Annual Report 2010

Powering On

The Hub Power Company Limited

HUBCO

growth through energy

Annual Report
2010

HUBCO

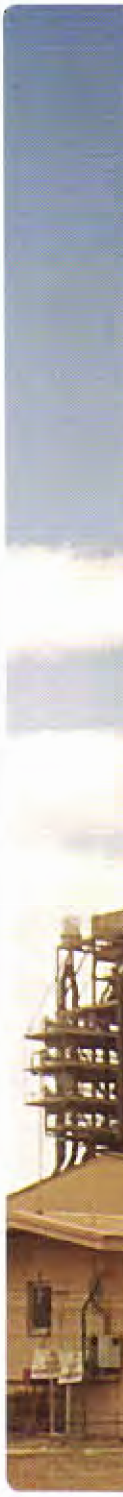
growth through energy

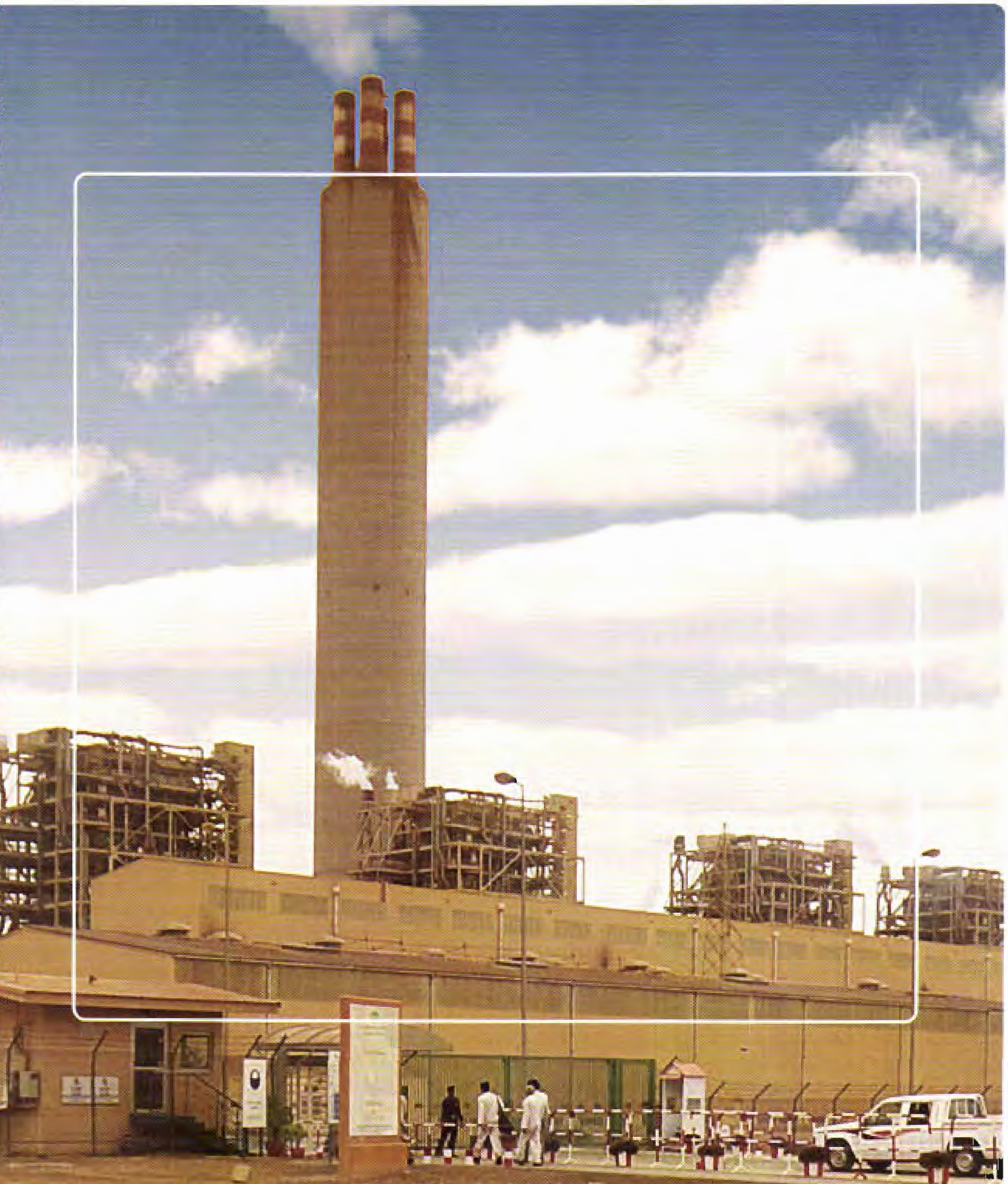
Powering On...

The theme for HUBCO's Annual Report 2010, POWERING ON, relates to HUBCO continuing to grow and add to its power generation capacity, in spite of the global economic downturn.

HUBCO believes that it has the power, within itself, to face setbacks and challenges of today and continue on its growth path towards making a real difference.

It is determined to face every adversity and come out stronger, realizing the role it has to play in National development.





P O W E R I N G O N

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Where are we now?

Pakistan today faces many challenges on all fronts - political, social and economic. Some would say that the economic challenges need to be addressed on priority basis, as their solution will lead to the resolution of the political and social issues too. Indeed economic prosperity and improvement in the quality of life of the citizens of this country will bring about greater understanding, tolerance and harmony in the society.

Economic progress depends on a range of diverse factors and a primary driver of growth is the availability of relatively inexpensive and abundant electrical power for the present demand and for future needs.

In relation to its population, Pakistan has one of the lowest ratios of electricity production per person of the developing world. The table below gives a comparison of some selected Asian developing countries, ranked in descending order in terms of electricity production per capita:

S.#	Country	Population (millions)	Electricity Production (KWH)	Production per capita (KWH)
01	Malaysia	26.16	103,200,000,000	3,945
02	Iran	67.03	192,600,000,000	2,873
03	Turkey	77.80	198,400,000,000	2,550
04	Thailand	66.40	148,200,000,000	2,232
05	Vietnam	89.57	86,900,000,000	970
06	India	1,173.10	723,800,000,000	617
07	Indonesia	242.96	134,400,000,000	553
08	Pakistan	177.27	90,800,000,000	512
09	Sri Lanka	21.51	9,901,000,000	460
10	Bangladesh	158.06	22,990,000,000	145

Source: CIA World Factbook

This is where we are now. A country with substantial natural resources, fertile land, an important geo-political location and above all, an industrious populace that wishes to work hard and progress. Except that a key ingredient is missing - sufficient electricity to power the desired progress.

"I shall make electricity so cheap that only the rich can afford to burn candles"

Thomas Alva Edison, 1847-1931, American Inventor who, singly or jointly, held a world record 1,093 patents. In addition, he created the world's first industrial research laboratory.

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Why are we here?

In 1985, the Government of Pakistan in conjunction with the World Bank, conceived a long-term energy strategy for the country. Recognizing the limitations of the public sector in developing nations, the crux of the plan was to close the gap between supply and demand through private sector investment. Thus was born the concept of Independent Power Producers (IPPs). The first step in this direction was the government inviting expressions of interest in a project at Pipri, which ultimately evolved into the Hub Power project. However it took over 8 years from the initial awarding of the letter of intent to the sponsors of Hubco in 1988, to the financial closure in 1995.

Over the next several years, many other IPPs came on stream and a stage was reached where some industry analysts even thought that Pakistan may soon have a surplus of electrical power! However this was not to be, as during the first half of this first decade of the 21st century, Pakistan turned the corner on economic growth. For several consecutive years Pakistan enjoyed a growth rate of over 6 percent. While this was good news for the country, it did mean that electrical power demand also soared, with no new generation capacity coming on-stream.

As a consequence, today Pakistan is facing a demand-supply gap of 3000 to 4500 MW, which is resulting in hours of load-shedding in all parts of the country. The shortage of power, as can be imagined, is having serious negative consequences for industrial production, exports, economic growth and for the larger civil society. Urgent measures therefore need to be taken to resolve this issue and plan ahead for further increase in electricity demand.

"Imagination has brought mankind through the dark ages to its present state of civilization. Imagination led Columbus to discover America. Imagination led Franklin to discover electricity.

Frank Baum, 1856-1990, author of children's books, best known for writing The Wonderful Wizard of Oz

P O W E R I N G   O N

Where do we want to be?

The direct relationship between the production of electrical power and development is undeniable. Pakistan enjoyed several years of strong, even unprecedented economic growth in the middle of this decade. The country was even fortunate to largely escape the global financial crisis which started off in 2008 and from which the Western world has still not emerged. In spite of this Pakistan's growth has suffered and for the current financial year it is forecast at around 3.4 percent. One primary factor for this slowing down of growth is shortage of electrical power, as mentioned earlier.

Pakistan needs to greatly expand its power generation capacity on a war footing to counter the present crisis, while developing long-term solutions for generation capacity enhancement to ensure sustainable growth in the future. Ideally, the planning of the power sector should look at Pakistan's demand trends until at least 2050. For by this time, Pakistan's population too would have grown substantially from the present about 177 million inhabitants to about 350 million inhabitants! Therefore our planning needs to be 'future proof' and aim at increasing power generation capacity in a way that by a target date, supply should ideally be a step ahead of demand.

The government of Pakistan is tackling this issue at various levels. While rental power plants have been introduced as a short term solution, the government is also looking at developing Thar coal resources, alternate energy solutions and also new investment by the private sector in setting up power generation plants.

It is thus in response to this national crisis that The Hub Power Company Limited is in the process of constructing not one, but two power generation plants at the same time.

"What is a soul? It's like electricity - we don't really know what it is, but it's a force that can light a room."

Ray Charles, 1930-2004, Pianist & Singer

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How do we get there?

The power crisis in the country needs to be addressed through a holistic plan that involves both the public and the private sector. Further, it needs to adopt all viable technologies for power generation, from the proven thermal generation to hydropower to renewable sources of energy.

Your company HUBCO, on its part continues powering on with the simultaneous development of 2 new power projects.

Making the first ever entry by the private sector into hydropower generation, HUBCO is establishing an 84 MW, run of the river hydropower generating complex at a site about 8 kilometers downstream of Mangla Dam through its subsidiary Laraib Energy Limited. The Laraib Hydropower Project is expected to come on stream by 2013 and will be a role model for other private sector investment in hydropower generation.

At the same time work is in full swing for the construction of a 214 MW combined cycle power plant at a site in Narowal, with an investment of about US$ 300 million. This plant is expected to come on stream in October 2010 and will positively impact the closing of the demand-supply gap for electricity in the country.

With its new investments, HUBCO has sent a clear message to all stakeholders that the company is deeply committed to this country's progress and prosperity, and is Powering On to play an expanding role in the power sector in the times to come. For Pakistan, HUBCO's progress continues to provide a working model of confidence for both foreign and domestic investors into the Country's power sector.

Faith is like electricity. You can't see it, but you can see the light.

- Anonymous

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Company Information

HEAD OFFICE

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

REGISTERED OFFICE

C/o. Famco Associates (Pvt) Ltd.,
(Formerly Ferguson Associates (Pvt) Limited)
12, Capital Shopping Centre,
Second Floor, G-11 Markaz,
Islamabad

MANAGEMENT

Vince 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 PR, HR & Admin
Shamsul Islam	Treasurer

PRINCIPAL BANKERS

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

INTER-CREDITOR

Agent:
National Bank of Pakistan
Habib Bank Limited

LEGAL ADVISORS

Rizvi, Isa, Afridi & Angell, Karachi
Kabraji & Talibuddin, Karachi

AUDITORS

M. Yousuf Adil Saleem & Co.,

REGISTRAR

Famco Associates (Pvt) Limited
(Formerly Ferguson Associates (Pvt) Ltd)

HUBCO NAROWAL PROJECT

House No. 8, Street 15, Cavalry Ground Extension, Lahore Cantt.

Notice of the 19th AGM

Annual General Meeting

Notice is hereby given that the 19th Annual General Meeting of the Company will be held on Wednesday, September 22, 2010 at 11.30 am at Islamabad Sarena Hotel, Islamabad to transact the following business:

1. To confirm the Minutes of an 18th Annual General Meeting of the Company held on September 30, 2009.

2. To receive and adopt the Audited Accounts of the Company for the year ended June 30, 2010 together with the Directors' & Auditors Reports thereon.

3. To approve and declare the final dividend of 25% (Rs.2.50 per share) as recommended by the Board of Directors and the 25% (Rs.2.50 per share) interim dividend already announced and paid on April 8, 2010 making a total dividend of 50% (Rs. 5.00 per share) for the year ended June 30, 2010.

4- To appoint Auditors and to fix their remuneration.

Karachi: August 9, 2010

Arshad A. Hashmi
Company Secretary

Notes:

(i) The Share Transfer Books of the Company will remain closed from September 9, 2010 to September 22, 2010 (both days included) and the final dividend will be paid to the shareholders whose names will appear in the Register of Members on September 8, 2010.

(ii) A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy need not be a member of the Company.

(iii) Duly completed forms of proxy must be deposited with the Company Secretary at the Head Office of the Company not later than 48 hours before the time appointed for the meeting.

(iv) Shareholders (Non-CDC) are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Registrar of the Company M/s. Famco Associates (Pvt) Ltd (formerly M/s. Ferguson Associates (Pvt) Ltd) State Life Building No. 1-A, 1st Floor, I. I. Chundrigar Road, Karachi. All the Shareholders holding their shares through the CDC are requested to please update their addresses and Zakat status with their Participants. This will assist in the prompt receipt of Dividend.

(v) Shareholders are requested to notify any change in their address immediately.

(vi) Members who have not yet submitted photocopy of their computerized national identity card to the company are requested to send the same at the earliest.

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

A **For Attending the Meeting:**

(i) In case of individuals, the account holders or sub account holders whose registration details are uploaded as per the Regulations, shall authenticate his/her original National Identity Card (NIC) or original passport at the time of attending the meeting.

(ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B **For appointing Proxies**

(i) In case of individuals, the account holder or sub-account holders whose registration details are uploaded as per the Regulations shall submit the proxy form as per the above requirement.

