

THE HUB POWER COMPANY LIMITED

(Annual Report 1996)

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COMPANY INFORMATION

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

Registered Office: C/o Ford, Rhodes, Robson, Morrow
2nd Floor, Khyber Plaza,
96-West, Blue Area,
Fazal-ul-Haq Road,
Islamabad.

Company Secretary: S. Khurshid Husain

Principal Bankers: *Account Banks:*
· National Development Finance Corporation, Karachi & Islamabad
· Citibank N.A., Karachi
· Bank of Tokyo- Mitsubishi (UK) Limited, London
· The Sakura Bank Limited, London
· Banco di Napoli International S.A., Luxembourg

Inter-Creditor Agent:
Citibank International, plc, London

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

Auditors: Ford, Rhodes, Robson, Morrow

Registrar: Ford, Rhodes, Robson, Morrow

NOTICE OF FIFTH ANNUAL GENERAL MEETING

Notice is hereby given that the Fifth Annual General Meeting of the Company will be held on Wednesday, November 20, 1996 at 2.00 p.m. at 250-A, Street No. 23, Sector E-7, Islamabad to transact the following business:

1. To confirm the minutes of the Fourth Annual General Meeting & the Extraordinary General Meeting of the Company both held on November 15, 1995.
2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 1996 and the Directors' & Auditors' Reports thereon.
3. To appoint the Auditors and fix their remuneration.

Karachi: August 21, 1996

By Order of the Board

S. Khurshid Husain
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from November 11, 1996 to November 21, 1996 (both days included).
2. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on a member's behalf. A Proxy need not be a member of the Company.
3. Duly completed forms of proxy must be deposited with the Company Secretary at the Head Office of the Company not later than 48 hours before the time appointed for the meeting.
4. Shareholders are requested to notify any change in their address immediately.

BOARD OF DIRECTORS

Mr. M. A. Alireza H.I.
Chairman
Other directorships
Xenel Industries Ltd.

& other Xenel Group Companies
Xenel International Ltd.

Mr. P. H. Smith
Vice Chairman
Other directorships
Electra Insurance Ltd.
National Power International Holdings BV.
Kot Addu Power Co. Ltd.
Electricity Pensions Trustee Ltd.

Mr. D. M. Woodroffe
Chief Executive

Mr.Y. Asahata
Other directorships
Hub Power Japan Corp.

Mr. P.R Bennett
Other directorships
Kot Addu Power Co. Ltd.

Mr. C. J. Brown
Other appointments
Vice President &
General Manager
Europe Energy

Mr. B. Chang
Other directorships
Promet Berhad & Group
Task Technology Ltd.
Taisun Group of Company
Asia Petroleum Ltd.
Fauji Oil Terminal Co. Ltd.
Pakistan Power Ltd.

Mr. C. R.W. Masterson
Other directorships
National Power Share Schemes Ltd.
Electricity Pensions Trustees Ltd.
De Haviland Aircraft Museum Ltd.

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

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

Mr. S. N. A. Shah
Other directorships
Jahangir Siddiqui & Co. Ltd.
Philips Electrical Industries (Pak) Ltd.
Forbes, Forbes, Campbell & Co. Ltd.
National Discounting Services Ltd.

Mr. M. A. Tumbi
Other appointments
General Manager Finance, Xenel

Mr. S. J. K. Wheeler
Other directorships & appointments
American National Power, Inc.
Dagenham & Barking Management Ltd.
Vice President, National Power of America Inc.

Mr. P. J. Windsor
Other directorships
American National Power, Inc.
National Power International Holdings BV.
National Power International Ltd.
National Power of America, Inc.
National Power Polska Spolka z.o.o.
Tejo Energia.

Mr. K. Iqbal
Nominee of
National Development
Finance Corporation

Capt. F. Ahmed Zai
Nominee of
Government of Balochistan

Mr. S. Potter

Nominee of
Commonwealth Development
Corporation

CHAIRMAN'S REVIEW

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

It gives me great pleasure to introduce the Company's Report and Accounts for the year ending June 30, 1996.

This financial year has been one of continued progress with the balance of plant and equipment to complete the construction of the power station delivered to Site. Erection activity reached a peak during the Spring. The remaining civil engineering and electro-mechanical erection works are now close to completion. I am pleased to be able to confirm that all construction milestones that fell due during the year were achieved either on or ahead of the programme. Similar achievements are expected for the coming financial year.

The successful completion of the first unit and the commencement of the supply of electricity to the Water & Power Development Authority are of great significance to both the Company and the Government. The Prime Minister Mohtarma Benazir Bhutto graciously visited Site on July 4 to mark this event. Her visit and the commissioning of the unit attracted the interest of the media and was widely reported internationally.

Progress on completion and commissioning of the remaining three units continues in line with our original expectations and we are programmed for all three units to achieve commercial operation on schedule.

The generation of revenue from the first unit marks the coming of age of our Company and means that next year's Report will also include our first profit and loss account. We are now close to the achievement of the main objective of our Company - Full Commercial Operation of the whole Complex during March 1997.

Finally, I would like to express my appreciation of the achievements of both the Company's contractors and its staff during the year.

Mohamed A. Alireza
Chairman

REPORT OF THE DIRECTORS

The Directors have pleasure in presenting the Annual Report and the Audited Accounts for the year ended June 30, 1996.

Principal Activities

The principal activities of the Company are to design, construct, finance, own operate and maintain a 1292MW oil fired power station in Pakistan.

Finance

During the year the Company drew Rs. 15,861 (1995: Rs. 14,949) million from its secured debt facilities to finance

the Construction Programme. Total drawings to June 30, 1996 amounted to Rs. 33,646 (1995: Rs. 17,785) million. The Construction activity is both on programme and budget and adequate finance is available to the Company to complete the Project.

