.

14.3 This represents fee paid to four directors of the holding company.

14.4 The transactions with associated companies are made under normal commercial terms and conditions.

	9 months ended Mar 2011 (Rs. '000s)	9 months ended Mar 2010 (Rs. '000s)
<b>15. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	1,954,335	1,807,830
Finances under mark-up arrangements	(8,087,913)	(4,329,551)
	(6,133,578)	(2,521,721)

#### 16. DATE OF AUTHORISATION

These condensed interim consolidated financial statements were authorised for issue on April 19, 2011 in accordance with the resolution of the Board of Directors of the holding company.

#### 17. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Vince R. Harris O.B.E.  
Chief Executive

Ali Munir  
Director