(ii) Attested copies of NIC or the passport of the beneficial owners and the Proxy shall be furnished with the Proxy Form.

(iii) The proxy shall produce his original NIC or original passport at the time of the meeting.

(iv) In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) alongwith proxy form to the Company.

(v) The proxy form will be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the forms.

POWERING ON

Board of Directors


MR. MOHAMED A. ALIREZA, H.I.
CHAIRMAN


MR. VINCE HARRIS OBE
CEO


MR. YOUSUF A. ALIREZA


DR. FEREYDOON ABTAHI


MR. ROBIN A. BRAMLEY


MR. MALCOLM P. CLAMPIN


MR. TAUFIQUE HABIB


MR. M. JAWAID IQBAL


MR. QAISER JAVED


MR. AHMED RAZA KHAN


MR. ALI MUNIR


SYED ALI RAZA


MR. S. NIZAM A. SHAH


MR. M. ASHRAF TUMBI


MR. KEITH ULYETT

Mr. M. A. Alireza, H.I.
Xenel Industries Limited
Xenel Group Companies
Xenel International Limited
Bank Al-Bilad
Emaar The Economic City
Qatrana Electric Power Co. (Jordan)

Mr. Vince Harris OBE
Chief Executive
Cotswold International Business Solutions Ltd
Laraib Energy Limited

Mr. Yousuf A. Alireza
Xenel Group Companies

Dr. Fereydoon Abtahi
General Manager, Xenel

Mr. Robin A. Bramley

Mr. Malcolm Clampin
Arabian Power Company, Abu Dhabi
Kot Addu Power Co., Ltd.
International Power Central Services (No.1) Ltd

Mr. Taufique Habib
Golden Arrow Selected Stocks Mutual Funds

Mr. M. Jawaid Iqbal
Group Chief Allied Bank of Pakistan Limited

Mr. Qaiser Javed
CEO, Daharki Power Holdings Limited (an off shore Co)
Acting CEO - Green Power (Pvt) Limited
Fauji Fertilizer Co. Ltd.
Fauji Fertilizer Bin Qasim Ltd.
Fauji Cement Company Ltd.
Mari Gas Company Limited
Fauji Oil Terminal & Distribution Co. Ltd.
Fauji Kabirwala Power Company Ltd.
Foundation Power Company (Daraki) Limited
Pakistan Maroc Phosphore S.A. (an off shore co)
Fauji Akbar Portia Marine Terminal (Pvt) Ltd.
Fauji Foundation

Mr. Ahmad Raza Khan
Nominee of GOB

Mr. Ali Munir
Muslim Commercial Bank Limited
Adamjee Insurance Co. Ltd

Syed Ali Raza
Nominee of NBP

Syed Nizam A. Shah
Jahangir Siddiqui and Company Limited
Pakistan International Container Terminal Ltd.
Hascombe Storage Limited
Telecard Limited
Laraib Energy Limited

Mr. M. Ashraf Tumbi
Chief Financial Officer, Xenel Industries Limited
Red Sea Gateway Terminal Company, Saudi Arabia
Laraib Energy Limited

Mr. Keith Ulyett
Inemational Power Plc (IPR)
Shuweihat O&M Company
Fujairah F2 O&M Company
ITM O&M Comopany
Hidd Power Company
Qatar Power Company
Tihama Power Company

Audit Committee

Mr. M. Ashraf Tumbi	(Chairman)
Mr. Mr. R.A. Bramley	(Member)
Mr. Malcolm Clampin	(Member)
Mr. Ali Munir	(Member)
Mr. Qaiser Javed	(Member)

Chairman's Review

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

The Board of Directors of your Company is pleased to present the Annual Report of the Hub Power Group for the fiscal year ended June 30, 2010.

Our group now comprises The Hub Power Company Limited which is presently made up of an Operational 1200MW nett output RFO fired Plant located on the Hub River estuary in Balochistan and an under construction 214MW nett output RFO fired Plant that is located in Narowal District in Punjab, expected to achieve COD by end October 2010 as well as our 75% owned subsidiary Laraib Energy Limited being the first Hydel IPP in Pakistan with a planned output of 84MW on the new Bong Escape of the Mangla Dam. Laraib has already achieved Financial Close and is presently under construction with an expected COD of mid 2013.

Our Hub Plant continues to supply reliable and uninterrupted electricity and during the year we have been able to supply 8,337 GWh corresponding to a load factor of 79.3% which is a record output for the Company. Our operational and maintenance regime conforms to best international standards. With the expected commercial operation of Narowal Plant in October 2010 we will be supplying a further 214 MW into the national grid.

The Company continues to face financial pressures due to Wapda's liquidity problems which remain unresolved. The Company remains in constant communication with the highest levels of WAPDA and the Federal Government for immediate settlement of the outstanding amounts.

Our Social Action Programme continues to serve and assist the needy in the vicinity of the Hub Power Plant and our sponsored Eye Clinics bring much needed care and relief in the area. Our funded primary / secondary school and Hubco university scholarships support female students in Balochistan.

On behalf of all our shareholders I wish to thank the employees in Hubco, Narowal and Laraib as well as our Operator International Power for contributing to our continued success.

Mohamed A. Alireza, H.I.
Chairman

Report of the Directors

The Board of Directors have pleasure in presenting the Annual Report with the Financial Statements of the Company for the year ended June 30, 2010.

General

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 under construction and nearing completion in Punjab. The Company also has a 75% controlling interest in Laraib Energy Limited (LEL), a subsidiary company which owns an under construction hydel power project of 84 MW. 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.

Finance

Our customer WAPDA continues to face financial difficulty and remains unable to meet its obligations to HUBCO under our Power Purchase Agreement (PPA). On the date of this Report an amount of Rs. 73 billion is outstanding against WAPDA of this Rs 69 billion is classified overdue (payable immediately). The Company is in constant follow-up with WAPDA and the Federal Government for early release of the entire outstanding amounts.

In addition, WAPDA is unable to renew its contractual Letter of Credit to Hubco under our PPA for 2010-11 for an amount of Rs 12.92 billion. In view of the foregoing the obligations of WAPDA under our Power Purchase Agreement are only secured through the Sovereign Guarantee from the Federal Government of Pakistan under its Implementation Agreement with Hubco.

As a result of the WAPDA outstanding your Company presently owes Rs. 63 billion to Pakistan State Oil for RFO supply to the Power Plant. The Company's obligation to PSO remains covered by the Stand-by Letter of Credit provided by Hubco to PSO under our Fuel Supply Agreement. Hubco have provided PSO with our Stand-by Letter of Credit of Rs. 8 billion.

Due to WAPDA's unpaid amount your Company has to continue with its Running Finance Facilities. During the year, the Company repaid two tranches of long term loan facilities due in July 2009 and January 2010. The Company has also repaid its debt obligation due in July 2010.

Turnover for the year was Rs. 99.694 billion (2009: Rs. 82.784 billion) and operating costs were Rs. 92.006 billion (2009: Rs. 76.687 billion). Both turnover and operating costs registered an increase mainly due to higher fuel oil prices. The Company earned a net profit of Rs. 5.556 billion resulting in earnings per share of Rs. 4.80 compared to a net profit of Rs. 3.781 billion and earnings per share of Rs. 3.27 last year. The increase in profit is attributable to currency devaluation, higher tariff profile and higher generation bonus partly offset by higher repair & maintenance expenses.

Operations

During the year the Hub Plant continued to operate at optimal efficiency, high load factor and dispatched 8,337 GWh of electricity corresponding to a load factor of 79.3 %; this is a record output and the Directors would like to congratulate the Management and the O&M Operator in this respect. The Hub Plant maintained high availability of 85% for the full year.

The Company continues to allocate funds on various betterment expenditures towards the ongoing modernization of the plant in order to ensure its long term integrity and maximum availability for our customer WAPDA.

Corporate Social Responsibility

The Company remains proactive in maintaining and expanding its Corporate Social Responsibility programme. Our focus is to support health and education programme particularly in the province of Balochistan and District Labella. Notable success has been achieved with the expansion of the TCF Hubco-IPGDL School which provides quality education to 500 children and scholarships / financial support to 50 female students at Sardar Bahadur Khan Women's University, Balochistan.

Health care in local communities was strongly supported in the form of eye screening, eye clinics and supply of free medicine to Government dispensaries. Two ambulances have been donated to Edhi Trust for deployment in Quetta. In addition, Rs. 1.5 million was donated to Edhi Trust for IDP relief.

The Hub Power Plant's commitment to environment, safety and health standards has been recognized by being recipient of an award from the Royal Society for the Prevention of Accidents (RoSPA).

Project Development

The Board adopted the tagline 'Growth through Energy' for the Company to transform our single project company to a broad based energy company. The Company is committed to providing reliable energy to the Country as well as providing additional values to our shareholders.

Narowal Project

Commissioning and testing is in progress with commercial operation planned during October 2010. The Operation and Maintenance of the plant has been awarded to a Malaysian Company, Tenaga National Berhad (TNB), which is the largest utility (Government of Malaysia majority owned) company in Malaysia. TNB staff has mobilised at the Site.

Laraib Energy Limited

Laraib Energy Limited achieved financial closing in December 2009. The 84 MW hydropower generating complex is located 8 km downstream of the Mangla Dam in Azad Jammu & Kashmir. The first disbursement under the loan facilities from Project Lenders comprising Asian Development Bank, Islamic Development Bank, International Finance Corporation, Proparco, France and Habib Bank Limited and National Bank of Pakistan and issuance of Notice to Proceed to the EPC Contractor; Sambu Construction Co, Korea were also achieved in the same month. The EPC Contractor has fully mobilized at Site and has completed all preliminary works and is also carrying out such major activities as excavation of the power house area. Project construction activities continue with the Project expected to achieve Commercial Operations before June 2013 i.e. the required commercial operations date under the Power Purchase Agreement. Being Pakistan/Azad Jammu & Kashmir's first hydel IPP and this Project has paved the way for other hydel projects to follow. Its pioneering role has been recognized by Euromoney that has awarded it Middle East Renewable Deal of the Year" for 2009.

POWERING ON

Corporate and Financial Reporting Framework

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

(a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

(b) Proper books of account of the Company have been maintained.

(c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

(d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

(e) The system of internal control is sound in design and has been effectively implemented and monitored.

(f) There are no doubts upon the Company's ability to continue as a going concern.

(g) There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

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

Fiscal year ending June		2009	2008	2007	2006	2005	2004
Turnover	Rs. In millions	82,784	62,435	44,131	27,911	16,978	16,003
Profit	"	3,781	2,601	2,654	2,768	5,385	5,463
Assets	"	90,186	62,697	44,994	43,515	46,636	51,781
Dividend	"	2,719	3,182	3,587	4,455	3,355	4,281
Generation	(GWh)	8,257	7,205	7,214	3,930	1,975	1,647
Load Factor	%	79	68	69	37	19	16

Value of investments of provident fund and gratuity scheme based on their respective audited accounts as at June 30, 2009 were as follows:

	Rs. In million
Provident Fund	73.006
Gratuity	68.755

Board Of Directors

The Current members of the Board are listed on Page No.18-19.

In September 2009 during the Annual General Meeting 2009 the Election of Directors was held and the following changes were as follows:

- Mr. Yousuf A. Alireza	Elected Director w.e.f. September 30, 2009
- Mr. M. Jawaid Iqbal	Elected Director w.e.f. September 30, 2009
- Mr. Arif Ijaz	Retired w.e.f. September 30, 2009
- Mr. Yutaka Ueda	Retired w.e.f. September 30, 2009

During the year and upto the date of this report the following changes also took place:

- Mr. Javed Mahmood, CEO resigned on April 28, 2010 and Mr. Vincent R. Harris OBE, a Director on the Hubco Board was appointed as CEO on April 28, 2010.
- Mr. Keith Ulyett has been appointed a Director on July 26, 2010 in the casual vacancy caused due to the appointment of Mr. Vincent R. Harris as Chief Executive.
- Mr. R. A. Bramley a member on the Board has been appointed a member of the Audit Committee in place of Mr. Vincent R. Harris, CEO.

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

(1)	Mr. M. A. Alireza, H.I.	5
(2)	Mr. Yousuf A. Alireza	4
(3)	Dr. Fereydoon Abtahi	5
(4)	Mr. R. A. Bramley	5
(5)	Mr. Malcolm Clampin	5
(6)	Mr. Taufique Habib	5
(7)	Mr. Vince Harris OBE	5
(8)	Mr. M. Jawaid Iqbal	3
(9)	Mr. Qaiser Javed	4
(10)	Mr. Ahmad Raza Khan	-
(11)	Mr. Ali Munir	5
(12)	Syed Ali Raza	1
(13)	Syed Nizam A. Shah	5
(14)	Mr. M. Ashraf Tumbi	5

Meetings attended by outgoing Directors:

1.	Mr. Arif Ijaz	1
2.	Mr. Javed Mahmood	5
3.	Mr. Yutaka Ueda	1

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

Appropriation

The Board of Directors have pleasure in recommending a final dividend of Rs. 2.50 per share. This will be paid to the shareholders on the Company's Register on September 9, 2010. An interim dividend of Rs. 2.50 per share that we declared on February 24, 2010 has already been paid in April 2010. The total dividend to be approved by the shareholders at the Annual General Meeting on Wednesday, September 22, 2010 will be Rs. 5/- per share.

Movement in un-appropriated profit is as follows:

	Rs. in millions
NET PROFIT FOR THE YEAR	5,556
Unappropriated profit at the beginning of the year	17,961
Profit available for appropriations	23,517
APPROPRIATIONS	
Final dividend for the fiscal year 2008-09 @ Rs. 2 per share	(2,314)
Interim dividend for the fiscal year 2009-10 @ Rs. 2.50 per share	(2,893)
Unappropriated profit at the end of the year	18,310
Basic and diluted earnings per share	Rs 4.80

The Directors would like to draw your attention to the last paragraph of the Auditors' Report relating to note 23.6 to the financial statements.