As required by the Fuel Supply Agreement (FSA) the Company opened a Letter of Credit for a value up to Rs. 600m in favour of Pakistan State Oil. The Company took delivery of supplies of Residual Fuel Oil (RFO) which is the fuel for running the power station. At the year end the Company had stocks of 29,906 metric tonnes of RFO.

Under the terms of the Power Purchase Agreement (PPA) the Water and Power Development Authority (WAPDA) is required to open a Letter of Credit in favour of the Company in respect of its payment obligations under the PPA. As at the year end, the Letter of Credit offered by WAPDA was subject to discussion between WAPDA and the Company in respect of certain technical definitions. In the meantime, WAPDA is fulfilling its payment obligations.

Construction and Commissioning Progress

At the end of the 1995-96 Financial Year the Station has moved from a construction to a commissioning phase culminating in the achievement of full load operation of Unit t at 323 MWs. The status of completion across the turnkey contractor consortium members at June 30, 1996 expressed as percentages is shown in the table below:

	Civil Works %	Turbine/Common Plant %	Boilers %	
Design & procurement	100		99	99
Construction	99		95	90
Commissioning	99		65	55

Progress during the year has been marked by key events as the Station's systems have been brought into service. The principal milestone achievements have been:

- September 5, 1995 desalination plant commissioned.
- December 10, 1995 the 500 KV system interconnection established.
- March 6, 1996 unloading of RFO fuel oil road tankers commenced.
- May 9, 1996 Unit 1 Synchronised to the 500 KV System.
- May 29, 1996 Unit 1 achieved maximum capacity of 323 MWs.

Contractual Completion of Unit 1 was delayed by the contractor for one week due to a boiler fuel oil fire which damaged thermal insulation and cabling. Nevertheless, the Unit achieved its Completion Certificate on July 16, 1996 at the conclusion of a seven day reliability run and was deemed commissioned as of July 8.

Progress to date in the current financial year is to plan and we have achieved the following:

- July 16, 1996 Unit 1 declared available for Commercial Operation.
- July 24, 1996 Unit 2 synchronised to the 500 KV System
- Aug. 13, 1996 Boiler 3 first fired

Unit 2, 3 and 4 are all on programme to achieve their Contractual Completion dates.

Staff

The Company's training and development programmes at all levels has continued throughout the year in order to ensure that employees are equipped to meet the challenges presented by the next stage of the Company's development.

The Company is appreciative of the contribution made and flexibility shown by all its employees during the year.

Social Action and the Environment

The Company recognises its social responsibility in the surroundings in which it operates. During the year the Company supported the efforts of the Balochistan Rural Support Programme to introduce a self help programme into the area for the uplift of the population. In addition, the electrification of five villages closest to the plant, was completed at the Company's cost.

Appropriations

No dividend will be recommended this year as the Company has yet to achieve full commercial operation.

Board of Directors

The current members of the Board are listed separately above. Members of the Board were appointed or resigned as follows:

I. M. H. Preston	<i>(Appointed August 16, 1995)</i>		
T. Matsuya	<i>(Appointed November 15, 1995)</i>		
M. B. Abbasi	<i>(Resigned November 15, 1995)</i>	M. Munawar	<i>(Appointed November 15, 1995)</i>
G.T.B. Camsey	<i>(Resigned November 15, 1995)</i>	P.J. Windsor	<i>(Appointed November 15, 1995)</i>
M. A. Boyd	<i>(Resigned March 6, 1996)</i>	S. Potter	<i>(Appointed March 27, 1996)</i>
T. L. Ogletree	<i>(Resigned August 1, 1996)</i>	C. Brown III	<i>(Appointed August 21, 1996)</i>
M. Munawar	<i>(Resigned August 21, 1996)</i>	K. Iqbal	<i>(Appointed August 21, 1996)</i>
T. Mastuya	<i>(Resigned August 21, 1996)</i>	Y. Asahata	<i>(Appointed August 21, 1996)</i>

Auditors

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

Shareholding Pattern

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

By order of the Board

D. M. Woodroff

Chief Executive

Karachi: 21 August 1996

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of The Hub Power Company Limited as at June 30, 1996 and statement of changes in financial position, together with the notes forming part thereof and we state that We have

obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit and, after due verification thereof, we report that:

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

(b) in our opinion:

(i) the balance sheet and 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 and the statement of changes in financial position, together with the notes forming part thereof give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 1996 and the changes in financial position for the year then ended; and

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

A profit and loss account has not been prepared as the Company has not yet commenced commercial production.

Karachi: September 19, 1996

Ford, Rhodes, Robson, Morrow
Chartered Accountants

**BALANCE SHEET AS
ON 30 JUNE 1996**

	Note	1996 Rs. '000s	1995 Rs. '000s
SHARE CAPITAL			
Authorised			
1,200,000,000 (1995: 1,200,000,000)			
Ordinary shares of Rs. 10 each		12,000,000 =====	12,000,000 =====
Issued, subscribed and paid-up	3	11,571,544	9,026,748
SHARE APPLICATION MONEY		-	1,154,734
LONG-TERM LOANS	4	33,646,284	17,785,041
LONG-TERM LIABILITIES		-	444,787
OBLIGATIONS UNDER FINANCE LEASE	5	-	1,089

DEFERRED LIABILITY- GRATUITY		1,495	1,018
CURRENT LIABILITIES			
Current obligations under finance lease	5	1,089	829
Accrued and other liabilities	6	6,484,415	10,680,112
		6,485,504	10,680,941
COMMITMENTS AND CONTINGENCIES	7	-	-
		-----	-----
		51,704,827	39,094,358
		=====	=====
TANGIBLE FIXED ASSETS			
Operating fixed assets	8	72,464	54,710
Capital work-in-progress	9	35,126,102	28,529,539
PROJECT DEVELOPMENT AND IMPLEMENTATION COSTS	10	10,070,481	6,597,309
LONG-TERM RECEIVABLE		-	121,923
LONG TERM DEPOSITS, PREPAYMENTS AND DEFERRED COSTS	11	2,536,194	2,404,634
CURRENT ASSETS			
Inventory of fuel oil		140,212	-
Advances, deposits, prepayments and other receivables	12	2,672,253	921,840
Cash and bank balances	13	1,087,121	464,403
		-----	-----
		3,899,586	1,386,243
		-----	-----
		51,704,827	39,094,358
		=====	=====

The annexed notes form an integral part of these accounts.
The auditors' report is annexed hereto.

STATEMENT OF CHANGES IN FINANCIAL POSITION
(CASH FLOW STATEMENT)
FOR THE YEAR ENDED JUNE 30, 1996

	1996 Rs. '000s	1995 Rs. '000s
Cash flow from investing activities		
Purchase of fixed assets	(19,770)	(30,812)
Sale proceeds of fixed assets (insurance claim)	630	1,400
Loss on sale of fixed assets	24	275
Capital work-in-progress	(6,595,524)	(15,303,566)
Project development and implementation costs	(3,472,849)	(3,343,146)
Staff gratuity	477	586
Pension	-	(1,057)
Movement in:		
Working capital	(6,086,322)	420,411
Long term receivable	121,923	(121,628)
Long term deposits, prepayments and deferred costs	(131,560)	(2,276,721)
	-----	-----
Net cash used in investing activities	(16,182,971)	(20,654,258)
Cash flow from financing activities		
Proceeds from issue of share capital	1,390,062	8,196,565
Share application money	-	1,154,734
Long term loans	15,861,243	14,948,947
Long term liabilities	(444,787)	444,787
Repayment of:		
Liability under finance lease	(829)	(2,002)
Financing under morabaha arrangement	-	(3,384,732)
Financing under mark-up arrangement	-	(298,200)
Financing under reimbursable grant scheme	-	(3,486)
	-----	-----
Net cash from financing activities	16,805,689	21,056,613
Net increase/('decrease) in cash and cash equivalent	622,718	402,355
Cash and cash equivalent at July 1, 1995	464,403	62,048
	-----	-----
Cash and cash equivalent at June 30, 1996	1,087,121	464,403
	=====	=====
Movement in working capital		

(Increase)/decrease in current assets

Advances, deposits, prepayments and other receivables	(1,750,413)	(527,999)
Inventory of fuel oil	(140,212)	-
Increase/(decrease) in current liabilities		
Accrued and other liabilities	(4,195,697)	948,410
	-----	-----
	(6,086,322)	420,411
	=====	=====

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 1996**

1. THE COMPANY AND ITS OPERATIONS

The Hub Power Company Limited (the "Company") was incorporated in Pakistan on August 1, 1991 as a public limited company under the Companies Ordinance, 1984. The shares of the Company are listed on the Karachi Stock Exchange and its Global Depository Receipts are listed on the Luxembourg Stock Exchange. The principal activities of the Company are to design, construct, finance, own, operate and maintain an oil-fired power-station with four generating units with a total initial installed capacity of 1,292 MW in Tehsil Hub, District Lasbella, Balochistan. The Company has not yet commenced commercial production and, therefore, a profit and loss account has not been prepared. Subsequent to the year end, the first generating unit went into commercial operation.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting convention

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

2.2. Tangible fixed assets

(a) Owned

These are stated at cost. No depreciation has been charged on the fixed assets as the Company has not yet commenced commercial production.

(b) Leased

Assets held under finance lease are stated at cost with no depreciation charged thereon. The outstanding obligations under finance lease less finance charges allocated to future periods are shown as a liability. The financial charge to date is calculated at the interest rate implicit in the lease and is included in Project Development and Implementation Costs.

2.3 Capital work-in-progress

Capital work-in-progress is stated at cost. It includes mobilisation advances and progress payments made and costs accrued for the Construction Consortium and other contractors including Site Supervision contractors together with income-tax accrued thereon, custom duties, taxes and other

levies, claims, construction insurance and other costs after recoveries.

2.4 Project development and implementation costs

These consist of expenses incurred on planning, management, administration and financing of the project. Such expenses are being accumulated during the development and construction of the project and will be capitalised when the Company commences full commercial production.

2.5 Deferred costs

These consist of preliminary expenses incurred in connection with the incorporation of the Company including the discount on the issue of shares, brokers' fees, underwriting fees, commissions and other share floatation costs. These will be written off over a period of five years starting with the financial year in which the Company commences full commercial production.

2.6 Staff retirement benefits

The Company operates an unfunded gratuity scheme covering eligible employees whose period of service with the Company is five years or more. An accrual is made to cover the period of service completed by the employees. Gratuity, however, is payable only on completion of the prescribed qualifying period of service of five years. In addition to the gratuity scheme, the Company also operates a fully funded provident fund scheme for all its employees who are eligible for the benefits. Contributions thereto are made in accordance with the terms of the scheme.

2.7 Inventory of fuel oil

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

2.8 Foreign currency translation

Transactions in foreign currencies are translated into rupees at the rates of exchange in effect at the date of transactions. Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange ruling on the balance sheet date except for foreign currency loans covered under the Foreign Exchange Risk Insurance Scheme (FERI) in which case rates contracted for are used. Exchange differences are included under Project Development and Implementation Costs.