Auditors

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

By Order of the Board

Vince Harris OBE
Chief Executive

Karachi - August 9, 2010

Statement of Compliance with Best Practices of

Code of Corporate Governance

for the year ended June 30, 2010

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 (xlv) of listing regulations of The Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance. The Company has applied the principles contained in the Code in the following manner:

1. The Board of Directors of The Hub Power Company Limited has always supported and re-confirms its commitment to continued support and implementation of the highest standards of Corporate Governance at all times.

2. The Hubco Board had already approved the Company's own Code of Corporate Governance on June 24, 1994 before the Company issued its shares to the public in October, 1994. This code has been followed ever since.

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

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

   a) Primary and Secondary Delegations – 1997;
   b) Karachi Stock Exchange circular dated May 9, 2002 incorporating the SECP Code of Corporate Governance dated March 28, 2002 in its Listing Rules;
   c) Hubco's Code of Business Ethics – dated June 10, 2002;
   d) Dealing by Directors and Employees in Shares of Hubco; and
   e) Role & Responsibilities of the Chairman – dated September 2, 2004.

3. The Board had also adopted a Vision and Mission Statements at its meeting on September 4, 2002. These have been amended and updated Vision & Mission Statements have been adopted at the Board Meeting on August 10, 2006.

4. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes at least one independent non-executive director and one director representing minority shareholders.

5. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

6. All the resident directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

7. Casual vacancies if any, occurring in the Board are filled up by the directors in accordance with the Law.

8. The Board has developed overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

9. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive have been taken by the Board.

10. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, alongwith agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

11. The Directors have been provided with copies of the Listing Regulations of the Karachi Stock Exchange (Guarantee) Ltd., Company's Memorandum and Articles of Association and the Code of CorporateGovernance and they are well conversant with their duties and responsibilities.

12. The Board had approved appointment of the Chief Operations Officer, Chief Internal Auditor, Company Secretary and Chief Financial Officer (CFO), including their remuneration and terms and conditions of employment, as determined by the Chief Executive.

13. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

14. The financial statements of the Company are prepared in accordance with approved Accounting Standards as applicable in Pakistan and are duly endorsed by Chief Executive and the CFO before approval of the Board.

15. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

16. The Company has complied with all the major corporate and financial reporting requirements of the Code. All related party transactions have been reviewed and approved by the Board and are carried out on normal agreed terms and conditions in accordance with the Agreements.

17. The Board has formed an audit committee. It comprises of 5 members; all 5 are non-executive directors including the chairman of the committee.

18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

19. The Board has the following functioning Committees with their Terms of Reference, these are composed of non-executive Directors:

    (a) Audit Committee also ensures the independence of the internal audit function and the independence and objectivity of the External Auditors.

    (b) Compensation Committee also monitors the remuneration and appointments of Senior Management as well as the personnel policies and its implementation.

    (c) Operations Committee also monitors the operation of the plant as well as all O&M Contractor related issues.

    (d) Corporate Communications Committee also monitors the social action programmes and public relations.

    These committees meet regularly before Board meetings and each committee report is presented to the full Board meetings.

20. The Board of Directors has implemented an organizational structure for the Company and has appointed the Chief Executive, the Chief Operations Officer, the CFO and the Company Secretary to manage the affairs in accordance with the Code of Corporate Governance of the Company as amended from time to time.

21. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

22. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

23. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

24. We confirm that all other material principles contained in the Code have been complied with.

By order of the Board
Vince Harris OBE
Chief Executive

Karachi: August 9, 2010

Review Report to the Members on

Statement of Compliance

with Best Practices of Code of Corporate Governance

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

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

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

Further, Sub - Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2010.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Karachi
Date: August 09, 2010

Auditors' Report to the Members

We have audited the annexed unconsolidated balance sheet of The Hub Power Company Limited (the Company) as at June 30, 2010 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

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

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Without qualifying our opinion, we draw attention to the matter described in note 23.6 to the unconsolidated financial statements. The ultimate outcome of this contingency cannot presently be determined and accordingly, no provision for any liability that may result has been made in the unconsolidated financial statements.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner
Asad Ali Shah

Karachi
Date: August 09, 2010

Unconsolidated Financial Statements

THE HUB POWER COMPANY LIMITED

Unconsolidated Profit and Loss Account
for the year ended June 30, 2010

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
Turnover	3	99,694,264	82,783,924
Operating costs	4	(92,006,319)	(76,687,113)
GROSS PROFIT		7,687,945	6,096,811
Other income	5	53,259	138,279
General and administration expenses	6	(391,491)	(359,599)
Finance costs	7	(1,793,591)	(2,094,500)
Workers' profit participation fund	8	-	-
PROFIT FOR THE YEAR		5,556,122	3,780,991
Basic and diluted earnings per share (rupees)	30	4.80	3.27

The annexed notes from 1 to 36 form an integral part of these unconsolidated financial statements.

Vince Harris OBE
Chief Executive

Taufique Habib
Director

Unconsolidated Statement of Comprehensive Income

for the year ended June 30, 2010

	2010 (Rs. '000s)	2009 (Rs. '000s)
Profit for the year	5,556,122	3,780,991
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	5,556,122	3,780,991

The annexed notes from 1 to 36 form an integral part of these unconsolidated financial statements.

Vince Harris OBE
Chief Executive

Taufique Habib
Director

Unconsolidated Balance Sheet

as at June 30, 2010

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	9	49,614,595	37,895,720
Intangibles	10	8,369	2,250
Stores and spares		637,023	637,023
Investment in subsidiary	11	2,610,118	656,459
Other assets	12	4,133	4,275
CURRENT ASSETS			
Inventory of fuel oil		1,559,876	2,540,887
Trade debts	13	66,712,461	46,629,457
Advances, prepayments and other receivables	14	739,628	785,809
Cash and bank balances	15	809,311	1,033,791
		69,821,276	50,989,944
TOTAL ASSETS		122,695,514	90,185,671
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Share Capital			
Authorised	16	12,000,000	12,000,000
Issued, subscribed and paid-up	16	11,571,544	11,571,544
Revenue Reserve			
Unappropriated profit		18,309,733	17,960,806
		29,881,277	29,532,350
NON-CURRENT LIABILITIES			
Long term loans	17	23,444,521	11,340,913
Share premium payable	18	41,208	-
Deferred liability - Gratuity	19	15,689	15,001
CURRENT LIABILITIES			
Short term borrowings	20	6,743,596	3,582,245
Trade and other payables	21	59,595,332	43,970,160
Interest / mark-up accrued	22	1,317,961	765,940
Current maturity of long term loans	17	1,655,930	979,062
		69,312,819	49,297,407
COMMITMENTS AND CONTINGENCIES	23		
TOTAL EQUITY AND LIABILITIES		122,695,514	90,185,671

The annexed notes from 1 to 36 form an integral part of these unconsolidated financial statements.

Vince Harris OBE
Chief Executive

Taufique Habib
Director

P O W E R I N G O N

Unconsolidated Cash Flow Statement

for the year ended June 30, 2010

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		5,556,122	3,780,991
Adjustments for:			
Depreciation		1,719,556	1,706,722
Amortisation		1,753	1,863
Loss / (gain) on disposal of fixed assets		879	(1,117)
Staff gratuity		9,222	11,503
Interest income		(15,637)	(17,090)
Interest / mark-up		1,587,340	1,999,379
Operating profit before working capital changes		8,859,235	7,482,251
Working capital changes	27	(3,400,552)	9,717,342
Cash generated from operations		5,458,683	17,199,593
Interest received		15,985	21,820
Interest / mark-up paid		(1,553,124)	(2,096,470)
Staff gratuity paid		(8,657)	(11,094)
Net cash from operating activities		3,912,887	15,113,849
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure - net		(13,452,528)	(5,667,541)
Proceeds from disposal of fixed assets		5,469	2,680
Stores and spares		-	(14,051)
Investment in subsidiary		(1,438,489)	(656,459)
Other assets		142	4,725
Net cash used in investing activities		(14,885,406)	(6,330,646)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term loans		(979,061)	(979,062)
Proceeds from long term loans - net (Narowal)		13,759,537	5,027,877
Dividends paid		(5,193,788)	(2,715,920)
Repayment of finances under mark-up arrangements - Narowal		(1,148,890)	(2,297,888)
Net cash from / (used in) financing activities		6,437,798	(964,993)
Net (decrease) / increase in cash and cash equivalents		(4,534,721)	7,818,210
Cash and cash equivalents at the beginning of the year		(1,399,564)	(9,217,774)
Cash and cash equivalents at the end of the year	28	(5,934,285)	(1,399,564)

The annexed notes from 1 to 36 form an integral part of these unconsolidated financial statements.

Vince Harris OBE
Chief Executive

Taufique Habib
Director

Unconsolidated Statement of Changes in Equity

for the year ended June 30, 2010

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
Issued capital			
Balance at the beginning of the year		11,571,544	11,571,544
Balance at the end of the year	16	11,571,544	11,571,544
Unappropriated profit			
Balance at the beginning of the year		17,960,806	16,899,127
Total comprehensive income for the year		5,556,122	3,780,991
Final dividend for the fiscal year 2008-2009 @ Rs. 2.00 (2007-2008 @ Rs. 1.00) per share		(2,314,309)	(1,157,154)
Interim dividend for the fiscal year 2009-2010 @ Rs. 2.50 (2008-2009 @ Rs. 1.35) per share		(2,892,886)	(1,562,158)
Balance at the end of the year		18,309,733	17,960,806
Total equity		29,881,277	29,532,350

The annexed notes from 1 to 36 form an integral part of these unconsolidated financial statements.

Vince Harris OBE
Chief Executive

Taufique Habib
Director

Notes to the Unconsolidated Financial Statements
for the year ended June 30, 2010

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 under construction and 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

2.1 Statement of compliance

These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Accounting convention

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

2.3 Property, plant and equipment

(a) Operating property, plant, equipment and depreciation

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets at the rates shown in note 9.1 to the unconsolidated financial statements. Depreciation on additions is charged for the full month in which an asset is put to use and on disposals up to the month immediately preceding the disposals.

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

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

(b) Capital work-in-progress

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

2.4 Intangible assets and amortisation

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

2.5 Stores and spares

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

2.6 Impairment of non-current assets

The carrying amounts of non-current assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to assess whether asset's carrying value exceeds its recoverable amount. Where carrying value exceeds the estimated recoverable amount, asset is written down to its recoverable amount. Impairment losses are recognised as expense in the profit and loss account. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.7 Inventory of fuel oil

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

2.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on savings, call and term deposit accounts and running finance under mark-up arrangements. Running finance under mark-up arrangements are shown in current liabilities.

2.9 Revenue recognition

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

2.10 Interest income

Interest income is recorded on accrual basis.

2.11 Staff retirement benefits

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

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

2.12 Foreign currency translation

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

2.13 Taxation

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

2.14 **Dividend**

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

2.15 **Financial instruments**

(a) **Trade and other receivables**

Trade and other receivables are recognised initially at fair value plus directly attributable transaction cost, if any, and subsequently measured at amortised cost using the effective interest rate method less provision for impairment, if any.

(b) **Borrowings**

Borrowings are recognised initially at fair value, net of attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

(c) **Trade and other payables**

Liabilities for trade and other amounts payable are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method.

2.16 **Borrowing costs**

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

2.17 **Investment in subsidiary**

Investment in subsidiary company is recognised at cost less impairment losses, if any.

2.18 **Use of estimates and judgements**

The preparation of unconsolidated financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the periods in which the estimates are revised and in any future periods affected.

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
3. TURNOVER			
Turnover		112,849,809	93,609,789
Less: Sales tax		(13,155,545)	(10,825,865)
		99,694,264	82,783,924
4. OPERATING COSTS			
Residual fuel oil		86,246,924	71,894,694
Operation and Maintenance	4.1	2,707,219	2,360,427
Insurance		542,272	409,800
Depreciation	9.3	1,697,242	1,690,968
Amortisation	10.1	302	958
Miscellaneous		812,360	330,266
		92,006,319	76,687,113

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

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
5. OTHER INCOME			
Interest income		15,637	17,090
Gain on disposal of fixed assets		-	1,117
Exchange gain		37,622	120,072
		53,259	138,279
6. GENERAL AND ADMINISTRATION EXPENSES			
Salaries, benefits and other allowances	6.1	208,666	179,595
Fuel and power		5,345	3,217
Property, vehicles and equipment rentals		10,108	8,847
Repairs and maintenance		6,288	5,838
Legal and professional		24,836	38,356
Insurance		7,607	5,980
Auditors' remuneration	6.2	2,763	2,411
Donation	6.3	20,595	25,463
Depreciation	9.3	22,314	15,754
Amortisation	10.1	1,451	905
Loss on disposal of fixed assets		879	-
Miscellaneous		80,639	73,233
		391,491	359,599

6.1 These include Rs. 17.095 million (2009: Rs. 18.747 million) in respect of staff retirement benefits.

6.2 Auditors' remuneration	2010 (Rs. '000s)	2009 (Rs. '000s)
Statutory audit	1,668	1,450
Half yearly review	489	425
Other services	494	410
Out-of-pocket expenses	112	126
	2,763	2,411

6.2.1 In addition to above, an amount of Rs. 1.750 million (2009: Rs. Nil) was paid to statutory auditors for rendering other services which was capitalised under capital work-in-progress - Narowal.

6.3 No directors or their spouses had any interest in any donee to which donations were made.

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
7. FINANCE COSTS			
Interest / mark-up on long term loans		1,065,602	1,105,124
Mark-up on short term borrowings		497,611	807,556
Miscellaneous finance costs		103,386	88,702
Bank charges		174	58
		1,666,773	2,001,440
Narowal			
Interest / mark-up on long term loans		2,251,221	151,203
Mark-up on short term borrowings		15,150	561,794
Other finance costs		173,797	533,540
Liquidated damages		-	8,312
		2,440,168	1,254,849
Laraib's investment			
Mark-up on short term borrowings		24,127	72,240
Unwinding of discount on share premium payable		39,288	-
Other finance costs		63,400	6,361
		126,815	78,601
		4,233,756	3,334,890
Less: amount capitalised in the cost of qualifying assets - Narowal	9.5	(2,440,165)	(1,240,390)
		1,793,591	2,094,500

8. WORKERS' PROFIT PARTICIPATION FUND

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
Provision for Workers' profit participation fund	21	277,806	189,050
Payment of Workers' profit participation fund recoverable from WAPDA	14	(277,806)	(189,050)
		-	-

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

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
9. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	9.1	27,598,326	29,219,284
Capital work-in-progress			
Plant betterments	9.4	42,685	112,636
Narowal	9.5	21,973,584	8,563,800
		22,016,269	8,676,436
		49,614,595	37,895,720

POWERING ON

9.1 Operating property, plant and equipment

	Freehold land	Building on freehold land	Leasehold property	Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Total
	(Rs. '000s)							
Cost:								
As at July 1, 2009	18,890	186,495	862	49,309,309	31,853	77,521	7,116	49,632,046
Additions	-	33,309	-	24,047	285	45,947	1,979	105,567
Disposals	-	-	-	(11,488)	-	(18,618)	-	(30,106)
As at June 30, 2010	18,890	219,804	862	49,321,868	32,138	104,850	9,095	49,707,507
Depreciation:								
Rate (%)	-	3.33, 10 & 20	3.33	3.33 to 33.33	20	25	20	-
As at July 1, 2009	-	87,827	424	20,254,207	26,162	38,960	5,182	20,412,762
Charge for the year	-	6,415	29	1,693,856	1,852	17,398	627	1,720,177
Disposals	-	-	-	(11,176)	-	(12,582)	-	(23,758)
As at June 30, 2010	-	94,242	453	21,936,887	28,014	43,776	5,809	22,109,181
Net book value as at June 30, 2010	18,890	125,562	409	27,384,981	4,124	61,074	3,286	27,598,326
Net book value as at June 30, 2009	18,890	98,668	438	29,055,102	5,691	38,561	1,934	29,219,284
Cost of fully depreciated assets as at June 30, 2010	-	18,372	-	193,009	25,495	17,672	3,367	257,915
Cost of fully depreciated assets as at June 30, 2009	-	18,372	-	120,274	20,322	17,640	3,456	180,064

9.2 Disposal of operating property, plant and equipment

Assets	Cost	Accumulated depreciation	Net book value	Sale price	Mode of disposal	Particulars of buyer
	(Rs. '000s)					
Vehicle	2,975	1,550	1,425	-	Ex-gratia	Javed Mahmood - Ex-CEO
Vehicle	1,789	298	1,491	1,501	Negotiation	Sirajuddin Ghumro - Ex-employee
Vehicle	1,973	493	1,480	1,765	Tender	M/s. Auto Mall
Vehicle	1,789	149	1,640	1,724	Insurance claim	EFU General Insurance
Generator	750	525	225	-	Ex-gratia	Javed Mahmood - Ex-CEO
Computer	201	117	84	50	Negotiation	Javed Mahmood - Ex-CEO
Items having a net book value not exceeding Rs. 50,000 each						
Vehicles	10,092	10,092	-	110	Company policy	Various
Computers	10,362	10,359	3	319	Various	Various
Equipment	175	175	-	-	Various	Various
Total - June 30, 2010	30,106	23,758	6,348	5,469		
Total - June 30, 2009	9,833	8,270	1,563	2,680		

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
9.3 Depreciation charge for the year has been allocated as follows:			
Operating costs	4	1,697,242	1,690,968
General and administration expenses	6	22,314	15,754
Capital work-in-progress - Narowal		621	-
		1,720,177	1,706,722
9.4 Capital work-in-progress - Plant betterments			
Opening balance		112,636	36,642
Additions during the year		21,565	82,394
Transfers during the year		(91,516)	(6,400)
		42,685	112,636
9.5 Capital work-in-progress - Narowal			
Opening balance		8,563,800	3,642,242
Additions during the year			
Payments for land		15,354	10,952
Housing colony		39,991	-
EPC costs		10,619,829	3,615,240
Professional services		68,072	120,643
Insurance cost		27,215	182,586
Land development		81,230	214,547
Borrowing & related transaction cost	7	2,266,371	1,102,523
Other finance costs	7	173,794	137,867
Government fees		2,779	2,387
Testing & pre-commissioning		105,710	-
Other directly attributable cost		9,439	2,576
		13,409,784	5,389,321
Transfers during the year		-	-
Transaction cost directly attributable to borrowings	17	-	(467,763)
		-	(467,763)
	9.5.1	21,973,584	8,563,800

9.5.1 This include expenditures which are under discussion with various suppliers and are also subject to final tariff determination by NEPRA.

10. INTANGIBLES

	Cost as at July 1, 2009	Additions	Disposals	Cost as at June 30, 2010	Accumulated amortisation as at July 1, 2009	Charge for the year	Disposals	Accumulated amortisation as at June 30, 2010	Net book value as at June 30, 2010	Net book value as at June 30, 2009
	(Rs. '000s)									
Computer Software	28,663	7,872	-	36,535	26,413	1,753	-	28,166	8,369	2,250

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
10.1 Amortisation charge for the year at 33.33% has been allocated as follows:			
Operating costs	4	302	958
General and administration expenses	6	1,451	905
		1,753	1,863

11. INVESTMENT IN SUBSIDIARY

On August 02, 2008, the Company acquired 75.5% controlling interest in Laraib Energy Limited ("the Subsidiary"), a company incorporated in Pakistan on August 9, 1995 as a public limited company under the Companies Ordinance, 1984 through a Share Purchase Agreement ("SPA") executed on June 23, 2008 with Coate & Co (Pvt.) Limited ("Seller"). 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, under Implementation Agreements with the Government of Pakistan and the Azad Government of the State of Jammu & Kashmir. Electricity will be supplied to National Transmission and Despatch Company Limited (NTDC) under a long term Power Purchase Agreement (PPA) which was signed on October 22, 2009. 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.

The SPA was amended on September 29, 2009. By such amendment the share premium payable to the Seller was reduced from previously estimated PKR Equiv. USD 17.5 million to PKR Equiv. USD 15 million. As at June 30, 2010, the outstanding share premium payable is PKR Equiv. USD 6.625 million which is payable in installments as and when equity is required to be injected by the Seller into the Subsidiary (Refer note 18).

Up to June 30, 2010 the Company had made a total payment of Rs. 2,084.49 million, out of which Rs. 671.58 million represents share premium on acquisition of shares from the Seller.

On September 30, 2009 the Shareholders of the Company passed a Special Resolution in accordance with the terms of the Sponsor Support Agreement (SSA) between the Company, the Subsidiary and its lenders allowing the Company:

(a) to make investments, from time to time, in the Subsidiary as equity contributions for an amount not exceeding USD 36 million;

(b) to invest as equity or provide loan to the Subsidiary, as deemed appropriate by the Chief Executive of the Company at the relevant time, an amount not exceeding USD 12.5 million, USD 6.0 million in the form of an LC [as mentioned in paragraph (d) below] and USD 6.5 million as contractual commitment, to enable the Subsidiary to meet any increase in project costs;

(c) to invest as equity or provide loan to the Subsidiary, as deemed appropriate by the Chief Executive of the Company at the relevant time, an amount not exceeding USD 17 million to enable the Subsidiary to meet any shortfall in debt servicing;

(d) to arrange and provide letter(s) of credit to guarantee the commitment of the Company to make investments mentioned hereinabove in paragraph (a), (b) and (c) for an amount not exceeding USD 46 million in accordance with the terms of the SSA (Refer note 23.5); and

(e) the return on any investments made pursuant to paragraph (b) and (c) above in the form of loan shall not be less than the borrowing costs of the Company to be determined by the Chief Executive of the Company.

The above SSA was signed on November 5, 2009. In accordance with the terms of the SSA, the Company has entered into a Sponsor Charge and Assignment Deed with the Subsidiary's lenders pursuant to which the Company has:

(i) charged, by way of first fixed charge:

  (a) all its right, title and interest from time to time in and to the Shares and Related Rights of the Subsidiary; and

  (b) all its rights, title and interest from time to time (whether present or future) in the Assigned Subordinated Loans (none at present) and all claims in relation thereto.

(ii) assigned and has agreed to assign absolutely all rights, title and interest present or future of the Company in respect of the Assigned Subordinated Loans (none at present).

Accordingly, all the present and future shares which the Company holds or owns in the Subsidiary and the loans, if any, to be provided to the Subsidiary in accordance with paragraph (b) and (c) above are subject to Security Interest created by Sponsor Charge and Assignment Deed above.

The Company is committed to maintain a minimum of 75% equity interest in the Subsidiary. As at June 30, 2010 on the basis of 75:25 debt to equity ratio, based on the current estimates of the project cost, the Company's remaining equity commitment is likely to be USD 23.7 million.

At present, the Company is financing investments in the Subsidiary through internal cash generation. In future, the Company also plans to use bank borrowings (to be arranged) for investments.

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
12. OTHER ASSETS			
Deposits		1,564	1,604
Prepayments		2,569	2,671
		4,133	4,275
13. TRADE DEBTS - Secured			
Considered good	13.1 & 13.2	66,712,461	46,629,457

13.1 This includes an amount of Rs. 57,764 million (2009: Rs. 40,044 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. The aging of these overdue receivables is as follows:

	2010	2009
Up to 3 months	28,324,374	16,789,462
3 to 6 months	25,916,378	13,924,942
Over 6 months	3,523,136	9,329,377
	57,763,888	40,043,781

13.2 This includes Rs. 373 million relating to a tax matter (see note 23.7).

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
14. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good			
Executives		208	996
Employees		25	-
Suppliers		4,297	19,922
		4,530	20,918
Prepayments			
LC commission and other loan related costs		6,109	68
Miscellaneous		5,759	9,238
		11,868	9,306
Other receivables			
Interest accrued		241	589
Income tax	23.6	296,872	296,872
Sales tax		104,980	268,488
Receivable from an associated company		116	353
Payment of Workers' profit participation fund recoverable from WAPDA	8	277,806	189,050
Miscellaneous		43,215	233
		723,230	755,585
		739,628	785,809

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
15. CASH AND BANK BALANCES			
Savings accounts		169,111	348,551
Call and term deposits		640,125	685,165
In hand		75	75
		809,311	1,033,791

15.1 Savings, call and term deposits accounts carry mark-up rates ranging between 0.36% to 5% (2009: 0.38% to 11.85%) per annum.

16. AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010 (No. of Shares)	2009 (No. of Shares)		2010 (Rs. '000s)	2009 (Rs. '000s)
		Authorised :		
1,200,000,000	1,200,000,000	Ordinary shares of Rs.10/- each	12,000,000	12,000,000
		Issued, subscribed and paid-up :		
		Ordinary shares of Rs.10/- each		
818,773,317	818,773,317	For cash	8,187,733	8,187,733
		For consideration other than cash		
338,022,463	338,022,463	- against project development cost	3,380,225	3,380,225
358,607	358,607	- against land	3,586	3,586
338,381,070	338,381,070		3,383,811	3,383,811
1,157,154,387	1,157,154,387		11,571,544	11,571,544

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

16.2 Associated companies held 495,726,779 (2009: 464,568,583) shares in the Company as at year end.

17. LONG TERM LOANS - Secured

From Banks / Financial Institution	Note	As at July 01, 2009	Drawn	Repaid	Current portion	Transaction cost	As at June 30, 2010
		(Rs. '000s)					
Under the Private Sector Energy Development Fund's (PSEDF I) Facility	17.1 & 17.1.1	5,378,290	-	(722,108)	(722,109)	-	3,934,073
Under the Private Sector Energy Development Fund's (PSEDF II) Facility	17.1 & 17.1.2	1,913,808	-	(256,953)	(256,953)	-	1,399,902
Sub Total		7,292,098	-	(979,061)	(979,062)	-	5,333,975
For Narowal							
Commercial Facility	17.2.1	1,648,692	4,127,861	-	(229,320)	-	5,547,233
Expansion Facility	17.2.2	3,846,948	9,631,676	-	(447,548)	-	13,031,076
Transaction cost	9.5	(467,763)	-	-	-	-	(467,763)
Sub Total		5,027,877	13,759,537	-	(676,868)	-	18,110,546
Total		12,319,975	13,759,537	(979,061)	(1,655,930)	-	23,444,521

From Banks / Financial Institution	Note	As at July 01, 2008	Drawn	Repaid	Current portion	Transaction cost	As at June 30, 2009
		(Rs. '000s)					
Under the Private Sector Energy Development Fund's (PSEDF I) Facility	17.1 & 17.1.1	6,100,397	-	(722,107)	(722,107)	-	4,656,183
Under the Private Sector Energy Development Fund's (PSEDF II) Facility	17.1 & 17.1.2	2,170,763	-	(256,955)	(256,955)	-	1,656,853
Sub Total		8,271,160	-	(979,062)	(979,062)	-	6,313,036
For Narowal							
Commercial Facility	17.2.1	-	1,648,692	-	-	-	1,648,692
Expansion Facility	17.2.2	-	3,846,948	-	-	-	3,846,948
Transaction cost	9.5	-	-	-	-	(467,763)	(467,763)
Sub Total		-	5,495,640	-	-	(467,763)	5,027,877
Total		8,271,160	5,495,640	(979,062)	(979,062)	(467,763)	11,340,913

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

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

(i) the Tangible Moveable Property of the Company;
(ii) the Intellectual Property of the Company; and
(iii) all goodwill belonging to the Company.

excluding (i) those relating or pertaining to the Narowal power plant; (ii) the Commercial Facility Disbursement Account; and (iii) present and future shares acquired in Laraib Energy Limited including bonus shares and right shares.

(b) a floating charge on the whole of the Company's undertaking and assets, present and future, other than:

(i) any assets for the time being effectively charged by way of fixed charge; (ii) any undertaking and assets, present and future, relating or pertaining to the Narowal power plant; (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); (iv) the Commercial Facility Disbursement Account; and (v) present and future shares acquired in Laraib Energy Limited including bonus shares and right shares.