2.9 Taxation

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

3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

Fully paid ordinary shares of Rs. 10/- each,

1996	1995	1996	1995
(No. of Shares)		(Rs. '000)	
	Issued for cash		

703,299,876	720,048	At beginning of the year	7,032,999	7,200
115,473,441	702,579,828	During the year	1,154,734	7,025,798
818,773,317	703,299,876		8,187,733	7,032,998
	Issued for consideration other than cash			
199,374,923	81,939,658	At beginning of the year	1,993,749	819,397
139,006,147	117,435,265	During the year	1,390,062	1,174,353
338,381,070	199,374,923		3,383,811	1,993,750
-----	-----		-----	-----
1,157,154,387	902,674,799		11,571,544	9,026,748
=====	=====		=====	=====

4. LONG-TERM LOANS - Secured

Title/Source of loan/Other details	Interest rate per annum	Facility amount (Original currency) ('000)

SENIOR LOANS		
<i>From Banks</i>		
Under the World Bank Expanded Cofinancing Operation (ECO) - guaranteed loan	LIBOR plus ECO Margin Refer Note 4.4	ECU 29,000 FRF 157,000 JPY 2,000,000 USD Refer Note. 4.1 163,000
Under the Export-Import Bank of Japan (JEXIM) - guaranteed loan	TIBOR plus JEXIM Margin Refer Note 4.4	JPY Refer Note 4.1 13,422,000
Under the Compagnie Francaise d'Assurance pour le Commerce Exterieur of France (COFACE) - Insured loan	5.95%	FRF 267,080
Under the Ministry of International Trade and Industry of Japan (MITI) - Insured loan	7.20%	JPY 9,660,000
Under the Sezione Speciale per Assicurazione del Credito all Esportazione of Italy (SACE) - Insured loan	5.95% Refer Note 4.5	ECU 174,900
Commonwealth Development Corporation	11.00%	GBP 25,000

of the UK

From Financial Institution

Senior Rupee Facility Refer Note 4.6 PKR Refer Note 4.1 3,012,000

SUBORDINATED LOANS

From Financial Institution

Private Sector Energy Development Fund (PSEDF) - 1 Facility - Refer Note 4.6	14%	PKR Refer Note 4.8	511,024
		USD Refer Note 4.1	157,644
		JPY Refer Note 4.1 & 4.9	27,000,000
		FRF	167,700
		ITL	78,161,000
Private Sector Energy Development Fund (PSEDF) - 2 Facility	Refer Note 4.7	USD Refer Note 4.1	110,000
		JPY Refer Note 4.1 & 4.10	13,722,000
		FRF	51,913

Amount drawn (Original currency) ('000)		Unavailed credit facility (Original currency) ('000)		Amount drawn (Rupees '000) (1996)	Amount drawn (Rupees '000) (1995)
ECU	24,902	ECU	4,098	973,114	869,343
FRF	35,867	FRF	121,133	222,744	127,145
JPY	1,005,438	JPY	994,562	327,481	-
USD	53,672	USD	109,328	1,756,996	643,422
JPY	11,185,000	JPY	2,237,000	3,700,658	1,413,455
FRF	267,080	FRF	-	1,644,056	1,282,367
JPY	9,660,000	JPY	-	3,238,125	311,286
ECU	166,290	ECU	8,610	6,682,762	4,756,721
GBP	25,000	GBP	-	1,199,108	1,199,108
PKR	1,907,025	PKR	1,104,975	1,907,025	300,012
PKR	511,024	PKR	-	511,024	511,024
USD	110,674	USD	46,970	3,396,120	2,701,175
JPY	10,466,732	JPY	16,533,268	3,546,209	666,597
FRF	167,700	FRF	-	884,864	884,864
ITL	78,161,000	ITL	-	1,508,323	1,451,402
USD	28,073	USD	81,927	910,046	395,732
JPY	2,636,410	JPY	11,085,590	913,536	271,388

FRF	50,186 FRF	1,727	324,093	-
			-----	-----
			33,646,284	17,785,041

Currency Abbreviations: ECU: European Currency Unit, FRF: French Francs, GBP Pound Sterling, ITL: Italian Lira, JPY: Japanese Yen, PKR: Pakistan Rupees, USD: US Dollar

4.1 The Facility Amount in the above table are inclusive of Standby Facilities in the following amounts:

Senior Loans

ECO Facility	USD	40.0 million
JEXIM Facility	JPY	2,237.0 million
Senior Rupee Facility	PKR	753.0 million

Subordinated Loans

PSEDF 1 Facility		
- World Bank	USD	24.0 million
- JEXIM	JPY equivalent to USD	24.0 million
PSEDF 2 Facility		
- World Bank	USD	29.0 million
- JEXIM	JPY equivalent to USD	29.0 million

The Standby Facilities can only be drawn after the Base Facilities have been completely utilised.

4.2 The Senior Loans (other than the Senior Rupee Facility) are repayable in 16 semi-annual instalments due on the Payment Dates (i.e. January 10 and July 10) each year commencing at the end of the Availability Period of the loans. It is expected that repayment will commence from January 10, 1998 onwards. In case of the Senior Rupee Facility, the Marked-up Price is payable in semi-annual instalments on the Payment Dates, as per the schedule attached to the Senior Rupee Facility Agreement.

4.3 The Senior Loans are available in various currencies and each loan is secured pari passu as provided in the Project Co-ordination Agreement, by way of:

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

- (i) the tangible moveable property of the Company;
- (ii) the intellectual property of the Company; and
- (iii) all goodwill belonging to the Company.