(c) an assignment of all rights, title and interest, present and future, in relation to the Assigned Documents, Tangible Moveable Property, book and other debt and monetary claims (which are not otherwise subject to a fixed charge), uncalled capital, all Investments, Assigned Accounts and Insurances but excluding rights, interests and claims relating to or arising out of the documents executed for the Narowal power plant; and

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

17.1.1 Interest is payable @ 14% per annum.

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

17.2 In connection with Narowal project:

17.2.1 The Company has a long term facility of Rs. 6,750 million for 30% equity commitment with various banks / financial institution. Disbursements under the facility are subject to fulfilment of certain conditions precedent. The loan is repayable in 40 installments on quarterly basis following the 3 months after the end of availability period (earlier of 18 months from the facility effective date or three months after the COD) at a mark-up rate of three months KIBOR plus 0.25% per annum. The mark-up is payable on quarterly basis in arrear starting from the availability period (the loans became available on April 16, 2009).

This loan is secured pari passu by way of same securities as mentioned in note 17.1 and a first ranking floating charge over the Commercial Facility Disbursement Account and all credit balances held therein from time to time and all rights, property and benefits arising therefrom at any time and from time to time.

17.2.2 The Company has another long term facility for debt financing for an amount of Rs. 15,750 million with various banks / financial institution. Disbursements under the facility are subject to fulfilment of certain conditions precedent. The loan is repayable in 40 installments on quarterly basis following the 3 months after the end of availability period (earlier of 18 months from the facility effective date or three months after the COD) at a mark-up rate of three months KIBOR plus 3.47% per annum. The mark-up is payable on quarterly basis in arrear starting from the availability period (the loans became available on April 16, 2009).

This loan is secured pari passu by way of:

(a) mortgage by Deposit of Title Deeds over the immovable properties of the Company situated at Narowal and acquired for the purposes of Narowal Project;

(b) a first ranking floating charge over the Project Company's undertaking and assets (both present and future), fixed and current, tangible and intangible, wherever situated and all present and future trade deposits, trade debts, loans and advances, bills and other receivables in relation to the Narowal Project;

(c) by way of hypothecation, the creation of a first fixed charge over the present and future properties purchased for the purposes of Narowal Project;

(d) mortgage and assignment of Company's rights, titles and interests, present and future, actual and contingent under and in connection with the Narowal Project Documents and all rights of the Company to make recovery under the Narowal Project Documents and all proceeds of whatsoever nature receivable by the Company under the Narowal Project Documents; and

(e) by way of first priority security, the Company has assigned, charged and granted a security interest on all and each of the Project Company's rights, title, interest and benefit, present and future, under and in connection with the GOP Guarantee (for Narowal Project) and all rights of the Project Company to make recovery under the GOP Guarantee and any proceeds thereof receivable by the Project Company under the GOP Guarantee.

The Company shall not pay dividends until certain requirements under these facilities are satisfied. Any late payment by the Company is subject to an additional payment of 2% per annum above the normal mark-up rate.

During the year, the Company withdrew Rs. 13,759.537 million after obtaining lenders' consent for deferment of certain conditions precedent. The lenders' consent for deferment of certain conditions precedent expired on April 30, 2010 and the Company has applied for the waiver of these conditions precedent for availability of these loans.

The outstanding balance of long term loans include Rs. 1,711.571 million out of the total available facilities of Rs. 2,000 million from an associated undertaking.

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
18. SHARE PREMIUM PAYABLE			
Share premium payable		536,593	-
Less: current portion	21	(495,385)	-
		41,208	-

This represents share premium payable to Coate & Co. (Pvt.) Limited for the acquisition of shares of the Subsidiary as per the amended SPA (Refer note 11).

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
19. DEFERRED LIABILITY			
Staff gratuity		15,689	15,001

Actuarial valuation was carried out as on June 30, 2010. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Actuarial Cost method.

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
Reconciliation of the liability recognised in the balance sheet			
Present value of defined benefit obligation		110,529	92,557
Fair value of plan assets		(81,095)	(70,391)
Net actuarial losses not recognised		(13,745)	(7,165)
Net liability recognised in the balance sheet		15,689	15,001
Reconciliation of the movements during the year in the net liability recognised in the balance sheet			
Opening net liability		15,001	14,592
Expense recognised	19.1	9,345	11,558
Contributions to the fund made during the year		(8,657)	(11,149)
Closing net liability		15,689	15,001
Expense recognised			
Current service cost		6,242	9,321
Interest cost		12,958	8,832
Expected return on plan assets		(9,855)	(6,595)
Expense recognised		9,345	11,558

19.1 The total expense recognised include Rs. 0.123 million (2009: Rs. 0.054 million) capitalised under capital work-in-progress - Narowal.

	2010 (Rs. '000s)	2009 (Rs. '000s)
Actual return on plan assets		
Expected return on plan assets	9,855	6,595
Actuarial loss on plan assets	(3,641)	(2,308)
Actual return on plan assets	6,214	4,287

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

	2010	2009
- Valuation discount rate per annum	14%	14%
- Expected return on plan assets per annum	11%	14%
- Expected rate of increase in salary level per annum	14%	14%

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
20. SHORT TERM BORROWINGS - Secured			
Finances under mark-up arrangements	28	6,743,596	2,433,355
Finances under mark-up arrangements - Narowal		-	1,148,890
	20.1	6,743,596	3,582,245

20.1 The facilities for running finance available from various banks amounted to Rs. 9,300 million (2009: Rs. 8,519 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 September 30, 2010 to April 30, 2011. 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.

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
21. TRADE AND OTHER PAYABLES			
Creditors			
Trade	21.1 & 21.2	55,532,162	41,992,353
Other		73,582	8,803
		55,605,744	42,001,156
Accrued liabilities			
Due to operation and maintenance contractor	21.3	138,044	130,142
Due to EPC contractor - Narowal		1,474,505	162,900
Miscellaneous finance costs		17,008	15,575
Miscellaneous	21.4	587,535	540,335
		2,217,092	848,952
Unearned income	21.5	880,249	848,232
Share premium payable	18	495,385	-
Unclaimed dividend		76,165	62,758
Other payables			
Provision for Workers' profit participation fund	8	277,806	189,050
Retention money		35,381	19,955
Withholding tax		7,510	57
		320,697	209,062
		59,595,332	43,970,160

21.1 This represents amount payable to Pakistan State Oil.

21.2 This includes an overdue amount of Rs. 48,769 million (2009: Rs. 37,894 million) which carries interest / mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

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

21.4 This includes a sum of Rs. 453.736 million (2009: Rs. 406.222 million) in respect of services rendered by an associated company.

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

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
22. INTEREST / MARK-UP ACCRUED			
Interest / mark-up accrued on long term loans		1,191,299	653,342
Interest / mark-up accrued on short term borrowings		126,662	112,598
	22.1	1,317,961	765,940

22.1 Included herein is a sum of Rs. 63.095 million (2009: Rs. 13.010 million) payable to an associated undertaking.

23. COMMITMENTS AND CONTINGENCIES

23.1 The Company under the Fuel Supply Agreement (FSA) is committed to purchase a certain quantity of oil from Pakistan State Oil (PSO) every year.

23.2 Counter guarantees, to meet the requirements under the FSA, issued to various banks which are secured pari passu with long term loans (as mentioned in note 17.1) amount to Rs. 8,000 million (2009: Rs. 5,899 million).

23.3 Commitments in respect of capital and revenue expenditure amount to Rs. 226.531 million (2009: Rs. 222.201 million).

23.4 In connection with the Narowal project:

(i) the Company has entered into contracts for construction and operation of the Narowal power plant. The Company's remaining capital & revenue commitments against these contracts amount to Rs. 613.334 million (2009: Rs. 9,924.538 million).

(ii) MAN Diesel, the EPC contractor for Narowal project was not able to achieve the required Commercial Operations Date (COD) of March 31, 2010 and has also raised certain issues on the basis of which it is seeking an extension of time for the completion of the Narowal project under the contracts. The Company has denied MAN's request for extension of time and has reserved its rights under the contracts including the imposition of liquidated damages to MAN Diesel if the delay is attributable to MAN. The Company has made progress in its negotiation with MAN for the finalisation of liquidated damages. However, in order to protect the Company's position, the Company has requested the Government of Pakistan for an extension in COD up to September 2010 and for the necessary amendment in the Letter of Support issued to the Company.

(iii) the Company has entered into a facility agreement with a commercial bank (an associated undertaking) for issuance of performance guarantee to the Private Power and Infrastructure Board (PPIB) for an amount of USD 1.125 million in order to secure the Company's obligation of achieving COD by March 31, 2010. Considering the delay in COD, the Company has extended the validity of the guarantee by another three months up to December 31, 2010. The guarantee is secured by way of a charge over the Company's entire immovable assets 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 Laraib Energy Limited including bonus shares and right shares.

(iv) the Company has entered into a Power Purchase Agreement (PPA) on November 20, 2008, with NTDC/CPPA/WAPDA (Power Purchaser) for the sale of all the available capacity and delivery and dispatch of Net Electrical Output generated from the Narowal power plant. Under the PPA, the Company was required to achieve the COD by March 31, 2010 failing which the Company is required to pay the liquidated damages to the Power Purchaser at the rate of USD 17,800 per day. In order to meet this obligation, on March 09, 2009, the Company arranged the issuance of letter of credit (LC) in favour of the Power Purchaser for an amount of USD 5.874 million from a commercial bank. The LC expired on March 31, 2010 and was automatically extended for one year. This LC is secured by way of securities mentioned in note 17.2.2. Any late payment by the Company is subject to a mark-up rate of three months KIBOR plus 4% per annum compounded semi-annually.

(v) under the Construction Contract (CC), the Company has provided a guarantee of Rs. 265.782 million [equivalent to the 15% of total contract value (USD 22.003 million)] in favour of construction contractor [MAN Diesel Pakistan (Pvt.) Ltd]. This guarantee secures Company's payment obligations and shall remain valid until all payments under this contract have been made. This guarantee was valid up to April 15, 2010. Currently, the expiry of the validity period has been extended on monthly basis up to August 15, 2010. This guarantee is secured by way of securities mentioned in note 17.2.2.

Further, MAN Diesel is required to provide a guarantee before payments are made. MAN has not provided the guarantee and the Company has withheld some of the construction contract payments.

(vi) 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 before the COD.

(vii) as per the PPA, the Company is allowed to claim a margin of 3% over KIBOR in its tariff determination for the long term loans. The loans were signed at a rate of 3.47% over KIBOR as mentioned in note 17.2.2. The Company plans to approach NEPRA for Tariff redetermination and the management believes that it is probable that NEPRA will approve the revised terms.

(viii) under the Narowal PPA, the Company is required to maintain a reserve fund to meet the obligations for major maintenance expenses and therefore a certain portion (yet to be determined) from the first nine monthly capacity billings will not be available to the Company.

23.5 Pursuant to the Sponsors Support Agreement (SSA) in connection with the investment in the Subsidiary, the Company is committed to provide an LC of USD 46 million (Refer note 11) to Laraib's lenders from Financial Close to the last repayment date of debt (expected in 2024). The Company has arranged this LC in the amount of USD 46 million or aggregating Rs. 4,000 million whichever is lower. The LC amount will reduce as the equity is injected into the Subsidiary and project achieves COD. Post COD, the Company will be required to maintain a maximum LC of USD 17 million up to 2024. The Company has entered into an agreement with a commercial bank (an associated undertaking) for a period of four years starting December 2009. The LC has been arranged for one year under the agreement and is renewable each year subject to certain conditions. Any late payment by the Company is subject to a mark-up of six months KIBOR plus a margin of 4%. This LC 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 Laraib Energy Limited including bonus shares and right shares.

23.6 (i) The Deputy Commissioner of Income tax (DCIT) made assessments under section 52/86 of the Income Tax Ordinance, 1979 [ITO,79] amounting to Rs. 1,896 million stating that the Company did not withhold tax at the time of issue of shares to sponsors against project development costs incurred by them. The Company deposited tax amounting to Rs. 297 million against the above assessments in accordance with the departmental procedures. Appeals filed by the Company before the Commissioner of Income tax (Appeals) [the "CIT(A)"] and thereafter with the Income Tax Appellate Tribunal (the "ITAT") were decided against the Company. Against the decision of the ITAT, the Company filed appeals before the High Court (the "HC"). The HC granted a stay of demand for the outstanding tax liability which according to the provisions of section 136 of the ITO,79 expired on August 2, 1999. However, the HC directed the DCIT not to institute recovery measures without its permission.

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

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

Without prejudicing its rights, the Company has held several meetings with the FBR in order to settle the matter in an amicable manner. Various options have been discussed but no conclusion has yet been reached.

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

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

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

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

On Hubco's and other Independent Power Producers' (IPPs) representation, the Economic Coordination Committee (ECC) of the Federal Cabinet of the GOP directed the FBR to refund the tax recovered by it over and above 4%. The FBR has so far refunded Rs. 593 million but withheld Rs. 373 million on the pretext that the ECC decision was not applicable on "tax on tax" issue and also because the FBR has filed appeals before the courts which are pending adjudication.

The Company continued its discussions with the GOP and the FBR for the balance refund of Rs. 373 million. As a result, the tax department has passed revised orders recognising refunds aggregating to Rs. 300.5 million. The tax law specifies that once an order recognising refund is passed, only then a taxpayer can apply for issuance of refund order and refund cheque. Accordingly, the Company has filed applications with the tax department for issuance of refund orders and cheques for the above amounts. The Company is also pursuing the tax department for issuance of revised orders recognising the balance refund amounting to Rs. 72.5 million.

The management and their tax advisors are of the opinion that the position of the Contractors and the Company is strong on legal grounds and on the basis of the above referred orders, therefore, tax of Rs. 373 million will be refunded.

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

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

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

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

Both HUBCO and WAPDA have agreed that this petition should proceed and a judgement obtained on merits. During the year, the hearing was completed and judgement has been reserved. 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 8).

24. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
		Chief Executive	
Managerial remuneration		11,025	9,315
Ex-gratia payment		21,850	-
Bonus		-	2,471
House rent		4,961	4,192
Utilities		1,102	931
Retirement benefits		1,102	931
Other benefits		3,940	4,531
		43,980	22,371
Number of persons		1	1
		Directors	
Fees	24.1	2,925	2,250
Number of persons		4	3
		Executives	
Managerial remuneration		65,610	59,620
Ex-gratia payment		2,673	-
Bonus		14,003	10,204
House rent		23,800	22,367
Utilities		6,561	5,962
Retirement benefits		15,294	16,443
Other benefits		21,811	24,889
		149,752	139,485
Number of persons		34	30
		Total	
Managerial remuneration / Fees		79,560	71,185
Ex-gratia payment		24,523	-
Bonus		14,003	12,675
House rent		28,761	26,559
Utilities		7,663	6,893
Retirement benefits		16,396	17,374
Other benefits		25,751	29,420
		196,657	164,106
Number of persons		39	34

24.1 This represents fee to four (2009: three) directors.

24.2 The Chief Executive and certain Executives are provided with the use of Company maintained automobiles in accordance with the terms of their employment.

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

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
25. TRANSACTIONS WITH RELATED PARTIES / ASSOCIATED UNDERTAKINGS			
Amounts paid for services rendered	25.1	3,303,535	2,552,996
Reimbursement of expenses and others		1,522	1,129
Mark-up on short term borrowings		-	232,516
Mark-up on long term loans		200,539	-
Other finance cost		61,999	-
Remuneration to key management personnel			
Salaries, benefits and other allowances		59,725	56,060
Ex-gratia payment	25.2	21,850	-
Retirement benefits		4,749	4,526
	25.3	86,324	60,586
Fees	24.1	2,925	2,250
Contribution to staff retirement benefit plans		16,725	18,747

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

25.2 In addition to this, certain assets having book value of Rs. 1.734 million against proceeds of Rs. 0.050 million were given to Ex-Chief Executive as ex-gratia.

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

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

	2010	2009
26. PLANT CAPACITY AND PRODUCTION		
Theoretical Maximum Output	10,512 GWh	10,512 GWh
Total Output	8,337 GWh	8,257 GWh
Load Factor	79.30%	78.50%

Practical maximum output for the power plant taking into account all the scheduled outages is 9,216 GWh (2009: 9,216 GWh). Output produced by the plant is dependent on the load demanded by WAPDA and the plant availability.

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
27. WORKING CAPITAL CHANGES			
(Increase) / decrease in current assets			
Inventory of fuel oil		981,011	(976,704)
Trade debts		(20,083,004)	(21,758,130)
Advances, prepayments and other receivables		45,833	235,925
		(19,056,160)	(22,498,909)
Increase in current liabilities			
Trade and other payables		15,655,608	32,216,251
		(3,400,552)	9,717,342
28. CASH AND CASH EQUIVALENTS			
Cash and bank balances	15	809,311	1,033,791
Finances under mark-up arrangements	20	(6,743,596)	(2,433,355)
		(5,934,285)	(1,399,564)

29. NON-CASH TRANSACTIONS

Investment in subsidiary during the year includes an amount of Rs. 515.170 million (2009: Nil) representing share premium payable as per the SPA (Refer note 11).

	Note	2010	2009
30. BASIC AND DILUTED EARNINGS PER SHARE			
30.1 Basic			
Profit for the year (Rupees in thousand)		5,556,122	3,780,991
Number of shares in issue during the year	16	1,157,154,387	1,157,154,387
Basic earnings per share (Rupees)		4.80	3.27

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

31. PROPOSED FINAL DIVIDEND

The Board of Directors proposed a final dividend for the year ended June 30, 2010 of Rs. 2.50 per share, amounting to Rs. 2,892.886 million, at their meeting held on August 09, 2010, for approval of the members at the Annual General Meeting to be held on September 22, 2010. These unconsolidated financial statements do not reflect this dividend payable which will be accounted for in the period in which it is approved.

32. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The overall risk management of the Company is carried out by the Company's treasury under policies approved by the Board of Directors. Such policies entail identifying, evaluating and addressing financial risks of the Company.

The Company's overall risk management procedures to minimize the potential adverse effects of financial market on the Company's performance are as follows:

(a) Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of holdings of financial instruments. The Company is not exposed to equity price risk. The exposure to other two risks and their management is explained below:

(i) Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Financial assets of the Company include Rs. 761.729 million (2009: Rs. 692.632 million) in foreign currencies which are subject to currency risk exposure and financial liabilities of the Company include Rs. 187.186 million (2009: Rs. 398.510 million) in foreign currencies which are subject to currency risk exposure.

The Company believes that the foreign exchange risk exposure on foreign currency assets and liabilities is immaterial.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Cash flow and fair value interest rate risks

The Company's exposure to the risk of changes in interest rates relates primarily to the following:

	2010 (Rs. '000s)	2009 (Rs. '000s)
Fixed rate instruments at carrying amount:		
Financial liabilities		
Long term loans	4,656,182	5,378,290
Share premium payable	536,593	-
	5,192,775	5,378,290
Variable rate instruments at carrying amount:		
Financial assets		
Trade debts	57,763,888	40,043,781
Cash and bank balances	809,236	1,033,716
Total	58,573,124	41,077,497
Financial liabilities		
Long term loans	20,444,269	6,941,685
Short term borrowings	6,743,596	3,582,245
Trade payables	48,769,054	37,893,571
Total	75,956,919	48,417,501

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest / mark-up would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

Owing to current cash flow difficulties and delays in payment by WAPDA, the Company has delayed payments to PSO (fuel supplier). The Company has also obtained short term running finances to meet its short term funding requirements. The Company receives interest on overdue balances from WAPDA at variable rate provided under the PPA and pays interest on overdue balances to PSO at variable rate provided under the FSA. The rates on all these three financial instruments are almost similar and move in the same direction, therefore, any change in the variable rate does not significantly affect profit or loss.

In addition to above, the Company has long term loans (PSEDF II) for Hub power plant at variable rates. The related finance cost is pass through to WAPDA under the PPA. Therefore, there is no significant impact of any change in interest rates on profit or loss.

The Company has a long term loan facility for Narowal project from various banks / financial institution (see note 17.2.2). Under the Narowal PPA, the related finance cost up to a mark-up rate of 3 months KIBOR plus 3% margin is allowed as a pass through to the Power Purchaser. Therefore, a change in interest rate at the balance sheet date does not have a significant impact on profit or loss.

The Company has another long term loan facility for Narowal project from various banks/ financial institution (see note 17.2.1). The Company has to manage the related finance cost from its own sources which exposes the Company to the risk of change in 3 months KIBOR. Since the project is under construction, the related finance cost is capitalised at the balance sheet date, therefore the change in interest rate does not affect profit or loss.

Since the impact of interest rate exposure is not significant to the Company, the management believes that consideration of alternative arrangement to hedge interest rate exposure is not cost effective.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's exposure to credit risk is not significant for reasons provided below.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was as follows:

	2010 (Rs. '000s)	2009 (Rs. '000s)
Deposits	1,564	1,604
Trade debts	66,712,461	46,629,457
Other receivables	321,378	190,225
Cash and bank balances	809,236	1,033,716
Total	67,844,639	47,855,002

Trade debts are recoverable from WAPDA under the PPA and are secured by a guarantee from Government of Pakistan under the Implementation Agreement.

The significant amount of other receivables is also recoverable from WAPDA and is secured as mentioned above.

Credit risk on bank balances is limited as they are placed with foreign and local banks having good credit ratings assigned by local and international credit rating agencies. The Company is also required under the concession documents to keep project accounts with certain banks.

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has the sufficient funds to meet its liabilities when due without incurring unacceptable losses. The Company maintains running finance facilities (see note 20) to meet the short term funding requirements due to delay in payments by WAPDA. The delay in payments by WAPDA is mainly offset by the delay in payments to PSO.

The Company is exposed to liquidity risk in relation to the Narowal project financing arrangements (see note 17.2) where the Company is required to meet certain conditions precedent. If the withdrawal from these long term loan facilities is not available, the Company will be required to manage funding for Narowal project from its own sources. The Company is also required to meet all costs due to delay in COD from its own sources which will be funded from LDs recoverable from MAN [see note 23.4 (ii)].

The Narowal project long term loans (see note 17.2) carry interest at a rate of 3 months KIBOR plus a margin. The Company is exposed to liquidity risk to the extent that the returns (subject to final tariff determination) from the project are not sufficient to meet the funding requirement for the loan mentioned in 17.2.1. The Company is also exposed to liquidity risk for the differential of 0.47% [see note 23.4 (vii)] and will approach NEPRA at the time of final tariff determination.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 5 to 10 years	Over 10 years	Total
	(Rs. '000s)					
2009-10						
Long term loans	3,365,134	2,829,503	21,243,298	20,299,368	932,357	48,669,660
Share premium payable	258,874	273,750	42,190	-	-	574,814
Short term borrowings	6,870,258	-	-	-	-	6,870,258
Trade and other payables	58,212,188	-	-	-	-	58,212,188
Total	68,706,454	3,103,253	21,285,488	20,299,368	932,357	114,326,920
2008-09						
Long term loans	1,396,404	1,484,026	12,001,499	7,414,476	633,248	22,929,653
Short term borrowings	3,694,843	-	-	-	-	3,694,843
Trade and other payables	43,121,871	-	-	-	-	43,121,871
Total	48,213,118	1,484,026	12,001,499	7,414,476	633,248	69,746,367

Fair value estimation

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

Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, as required under various project agreements, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables (Rs. '000s)	Total June 30, 2010 (Rs. '000s)
Assets as per balance sheet		
Deposits	1,564	1,564
Trade debts	66,712,461	66,712,461
Other receivables	321,378	321,378
Cash and bank balances	809,311	809,311
Total	67,844,714	67,844,714

	Financial liabilities measured at amortised cost (Rs. '000s)	Total June 30, 2010 (Rs. '000s)
Liabilities as per balance sheet		
Long term loans	26,291,750	26,291,750
Share premium payable	536,593	536,593
Short term borrowings	6,870,258	6,870,258
Trade and other payables	58,212,188	58,212,188
Total	91,910,789	91,910,789

	Loans and receivables (Rs. '000s)	Total June 30, 2009 (Rs. '000s)
Assets as per balance sheet		
Deposits	1,604	1,604
Trade debts	46,629,457	46,629,457
Other receivables	190,225	190,225
Cash and bank balances	1,033,791	1,033,791
Total	47,855,077	47,855,077

	Financial liabilities measured at amortised cost (Rs. '000s)	Total June 30, 2009 (Rs. '000s)
Liabilities as per balance sheet		
Long term loans	12,973,317	12,973,317
Short term borrowings	3,694,843	3,694,843
Trade and other payables	43,121,871	43,121,871
Total	59,790,031	59,790,031

34. INITIAL APPLICATION / EXEMPTION OF STANDARDS OR INTERPRETATION

Standard effective and adopted in 2010

IAS 1 - Presentation of financial statements

The presentation of these unconsolidated financial statements has been amended to reflect the changes introduced by IAS 1 (Revised) "Presentation of Financial Statements" which became effective from the periods beginning on or after January 01, 2009. The adoption of IAS 1 (Revised) does not materially affect the computations of the results except some changes in presentation and disclosures. All 'non-owner changes in equity' are required to be presented separately in a performance statement. Companies can choose either to present one performance statement (statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income). The Company has adopted two statements approach to reflect these changes.

Exemption from applicability of IFRIC - 4 "Determining Whether an Arrangement Contains a Lease"

On June 22, 2009, the Securities and Exchange Commission of Pakistan (SECP) exempted the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" for power sector companies where Letter of Intent (LOI) is issued by the Government on or before June 30, 2010. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC - 4.

Under IFRIC 4, the consideration required to be made by lessee (WAPDA) for the right to use the asset is to be accounted for as finance lease under IAS - 17 "Leases". If the Company were to follow IFRIC - 4 and IAS - 17, the effect on the unconsolidated financial statements would be as follows:

	2010 (Rs. '000s)	2009 (Rs. '000s)
Decrease in unappropriated profit at the beginning of the year	(11,749,859)	(12,270,485)
Increase in profit for the year	808,858	520,626
Decrease in unappropriated profit at the end of the year	(10,941,001)	(11,749,859)

35. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on August 09, 2010 in accordance with the resolution of the Board of Directors.

36. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Vince Harris OBE
Chief Executive

Taufique Habib
Director

Pattern of Shareholding

as at June 30, 2010

Number of Shares		Number of	Number
From	To	Shareholders	Shares Held
1	100	330	23,843
101	500	5,776	2,829,859
501	1000	1,643	1,559,424
1001	5000	2,657	8,068,668
5001	10000	959	7,902,828
10001	15000	375	4,889,966
15001	20000	267	4,913,688
20001	25000	201	4,734,376
25001	30000	151	4,343,659
30001	35000	89	2,982,773
35001	40000	81	3,114,120
40001	45000	66	2,837,808
45001	50000	98	4,829,882
50001	55000	39	2,074,000
55001	60000	27	1,598,816
60001	65000	26	1,645,800
65001	70000	19	1,311,800
70001	75000	25	1,850,439
75001	80000	17	1,343,600
80001	85000	22	1,834,102
85001	90000	16	1,420,525
90001	95000	6	561,599
95001	100000	71	7,076,000
100001	105000	10	1,034,140
105001	110000	8	866,639
110001	115000	10	1,141,733
115001	120000	10	1,183,627
120001	125000	8	994,000
125001	130000	6	776,320
130001	135000	4	531,011
135001	140000	4	554,000
140001	145000	9	1,290,133
145001	150000	14	2,100,000
150001	155000	4	605,800
155001	160000	7	1,116,000
160001	165000	4	659,000
165001	170000	5	834,800
170001	175000	5	868,000
175001	180000	3	536,500
180001	185000	4	730,600
185001	190000	5	948,800
190001	195000	5	961,445
195001	200000	22	4,399,000
200001	205000	3	610,500
205001	210000	7	1,454,974
210001	215000	2	426,500
215001	220000	8	1,749,349
220001	225000	4	899,500
225001	230000	3	687,500
240001	245000	2	484,383
245001	250000	5	1,250,000
250001	255000	2	505,000

Number of Shares		Number of Shareholders	Number Shares Held
From	To		
255001	260000	1	260,000
260001	265000	3	793,000
265001	270000	3	805,298
270001	275000	2	550,000
275001	280000	2	554,500
280001	285000	3	852,025
285001	290000	2	578,800
290001	295000	1	291,166
295001	300000	4	1,200,000
300001	305000	2	606,000
305001	310000	1	310,000
310001	315000	1	310,405
315001	320000	4	1,273,473
320001	325000	1	325,000
325001	330000	1	326,500
330001	335000	1	331,000
335001	340000	3	1,011,500
340001	345000	1	343,000
345001	350000	3	1,046,000
350001	355000	2	707,000
355001	360000	2	716,799
360001	365000	1	361,500
365001	370000	2	740,000
370001	375000	5	1,865,526
375001	380000	2	758,496
385001	390000	1	390,000
390001	395000	1	390,250
395001	400000	8	3,197,500
400001	405000	2	807,000
405001	410000	1	409,500
410001	415000	1	412,000
415001	420000	1	419,500
420001	425000	1	425,000
425001	430000	5	2,142,405
430001	435000	1	431,400
435001	440000	1	437,500
440001	445000	2	883,500
445001	450000	4	1,792,349
450001	455000	1	453,000
455001	460000	2	914,210
465001	470000	1	470,000
470001	475000	1	475,000
480001	485000	2	966,500
485001	490000	2	975,971
495001	500000	4	2,000,000
500001	505000	1	503,300
520001	525000	1	523,000
535001	540000	1	540,000
540001	545000	2	1,087,000
545001	550000	3	1,650,000
565001	570000	1	565,295
570001	575000	1	573,500
575001	580000	3	1,734,652
590001	595000	1	594,000
595001	600000	1	598,400
600001	605000	1	605,000
630001	635000	1	633,500
635001	640000	1	640,000
640001	645000	1	645,000
645001	650000	2	1,297,000
695001	700000	1	700,000
710001	715000	1	713,500

Number of Shares		Number of Shareholders	Number Shares Held
From	To		
715001	720000	1	716,829
730001	735000	1	731,200
745001	750000	1	750,000
750001	755000	1	753,419
770001	775000	1	771,500
795001	800000	1	800,000
830001	835000	1	831,996
840001	845000	1	842,085
850001	855000	1	855,000
855001	860000	1	857,000
870001	875000	2	1,749,000
885001	890000	1	885,171
890001	895000	1	891,361
895001	900000	5	4,491,500
920001	925000	2	1,844,300
995001	1000000	4	4,000,000
1065001	1070000	1	1,070,000
1110001	1115000	1	1,114,783
1115001	1120000	2	2,238,792
1145001	1150000	1	1,150,000
1150001	1155000	1	1,155,000
1180001	1185000	1	1,185,000
1185001	1190000	1	1,190,000
1195001	1200000	1	1,195,500
1205001	1210000	1	1,207,000
1210001	1215000	2	2,425,401
1220001	1225000	1	1,221,266
1315001	1320000	1	1,318,450
1320001	1325000	1	1,325,000
1345001	1350000	2	2,698,000
1395001	1400000	1	1,396,680
1420001	1425000	2	2,845,179
1425001	1430000	1	1,426,300
1455001	1460000	1	1,458,877
1550001	1555000	1	1,550,500
1600001	1605000	1	1,601,800
1635001	1640000	1	1,640,000
1645001	1650000	1	1,647,500
1670001	1675000	1	1,675,000
1680001	1685000	1	1,680,201
1720001	1725000	1	1,722,600
1755001	1760000	1	1,757,541
1795001	1800000	1	1,800,000
1905001	1910000	1	1,909,500
1930001	1935000	2	3,868,500
1940001	1945000	1	1,945,000
1950001	1955000	1	1,954,500
1995001	2000000	3	6,000,000
2015001	2020000	1	2,017,265
2195001	2200000	1	2,200,000
2225001	2230000	1	2,226,500
2295001	2300000	1	2,300,000
2315001	2320000	1	2,319,500
2355001	2360000	1	2,355,934
2495001	2500000	1	2,500,000
2620001	2625000	1	2,625,000
2635001	2640000	1	2,638,850
2640001	2645000	1	2,643,890
2645001	2650000	1	2,650,000
2745001	2750000	1	2,750,000
2775001	2780000	1	2,776,800

POWERING ON

Number of Shares		Number of	Number
From	To	Shareholders	Shares Held
2845001	2850000	1	2,850,000
2995001	3000000	1	3,000,000
3000001	3005000	1	3,000,564
3375001	3380000	1	3,379,943
3445001	3450000	1	3,450,000
3495001	3500000	1	3,500,000
3505001	3510000	1	3,507,824
3570001	3575000	1	3,572,986
3785001	3790000	1	3,785,064
3845001	3850000	1	3,845,504
3905001	3910000	1	3,905,168
3925001	3930000	1	3,927,000
3945001	3950000	1	3,949,850
4095001	4100000	1	4,097,135
4325001	4330000	1	4,329,000
4470001	4475000	1	4,473,724
4640001	4645000	1	4,644,349
5185001	5190000	1	5,187,930
5390001	5395000	1	5,394,505
5870001	5875000	1	5,870,897
5920001	5925000	1	5,921,599
6245001	6250000	1	6,246,000
6770001	6775000	1	6,772,518
7235001	7240000	1	7,238,057
7465001	7470000	1	7,465,500
7620001	7625000	1	7,621,036
8410001	8415000	1	8,414,581
8480001	8485000	1	8,480,773
9310001	9315000	1	9,310,250
9995001	10000000	1	10,000,000
10815001	10820000	1	10,818,460
11030001	11035000	1	11,031,909
11275001	11280000	1	11,277,290
14095001	14100000	1	14,095,166
15365001	15370000	1	15,367,500
15375001	15380000	1	15,375,156
15790001	15795000	1	15,792,925
19645001	19650000	1	19,650,000
20295001	20300000	1	20,299,760
20430001	20435000	1	20,432,459
21245001	21250000	1	21,248,016
26600001	26605000	1	26,603,375
37490001	37495000	1	37,491,741
55045001	55050000	1	55,046,212
98390001	98395000	1	98,391,000
140280001	140285000	1	140,280,633
201800001	201805000	1	201,803,509
	Total	**13,386**	**1,157,154,387**

Categories of Shareholding

as at June 30, 2010

Categories	No. of Shareholders	No. of Shares held	Percentage
Individuals	12,871	156,694,384	13.54
Joint Stock Companies	179	510,683,949	44.13
Financial Institutions	55	260,772,708	22.54
Investment Companies	36	33,394,147	2.89
Insurance Companies	26	47,171,127	4.07
Modaraba/Mutual Fund & Leasing Cos.	61	59,443,773	5.14
OTHERS			
Government of Balochistan	1	358,607	0.03
GDR Depository	1	14,095,166	1.22
Charitable Trusts	38	10,678,819	0.92
Cooperative Societies	9	925,000	0.08
Provident/Pension/Gratuity Fund	108	43,286,707	3.74
Employee's Old Age Benefits Institution	1	19,650,000	1.70
	13,386	**1,157,154,387**	**100**

The above two statements include 7,801 shareholders holding 1,095,101,598 shares through the Central Depository Company of Pakistan Limited (CDC).

Details of Associated Companies, Undertakings and related parties are given below (Name wise details)

National Power International Holding B.V.	201,803,509
Adamjee Insurance Company Limited	115,500
Xenel International	140,280,633
MCB Bank Limited - Treasury	89,925
Committee of Admin. Fauji Foundation	98,391,000
Allied Bank of Pakistan	55,046,212

NIT & ICP

Investment Corporation of Pakistan	1,100
National Bank of Pakistan-Trustee Department NI(U)T Fund	15,375,156

Directors

Syed Nizam Shah	1,000
Qaiser Javed	5,000
Taufique Habib	5,500
Ali Munir	1,000
Arif Ijaz	1,000
Muhammad Jawed Iqbal	60,500

Executives

Huma Pasha	21,700
Mohammed Saleem Mahfooz Siddiqui	25,200
Mohsin Maqsood	1,300
Mohammed Aamir Siddiqi	1,100
Mohammad Iqbal Shivani	5,000
Syed Hasnain Haider	3,000
Amir Bashir	3,500
Mushrraf Hussain	2,000
Wasif Mustafa Khan	22,500
Syed Raees Ahmed	2,400
M. Habibullah Khan	1,000
Muhammad Irfan Iqbal	1,000

Investment Companies

Nicholas - Applegate Investment Trust	1,000
National Development Finance	200
The Northern Trust Company	3,882,796
RO Limited	150,000
Merrill Lynch International	500
Legal And General Assurance Society Ltd.	347
HSBC Fund Services	1,800,000
UBS AG London Branch	831,996
Wilmington International Equity Fund Select, L.P-FM 2	212,500
Batterymarch Global Emerging Markets Fund	579,722
Legg Mason Global Funds Plc	528,300
Advance Series Trust-ast Parametric Emerging Markets Eq	923,500
Wilmington Multi-manager International Fund	151,500
Cogent Investment Operations PTY Limited-Optimix Wholes	32,000
Eddie Company (Pvt) Ltd.	40,000
Pakistan Human Development Fund	399,000
Pakistan Kuwait Investment Co. (Pvt) Ltd.	5,921,599

Invest Capital Investment Bank Limited	24,995
Noor Financial Invest Co.	103,000
IGI Investment Bank Limited	1,000,000
Alliance Investment Management Limited	200,000
Security Investment Bank Limited	50,000
Kaymo Trading (FZE)	22,000
ABT Holding Ltd.	11,277,290
Safra Co.Ltd.	550,000
Monnoo Investments & Global Tradnig (SMC-Pvt) Limited	1,185,000
First Credit & Investment Bank Limited	132,459
National Investment Trust Limited	3,379,943
Escorts Investment Bank Limited	14,500

Banks, Development Financial Institutions, Non-banking Financial Institutions

State Street Bank And Trust Co., U.S.A	37,493,241
Morgan Stanley Trust Co.	1,200
Prudential Stocks Fund Limited	100
The Bank of New York Mellon	1,426,300
Deutsche Bank London Global Equities	90,099
Deutsche Bank Frankfurt	1,601,800
Credit Suisse Singapore	5,000
Credit Suisse Zurich	50,000
The Bank of New York Mellon SA/NV	20,461,659
The Hongkong & Shanghai Banking Corp. Ltd.	1,420,179
Citigroup Global Markets Limited	12,500
Macquarie Bank Limited	5,187,930
HSBC Bank Plc A/C Halbis Funds - HSBC New Frontiers Fun	1,722,600
Merrill Lynch, Pierce, Fenner & Smith, Inc.	26,971,375
The Nomura Trust And Banking Co., Ltd.	13,800
BNP Paribas Arbitrage	191,000
National Dev. Finance Corp. (Investar)	1,500
Australian Retirement Fund Pty Ltd.	1,954,500
Morgan Stanley & Co Int'l Plc	6,772,518
Brown Brothers Harriman & Co.	1,550,500
Morgan Stanley Mauritius Company Limited	240,883
Goldman Sachs Investments (Mauritius) I Limited	3,507,824
Allied Bank Limited	55,046,212
Habib Bank Limited-Treasury Division	10,000,000
Faysal Bank Limited	891,361
NIB Bank Limited	8,414,581
Indus Bank Limited	594,000
Meezan Bank Limited	456,347
United Bank Limited - Trading Portfolio	1,935,000
Prudential Discount & Guarantee House Ltd.	7,000
Bank Alfalah Limited	3,000,000
Habib Bank AG Zurich, Zurich, Switzerland	5,394,505
Habib Bank AG Zurich, London	550,000
Habib Bank AG Zurich, Deira Dubai	7,621,036
The Bank of Khyber	108,243
The Bank of Punjab	3,000,564
National Bank of Pakistan	24,273,698
Silkbank Limited	400,000
Mybank Limited	500,000
Industrial Development Bank of Pakistan	41,508
KASB Bank Limited	65,000
Askari Bank Limited	3,785,064
SME Bank Limited	107,000
Saudi Pak Inv. Co.	598,400
Habibsons Bank Ltd - Client Account	7,465,500
Pak Iran Joint Investment Company Limited	375,000

POWERING ON

Insurance Companies

The Universal Insurance Company Limited	40,000
New Hampshire Insurance Co.	225,000
Premier Insurance Limited	196,800
New Jubilee Insurance Company Limited	2,643,890
State Life Insurance Corp. of Pakistan	21,071,260
Central Insurance Co. Ltd.	7,238,057
EFU Life Assurance Ltd.	1,348,000
National Insurance Company Limited	6,246,000
Pakistan Reinsurance Company Limited	842,085
Alpha Insurance Co. Ltd.	113,900
Reliance Insurance Company Ltd.	150,000
Excel Insurance Co.Ltd.	1,070,000
New Jubilee Life Insurance Co.Ltd	4,097,135
Allianz EFU Health Insurance Limited	100,000
Habib Insurance Co. Limited	500,000
Century Insurance Company Ltd.	573,500
Saudi Pak Insurrance Company Ltd.	70,000
Takaful Pakistan Limited	7,000
Atlas Insurance Limited	397,500
Asia Care Health & Life Insurance Co. Ltd.	50,000
Alfalah Insurance Company Ltd	47,500
The United Insurance Company Of Pak.Ltd.	18,000
TPL Direct Insurance Limited	10,000