(b) a first floating charge on the whole of the Company's undertaking and assets, present and

future, other than any assets for the time being effectively charged by way of fixed charge.

(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 Lasbela, Islamabad and Karachi together with all rights of easements, privileges and licences appurtenant thereto.

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

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

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

(iii) the SACE Reserve Account and all notices of assignment given pursuant thereto for the benefit of the trustee for the SACE Facility Agent and the SACE Lenders.

(iv) the Rupee Mark Up Reserve Account and all notices of assignment given pursuant thereto for the benefit of the Senior Rupee Facility Agent and the Senior Rupee Lenders.

4.4 With respect to the ECO/JEXIM facilities:

(a) The Base Facility margin means;

(i) at all times up to and including the eighth anniversary of the date of the ECO/JEXIM Facility Agreements (i.e. September 30, 2002), 2% per annum; and

(ii) thereafter, 2.25% per annum; and

(b) The Standby Facility margin means;

(i) at all times up to and including the eighth anniversary of the date of the ECO/JEXIM Facility Agreements (i.e. September 30, 2002), 2.5% per annum; and

(ii) thereafter, 2.75% per annum.

The applicable ECO/JEXIM Margin will be reduced by 0.25% per annum in respect of any period immediately following a Payment Date (i.e. January 10 and July 10) at which the Actual Annual Covered Ratio (as most recently calculated pursuant to the Project Co-ordination Agreement) was greater than or equal to 2:1.

4.5 The interest rate on SACE loan during the subsistence of Mediocredito Interest Subsidy Agreement

is 5.95% per annum. In case the Mediocredito Interest Subsidy Agreement is not in full force and effect, the interest rate shall be the rate per annum determined by the SACE Agent to be the sum of LIBOR and SACE Margin. The SACE Margin is 2% per annum upto the Project Completion Date, and 1.15% per annum thereafter provided that the SACE Margin will be reduced by 0.05% per annum in respect of any period immediately following a Payment Date at which the Actual Annual Cover Ratio (as most recently calculated pursuant to the Project Co-ordination Agreement) was greater than or equal to 2:1.

4.6 The Senior Rupee Facility has been provided on mark-up basis under which the Company has sold some tangible movable assets at the Purchase Price of Rs. 3,012 million and simultaneously repurchased those assets from the Senior Rupee Facility Consortium Members at a Marked-up Price of Rs. 8,158 million which translates into mark-up at the following rates:

(a) 61.1112 paisas per thousand Rupees per day during the period commencing from the first disbursement of the Purchase Price (March, 1995) and upto and including the 8th Payment Date after such first disbursement (January, 1999);

(b) 66.6667 paisas per thousand Rupees per day during the next four years (from January, 1999 to 2003);

(c) 72.2223 paisas per thousand Rupees per day during the subsequent period.

4.7 The PSEDF Loans are repayable in 30 equal semi-annual instalments starting on the ninth Repayment Date of the Senior Loans. It is expected that repayment will commence from January 10, 2002 onwards.

The PSEDF Loans are secured on the same securities as the senior loans but are subordinated to the senior loans.

The PSEDF Loans are available in a combination of currencies. However, the repayment is to be made in Rupees. The interest rate on PSEDF - 1 is 14% for the life of the Loan. The interest rate on PSEDF - 2 is 14% up to the Project Completion Date. Thereafter it is as follows:

(a) until the Senior Termination Date, the rate per annum (calculated annually as of each April 30 effective from July 1 of each year) is equal to the greater of (x) the sum of (i) the prevailing one year United States Treasury bill rate, (ii) the FERI Margin and (iii) 3.0 per cent, and (y) the sum of (i) the prevailing World Bank Lending Rate, (ii) the FERI Margin and (iii) 2.5 per cent; and

(b) thereafter and until the Final Termination Date, the rate per annum (calculated annually as of each April 30 effective from July 1 of each year) is equal to the greater of (x) the sum of (i) the prevailing one-year United States Treasury bill rate, (ii) the FERI Margin and (iii) 4.0 per cent, and (y) the sum of the prevailing World Bank Lending Rate, (ii) the FERI Margin and (iii) 3.5 percent.

4.8 The amount of Rs. 511.02 million represents the accrued and rolled-up interest on the Mobilisation Advance under the PSEDF Facility.

4.9 The amount of PSEDF-1 Facility in Japanese Yen (i.e. the JEXIM Tranche 1) of JPY 27,000 million is subject to a cap of USD 150 million.

4.10 The amount of PSEDF-2 Facility in Japanese Yen (i.e. the JEXIM Tranche 2) of JPY 13,722 million is subject to a cap of USD 110 million.

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

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

OBLIGATIONS UNDER FINANCE LEASE

The Company has entered into a finance lease agreement in respect of certain motor vehicles. The rate of interest used as the discounting factor is 21% per annum.

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

Note	1996 (Rs. '000)	1995 (Rs. '000)
Year ending June 30, 1996	-	1,156
Year ending June 30, 1997	1,222	1,222
	-----	-----
	1,222	2,378
Less: Finance charges allocated to future periods	133	460
	-----	-----
	1,089	1,918
Less: Shown under current liabilities	1,089	829
	-----	-----
	-	1,089
	=====	=====

There is an option to obtain ownership of the vehicles at 5% of the purchase price at the end of the lease period. There are no financial restrictions in the lease agreements.

6. ACCRUED AND OTHER LIABILITIES

Note	1996 (Rs. '000)	1995 (Rs. '000)
------	--------------------	--------------------

Accrued liabilities	6.1	232,868	31,893
Due to directors		5,551	-
Interest accrued on secured long term loans		1,346,182	639,247
Mark-up accrued on secured long term loan		162,089	10,705
Due to Construction Consortium, Site Supervision Contractor, Operation and Maintenance Contractor and others			
Progress payments for Turnkey Contractors		2,387,022	8,383,522
Interest accrued on late payments to Turnkey Contractors		44,568	23,865
Site Supervision cost		32,395	21,311
Operation and Maintenance cost - due to an associated company		123,189	177,632
		-----	-----
		2,587,174	8,606,330
Foreign Exchange Risk Insurance Fees	6.2	1,789,959	-
Charges related to loans	6.3	85,979	100,188
Income-tax accrued - contractors	6.4	29,192	32,011
- employees		3,304	17
Other liabilities			
Retention money		14,223	2,144
Octroi charges	6.50	216,974	-
Custom duties, taxes and other levies		5,157	5,243
Income-tax deducted at source		5,763	4,221
Current account with an associated company		-	1,248,113
		-----	-----
		6,484,415	10,680,112
		=====	=====

6.1 This includes a sum of Rs. 6,420 (1995: Rs. 8,671) million in respect of professional services rendered by an associated company.

6.2 This represents fees payable to the State Bank of Pakistan (SBP) under the Foreign Exchange Risk Insurance Scheme (FERI) in respect of Senior Foreign Currency Loans. The Foreign Exchange Risk Insurance Fee in respect of each foreign currency loan is payable on the first repayment of principal and/or interest which is expected to commence from January 10, 1997.

6.3 This includes commitment and monitoring fees, hedging costs and other charges relating to various loans.

6.4 This represents income tax accrued in respect of tax liabilities assumed under contracts by the

Company relating to mobilisation advances, progress payments and accrued construction and hedging costs, including a sum of Rs. 3.600 (1995: Rs. 4.325) million relating to an associated company.

6.5 According to an agreement between the Company and the Government of Balochistan, the payment of Octroi charges will .be made after the commencement of commercial production.

7. COMMITMENTS AND CONTINGENCIES

7.1 The Company has entered into a Turnkey Construction contract and a Site Supervision contract against which certain mobilisation and progress payments have been made. The Company's remaining commitments against these contracts amount to Rs. 612 million and Rs. 68 million respectively (1995: Rs. 6,026 million and Rs. 129 million respectively).

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

7.3 Counter guarantees issued to various banks which are secured pari passu with Senior Loans amount to Rs. 733 (1995: Rs. 24) million.

8. OPERATING FIXED ASSETS

	Cost as at			Assets		Cost as at June 30, 1996 (Rs. '000)
	July 1, 1995 (Rs. '000)	Additions (Rs. '000)	Disposal (Rs. '000)	Reclassified as Minor Value Assets (Rs. '000)		
Owned						
Freehold - Land	17,590	1,300	-	-	-	18,890
- Building	4,069	-	-	-	-	4,069
Leasehold property	862	-	-	-	-	862
Furniture and fixtures	3,310	481	-	1,076	-	2,715
Vehicles	6,479	7,967	-	654	-	13,792
Equipments	4,069	8,324	-	-	246	12,147
Computers	15,064	1,698	-	-	40	16,722
Leased						

Vehicles	3,267	-	-	-	3,267
1996	54,710	19,770	654	1,362	72,464
1995	29,549	30,812	1,675	3,976	54,710

8.1 The following asset was disposed of during the year:

Particulars	Cost (Rs. '000)	Sale Proceeds (Rs. '000)	Loss (Rs. '000)	Mode of Disposal	Particulars of Buyer
Toyota Corolla Reg. # AB 0183	654	630	24	Insurance Claim	Adamjee Insurance Company Limited

9. CAPITAL WORK-IN-PROGRESS

	1996 (Rs. '000s)	1995 (Rs. '000s)
Progress payments	32,470,860	27,064,273
Tax on payments to Construction Consortium and Site Supervision contractors	662,663	467,366
Custom duties, taxes and other levies	162,755	202,489
Construction insurance	613,913	277,815
Mobilisation phase fee, training expenses and other costs under Operation and Maintenance Agreement	697,520	367,904
Site office construction, housing colony and other miscellaneous costs	302,381	44,260
Supervision fee and expenses	203,949	105,432
Other costs after recoveries	12,061	-
	35,126,102	28,529,539

10. PROJECT DEVELOPMENT AND IMPLEMENTATION COSTS

	Cumulative to June 30, 1996 (Rs. '000s)	For the year 1996 (Rs. '000s)	Cumulative to June 30, 1995 (Rs. '000s)
Project development costs as certified by independent auditors appointed by H RPG Limited in United Kingdom			
Initial studies	110,882	-	110,882
Engagement of Government of Pakistan	21,276	-	21,276
Selection of construction partner	16,071	-	16,071
Proposal - Government of Pakistan	44,330	-	44,330
Information for finance	50,797	-	50,797
Security package	194,114	-	194,114
Reconstitution of construction consortium	52,845	-	52,845
Securing finance	106,118	-	106,118
Establishment and management	255,799	-	255,799
Financing cost - banks	548,859	-	548,859
- advisory	463,614	-	463,614
- other	85,626	-	85,626
Project advisory services	310,449	-	310,449
Project expenses	165,567	-	165,567
Other project expenses	27,997	-	27,997
U.K. indirect taxes	(73,553)	-	(73,553)
	-----	-----	-----
	2,380,791	-	2,380,791
Waived costs incurred by a withdrawn sponsor	(58,222)	-	(58,222)
	-----	-----	-----
Total carried	2,322,569	-	2,322,569

Project Implementation costs

Salaries, benefits and other allowances including gratuity of Rs. 0.477 (1995: Rs. 0.586) million and provident fund	280,725	82,586	198,139
Financing costs 10.1	6,616,915	3,268,359	3,348,556
Exchange loss/(gain)	454,215	(28,990)	483,205
Stock exchange listing fee	4,455	2,903	1,552
Fuel and power	3,084	1,073	2,011
Office rent	11,485	3,355	8,130
Vehicles and equipment rentals	5,561	691	4,870

Repairs and maintenance		5,798	2,044	3,754
Motor vehicle running expenses		5,009	1,744	3,265
Travelling expenses		54,423	14,341	40,082
Entertainment and promotional expenses		45,283	37,568	7,715
Postage, telephone and fax		25,867	5,706	20,161
Legal and professional charges		186,915	57,189	129,726
Insurance		13,857	9,018	7,839
Office supplies		17,814	10,376	7,438
Bank charges		615	434	181
Auditors' remuneration	10.2	10,914	3,801	7,113
Loss on disposal of fixed assets		299	24	275
Donation		75	-	75
Others		1,603	950	653
		-----	-----	-----
		7,747,912	3,473,172	4,274,740
		-----	-----	-----
		10,070,481	3,473,172	6,597,309

10.1 Financing Costs

Mark-up:

Short term loans		689,162	-	689,162
Long term loan		261,941	251,236	10,705
Interest on long term loans		3,760,820	2,537,649	1,223,171
Charges related to loans		1,842,695	615,142	1,227,553
Return on bank deposits		(140,605)	(81,059)	(59,546)
Interest on late payments to Construction Consortium		315,912	7,274	308,638
Interest on financing of custom duties, taxes and other levies		17,877	-	17,877
Progress payment bond fee		13,927	-	13,927
Accelerated payment discount		(144,814)	(61,883)	(82,931)
		-----	-----	-----
		6,616,915	3,268,359	3,348,556
		=====	=====	=====

Cumulative	For the	Cumulative
to June	year	to June
30, 1996	1996	30, 1995
(Rs. '000s)	(Rs. '000s)	(Rs. '000s)

10.2 Auditors' remuneration

Audit fee:

- Statutory	777	250	527
- Excise duty @ 10%	25	25	-

	802	275	527
- Special	45	-	45
Secretarial, taxation, interim accounting, share registrar, sundry advisory services and special reports	9,263	3,419	5,844
Out-of-pocket expenses	804	107	697
	10,914	3,801	7,113

11. LONG TERM DEPOSITS, PREPAYMENTS
AND DEFERRED COSTS

	Note	1996 (Rs. '000)	1995 (Rs. '000)
Deposits			
SACE Fiduciary Deposit - interest bearing	11.10	767,018	713,684
Office premises		1,371	1,371
Security deposit - PSO		-	76,000
Others		-	41
		768,389	791,096
Prepayments			
Rent		245	1,100
Financing costs	11.2	1,004,807	991,161
		1,005,052	992,261
Deferred costs			
Preliminary expenses		2,499	2,499
Discount on issue of shares	11.3	339,452	200,446
Broker's fees and expenses		2,586	2,586
Underwriting fees and commission		377,797	377,797
Floataion costs		40,419	37,949
		762,753	621,277
		2,536,194	2,404,634

11.1 This amount represent funds placed in the SACE Reserve Account with Banco Di Napoli International S.A. Luxembourg as a fiduciary deposit to fulfil a contractor's obligation to guarantee a portion of the

SACE facility not covered by the SACE Insurance. The Company, under an agreement, has placed the funds in this account on behalf of a turnkey contractor.

11.2 These are charges paid to various agencies in respect of guarantee fees, interest rate hedging costs and Export Credit Insurance Premiums for certain loan facilities.

11.3 Represents 339,451,894 (1995: 200,445,747) Ordinary shares of the company issued at a discount of 10 percent.

12. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Considered Good

	Note	1996 (Rs. '000)	1995 (Rs. '000)
Advances			
Executives-against expenses		679	330
Employees-against expenses		3	-
Suppliers		1,705	4,700
Hubco Employees Providend Fund		-	400
		-----	-----
		2,387	5,430
Deposits			
Security deposit - PSO	12.1	76,000	-
Others		307	170
		-----	-----
		76,307	170
Prepayments			
Financing costs	11.2	213,662	215,019
Rent		2,508	2,248
Insurance		240,309	275,978
Others		23	37
		-----	-----
		456,502	493,282
Other receivables			
Octroi refundable		3,366	57,875
Receivable from British Electricity International Limited (BEI)		-	172
Return on bank deposits		19,262	21,577
Duty drawback claims		30,477	-

Taxes and duties recoverable from WAPDA	12.2	262,274	-
Insurance claim		-	1,400
Foreign Exchange Risk Insurance			
(FERI) fee recoverable from WAPDA	12.3	1,789,959	341,109
Fuel cost recoverable from WAPDA		30,833	-
Others		886	825
		-----	-----
		2,137,057	422,958
		-----	-----
		2,672,253	921,840
		=====	=====

12.1 According to the terms of the Fuel Supply Agreement with Pakistan State Oil Limited, the Company had agreed to provide a security deposit of Rs. 100 million to PSO within 15 days of the Financial Close. Accordingly, the Company has paid Rs. 76 million in cash and provided a bank guarantee for the balance of Rs. 24 million.

12.2 According to the Power Purchase Agreement with WAPDA, this is recoverable after the commencement of commercial production.

12.3 Foreign Exchange Risk Insurance Fee is recoverable from WAPDA in accordance with the Power Purchase Agreement between WAPDA and the Company.

12.4 The maximum aggregate amount due from the Chief Executive, Directors and Executives at the end of any month during the year was Rs. Nil, Rs. Nil and Rs. 1.510 million respectively (1995: Rs. Nil, Rs. Nil and Rs. 1.225 million respectively).

13. CASH AND BANK BALANCES

	Note	1996 (Rs, '000)	1995 (Rs, '000)
With banks			
Saving checking accounts		110,599	40,005
Call deposits	13.1	744,599	368,968
With a financial institution			
Saving checking accounts		231,884	55,381
In hand		39	49
		-----	-----
		1,087,121	464,403
		=====	=====

13.1 Included in these are total restricted funds of Rs. 513.254 (1995: Rs. 233.985) million held as security against various loan facilities.

14. TRANSACTIONS WITH ASSOCIATED COMPANIES

Services rendered during the year	334,575	288,095
	=====	=====

15. REMUNERATION OF CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

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

	Chief Executive		Director		Executives		Total		
	1996	1995	1996	1995	1996	1995	1996	1995	1995
	(Rs. '000s)		(Rs. '000s)		(Rs. '000s)		(Rs. '000s)		
Managerial remuneration	8,278	7,425	1,049	824	28,704	30,825	38,031	39,074	
Bonus	8,582	-	-	-	-	-	8,582	-	
House rent	2,245	1,943	-	366	10,336	12,168	12,581	14,477	
Utilities and services	738	615	-	145	3,219	1,729	3,957	2,489	
Retirement benefits	541	726	-	5,046	2,398	21,818	2,939	27,590	
Other benefits	481	166	-	774	5,237	4,165	5,718	5,105	
	-----	-----	-----	-----	-----	-----	-----	-----	-----
	20,865	10,875	1,049	7,155	49,894	70,705	71,808	88,735	
	=====	=====	=====	=====	=====	=====	=====	=====	=====
Number of persons	1	1	1	1	50	49	52	51	

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

16. GENERAL

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

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

PATTERN OF SHAREHOLDING AS AT JUNE 30, 1996

Size of Holding	No. of	No. of Shares Held	
From	To	Shareholders	
1	100	1,659	164,826
101	500	70,648	34,657,842
501	1000	1,038	804,100
1001	5000	642	1,613,831
5001	10000	143	1,160,632
10001	15000	86	1,076,271
15001	20000	40	720,437

20001	25000	49	1,127,297
25001	30000	17	462,948
30001	35000	30	985,726
35001	40000	9	351,100
40001	45000	7	307,600
45001	50000	21	1,008,246
50001	55000	5	263,300
55001	60000	5	290,200
60001	65000	4	253,039
65001	70000	6	407,600
70001	75000	4	293,200
75001	80000	3	234,300
80001	85000	4	328,200
85001	90000	3	269,700
90001	95000	3	274,800
95001	100000	2	200,000
100001	105000	1	100,200
105001	110000	2	214,300
110001	115000	1	115,000
115001	125000	4	468,100
125001	130000	1	127,000
130001	135000	1	131,700
135001	140000	1	139,500
140001	150000	1	141,440
150001	175000	1	154,000
175001	180000	1	178,700
180001	185000	1	180,100
185001	195000	2	379,500
195001	205000	1	200,000
205001	215000	1	205,900
215001	225000	2	439,000
225001	265000	3	689,400
265001	345000	1	265,500
345001	355000	1	350,000
355001	360000	1	358,607
360001	365000	1	362,100
365001	525000	1	367,200
525001	575000	1	528,000
575001	595000	1	577,600
595001	645000	1	600,000
645001	685000	1	648,500
685001	875000	1	685,900
875001	995000	1	880,000
995001	1150000	1	997,000
1150001	1180000	1	1,152,500

1180001	1155000	1	1,180,700
1185001	1285000	1	1,187,748
1285001	1370000	1	1,287,900
1370001	1430000	1	1,375,000
1430001	1525000	1	1,434,296
1525001	1865000	1	1,527,300
1865001	1970000	1	1,866,600
1970001	1995000	1	1,974,183
1995001	2310000	1	2,000,000
2310001	4160000	1	2,314,983
4160001	4840000	1	4,164,600
4840001	4940000	1	4,840,500
4940001	6265000	1	4,940,400
6265001	7130000	1	6,266.30
7130001	14385000	1	7,130,300
14385001	18475000	1	14,389,786
18475001	115470000	1	18,475,750
115470001	122570000	1	115,473,441
122570001	159030000	1	122,570,715
159030001	159105000	1	159,030,623
159105001	465720000	1	159,108,304
465720001	465725000	1	465,723,016
			74,4861,157,154,387

CATEGORIES OF SHAREHOLDERS AS ON JUNE 30, 1996

Sr. No.	Categories	No. of Shareholders	No. of Shares	Percentage
1.	Individuals	74,407	52,031,235	4.49
2.	Joint Stock Companies	46	602,710,379	52.09
3.	Financial Institutions	12	495,906,366	42.86
4.	Investment Companies	4	4,853,800	0.42
5.	Insurance Companies	7	1,249,500	0.10
6.	Modaraba Companies	9	44,500	0.00
7.	Govt. of Balochistan	1	358,607	0.04
	Total		74,4861,157,154,387	100

SHAREHOLDER'S INFORMATION

Shareholders Enquiries

General enquiries relating to the Company should be addressed to:

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

Enquiries relating to Shares should be addressed to:

Ford, Rhodes, Robson, Morrow
Registrar of The Hub Power Company Limited
Writers Chambers
Mumtaz Hasan Road
Karachi

Enquiries relating to GDR's should be addressed to either:

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

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