Modaraba, Mutual Fund & Leasing Companies

First Equity Modaraba	10,000
Sigma Leasing Corporation Limited	100,000
First Habib Bank Modaraba	250,000
Trust Modaraba	15,000
B.F. Modaraba	100,000
First Alnoor Modaraba	10,000
First Elite Capital Modaraba	16,000
CDC - Trustee Pakistan Stock Market Fund	1,221,266
JS Value Fund Limited	857,000
CDC - Trustee Pakistan Capital Market Fund	316,500
CDC - Trustee PICIC Investment Fund	2,650,000
CDC - Trustee JS Large Cap. Fund	3,450,000
CDC - Trustee PICIC Growth Fund	4,644,349
CDC - Trustee Pak Strategic Alloc. Fund	3,905,168
CDC - Trustee Atlas Stock Market Fund	1,000,000
First Prudential Modaraba	5,000
CDC - Trustee Faysal Balanced Growth Fund	200,000
CDC - Trustee Alfalah GHP Value Fund	1,425,000
CDC - Trustee Unit Trust of Pakistan	5,870,897
CDC - Trustee JS Aggressive Asset Allocation Fund	250,000
Pakistan Premier Fund Limited	2,226,500
CDC - Trustee AKD Index Tracker Fund	71,939
CDC - Trustee PICIC Energy Fund	3,927,000
CDC - Trustee Pakistan International Element Islamic Fund	753,419
MCFSL - Trustee JS KSE-30 Index Fund	114,934
FDIBL Trustee - NAMCO Balanced Fund	127,320
CDC - Trustee Faysal Asset Allocation Fund	50,000
CDC - Trustee United Stock Advantage Fund.	2,300,000
CDC - Trustee United Composite Islamic Fund	1,350,000
CDC - Trustee NAFA Stock Fund	1,909,500
CDC - Trustee NAFA Multi Asset Fund	2,355,934
CDC - Trustee MCB Dynamic Stock Fund	2,017,265
CDC - Trustee KASB Stock Market Fund	358,192
CDC - Trustee Askari Asset Allocation Fund	200,000

First Prudential Modaraba	5,000
CDC - Trustee APF-Equity Sub Fund	50,000
CDC - Trustee JS Pension Savings Fund - Equity Account	35,700
CDC - Trustee Alfalah GHP Islamic Fund	1,325,000
CDC - Trustee HBL - Stock Fund	2,638,850
CDC - Trustee NAFA Islamic Multi Asset Fund	489,371
Trustee PIPF Equity Sub - Fund	58,000
MC FSL - Trustee JS Growth Fund	2,000,000
CDC - Trustee HBL Multi - Asset Fund	355,000
CDC - Trustee KASB Balanced Fund	284,525
CDC - Trustee MCB Dynamic Allocation Fund	1,119,292
B.R.R. Guardian Modaraba	95,100
First Capital Mutual Fund Limited	565,295
MC FSL- Trustee JS Capital Protected Fund - IV	150,000
CDC - Trustee Js Islamic Pension Savings Fund-Equity Ac	65,000
MC FSL Trustee Alfalah GHP Principal Protected Fund	425,000
CDC - Trustee IGI Stock Fund	1,211,901
CDC - Trustee Alfalah Ghp Alpha Fund	300,000
CDC - Trustee Pak Oman Advantage Stock Fund	208,000
CDC - Trustee NIT-Equity Market Opportunity Fund	1,680,201
CDC - Trustee ABL Stock Fund	1,318,450
MC FSL Trustee Alfalah Ghp Principal Protected Fund-II	25,000
CDC - Trustee First Habib Stock Fund	116,000
CDC - Trustee Lakson Equity Fund	310,405
CDC - Trustee Crosby Dragon Fund	482,500
MCBFSL-Trustee URSF-Equity Sub Fund	72,000

Shareholders Holding Ten Percent or more voting interest in listed companies (Name wise details)

National Power International Holding B.V.	201,803,509
Xenel International	140,280,633

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

Mr. M. Jawaid Iqbal purchased 60,500 shares during the Year. None of the other Directors, CEO, Chief Financial Officer, Company Secretary and their spouses and minor children have traded in Hubco Shares during the financial year ended June 30, 2010.

Shareholders' Information

Shareholders' Enquiries

General enquiries relating to the Company should be addressed to:

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

Enquiries relating to Shares should be addressed to:

Famco Associates (Pvt) Limited,
(Formerly Ferguson Associates (Pvt) Ltd)
State Life Building 1-A, 1st Floor, I. I. Chundrigar Road,
Karachi.

Enquiries relating to GDRs should be addressed to either:

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

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

POWERING ON

Consolidated Financial Statements

THE HUB POWER COMPANY LIMITED and its Subsidiary Company
LARAIB ENERGY LIMITED

Report of the Directors

on Consolidated Financial Statements

The Board of Directors have pleasure in presenting the Audited Financial Statements of The Hub Power Company Limited (the Company) and its Subsidiary Laraib Energy Limited (the Subsidiary) for the year ended June 30, 2010.

The Company holds 75% shares in the Subsidiary which is developing the 84 MW hydropower generating complex near the New Bong Escape 8 km downstream of the Mangla Dam in Azad Jammu & Kashmir. The Financial Close of the Subsidiary was achieved in December 2009 with a targeted Commercial Operation Date of June 2013.

The consolidated financials are as follows:

	2010 (Rs.'000s)
Turnover	99,694,264
Gross profit	7,687,945
Profit for the year	5,468,837
Attributable to:	
- Owners of the holding company	5,490,335
- Minority interest	921,498)
	5,468,837
Earning per share attributable to owners of the holding company (rupees)	4.74

The Directors would like to draw your attention to the last paragraph of the Auditors' Report relating to note 24.7 to the financial statements.

The Directors' Report on The Hub Power Company Limited for the year ended June 30, 2010 has been separately presented in this report.

By Order of the Board

Vince Harris OBE
Chief Executive

Karachi - August 9, 2010

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of The Hub Power Company Limited and its subsidiary company (Laraib Energy Limited) as at June 30, 2010 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. The financial statements of subsidiary company were audited by another firm of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such company, is based solely on the report of such other auditors. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of The Hub Power Company Limited and its subsidiary company as at June 30, 2010 and the results of their operations for the year then ended.

Without qualifying our opinion, we draw attention to the matter described in note 24.7 to the consolidated financial statements. The ultimate outcome of this contingency cannot presently be determined and accordingly, no provision for any liability that may result has been made in the consolidated financial statements.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Engagement Partner
Asad Ali Shah

Karachi
Date: August 09, 2010

P O W E R I N G   O N

Consolidated Profit and Loss Account

for the year ended June 30, 2010

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
Turnover	4	99,694,264	82,783,924
Operating costs	5	(92,006,319)	(76,687,113)
GROSS PROFIT		7,687,945	6,096,811
Other income	6	67,024	133,472
General and administration expenses	7	(485,576)	(415,046)
Finance costs	8	(1,800,556)	(2,098,138)
Workers' profit participation fund	9	-	-
PROFIT FOR THE YEAR		5,468,837	3,717,099
Attributable to:			
- Owners of the holding company		5,490,335	3,732,753
- Non-controlling interest		(21,498)	(15,654)
		5,468,837	3,717,099
Basic and diluted earnings per share attributable to owners of the holding company (rupees)	31	4.74	3.23

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Vince Harris OBE
Chief Executive

Taufique Habib
Director

Consolidated Statement of Comprehensive Income

for the year ended June 30, 2010

	2010 (Rs. '000s)	2009 (Rs. '000s)
Profit for the year	5,468,837	3,717,099
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	5,468,837	3,717,099
Attributable to:		
- Owners of the holding company	5,490,335	3,732,753
- Non-controlling interest	(21,498)	(15,654)
	5,468,837	3,717,099

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Vince Harris OBE
Chief Executive

Taufique Habib
Director

Consolidated Balance Sheet

as at June 30, 2010

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	10	53,981,348	38,221,895
Intangibles	11	1,424,160	1,661,733
Stores and spares		637,023	637,023
Other assets	12	25,023	323,009
CURRENT ASSETS			
Inventory of fuel oil		1,559,876	2,540,887
Trade debts	13	66,712,461	46,629,457
Advances, deposits, prepayments and other receivables	14	764,397	791,542
Cash and bank balances	15	927,940	1,034,660
		69,964,674	50,996,546
TOTAL ASSETS		126,032,228	91,840,206
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Share Capital			
Authorised	16	12,000,000	12,000,000
Issued, subscribed and paid-up	16	11,571,544	11,571,544
Revenue Reserve			
Unappropriated profit		18,196,909	17,912,568
Attributable to owners of the holding company		29,768,453	29,484,112
NON-CONTROLLING INTEREST		357,415	95,687
		30,125,868	29,579,799
NON-CURRENT LIABILITIES			
Long term loans	17	25,453,790	11,340,913
Liabilities against assets subject to finance lease	18	943	1,570
Share premium payable	19	41,208	-
Deferred liabilities	20	15,781	15,250
CURRENT LIABILITIES			
Short term borrowings	21	6,743,596	3,593,760
Trade and other payables	22	60,582,340	45,562,388
Interest / mark-up accrued	23	1,412,109	765,954
Current maturity of long term loans	17	1,655,930	979,062
Current maturity of liabilities against assets subject to finance lease	18	663	1,510
		70,394,638	50,902,674
COMMITMENTS AND CONTINGENCIES	24		
TOTAL EQUITY AND LIABILITIES		126,032,228	91,840,206

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Vince Harris OBE
Chief Executive

Taufique Habib
Director

POWERING ON

Consolidated Cash Flow Statement

for the year ended June 30, 2010

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		5,468,837	3,717,099
Adjustments for:			
Depreciation		1,722,895	1,709,616
Amortisation		2,280	1,863
Loss / (gain) on disposal of fixed assets		879	(1,125)
Deferred income realised		(157)	(144)
Staff gratuity		9,380	12,260
Interest income		(26,906)	(20,577)
Interest / mark-up		1,590,867	2,002,611
Operating profit before working capital changes		8,768,075	7,421,603
Working capital changes	29	(2,577,476)	9,682,221
Cash generated from operations		6,190,599	17,103,824
Interest received		19,890	25,307
Interest / mark-up paid		(1,556,665)	(2,099,861)
Staff gratuity paid		(8,657)	(11,851)
Net cash from operating activities		4,645,167	15,017,419
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure - net		(17,498,510)	(5,708,638)
Proceeds from disposal of fixed assets		5,469	2,694
Acquisition of a subsidiary - net of cash acquired		-	(489,119)
Share premium paid		(585,578)	-
Stores and spares		-	(14,051)
Other assets		297,986	(34,787)
Net cash used in investing activities		(17,780,633)	(6,243,901)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares to minority shareholders		284,427	-
Repayment of long term loans		(979,061)	(979,062)
Proceeds from long term loans - net (Narowal)		13,759,537	5,027,877
Proceeds from long term loans - net (Subsidiary)		2,009,269	-
Dividends paid to owners of the holding company		(5,193,788)	(2,715,920)
Repayment of finances under mark-up arrangements - Narowal		(1,148,890)	(2,297,888)
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		(1,474)	(961)
Net cash from / (used in) financing activities		8,730,020	(965,954)
Net (decrease) / increase in cash and cash equivalents		(4,405,446)	7,807,564
Cash and cash equivalents at the beginning of the year		(1,410,210)	(9,217,774)
Cash and cash equivalents at the end of the year	30	(5,815,656)	(1,410,210)

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Vince Harris OBE
Chief Executive

Taufique Habib
Director

HUBCO
growth through energy

Consolidated Statement of Changes in Equity

for the year ended June 30, 2010

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
Attributable to owners of the holding company			
Issued capital			
Balance at the beginning of the year		11,571,544	11,571,544
Balance at the end of the year	16	11,571,544	11,571,544
Unappropriated profit			
Balance at the beginning of the year		17,912,568	16,899,127
Total comprehensive income for the year		5,490,335	3,732,753
Final dividend for the fiscal year 2008-2009 @ Rs. 2.00 (2007-2008 @ Rs. 1.00) per share		(2,314,309)	(1,157,154)
Interim dividend for the fiscal year 2009-2010 @ Rs. 2.50 (2008-2009 @ Rs. 1.35) per share		(2,892,886)	(1,562,158)
Reduction in controlling interest of the holding company		1,201	-
Balance at the end of the year		18,196,909	17,912,568
Attributable to owners of the holding company		29,768,453	29,484,112
Non-controlling interest			
Balance at the beginning of the year		95,687	-
Non-controlling interest arising on business combination	3.1	-	111,341
Shares issued during the year		284,427	-
Total comprehensive income for the year		(21,498)	(15,654)
Reduction in controlling interest of the holding company		(1,201)	-
Balance at the end of the year		357,415	95,687
Total equity		30,125,868	29,579,799

The annexed notes from 1 to 37 form an integral part of these consolidated financial statements.

Vince Harris OBE
Chief Executive

Taufique Habib
Director

1. STATUS AND NATURE OF BUSINESS

1.1 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 under construction and nearing completion in Punjab.

On August 02, 2008, the holding company acquired 75.5% controlling interest in Laraib Energy Limited ("the subsidiary"), a company incorporated in Pakistan on August 9, 1995 as a public limited company under the Companies Ordinance, 1984 through a Share Purchase Agreement ("SPA") executed on June 23, 2008 with Coate & Co (Pvt.) Limited ("Seller"). 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, under Implementation Agreements with the Government of Pakistan and the Azad Government of the State of Jammu & Kashmir (GOAJK). Electricity will be supplied to National Transmission and Despatch Company Limited (NTDC) under a long term Power Purchase Agreement (PPA) which was signed on October 22, 2009. 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.

The SPA was amended on September 29, 2009. By such amendment the share premium payable to the Seller was reduced from previously estimated PKR Equiv. USD 17.5 million to PKR Equiv. USD 15 million. As at June 30, 2010, the outstanding share premium payable is PKR Equiv. USD 6.625 million which is payable in installments as and when equity is required to be injected by the Seller into the subsidiary (Refer note 19).

Up to June 30, 2010 the holding company had made a total payment of Rs. 2,084.49 million, out of which Rs. 671.58 million represents share premium on acquisition of shares from the Seller.

On September 30, 2009 the Shareholders of the holding company passed a Special Resolution in accordance with the terms of the Sponsor Support Agreement (SSA) between the holding company, the subsidiary and the subsidiary's lenders allowing the holding company:

(a) to make investments, from time to time, in the subsidiary as equity contributions for an amount not exceeding USD 36 million;

(b) to invest as equity or provide loan to the subsidiary, as deemed appropriate by the Chief Executive of the holding company at the relevant time, an amount not exceeding USD 12.5 million, USD 6.0 million in the form of an LC [as mentioned in paragraph (d) below] and USD 6.5 million as contractual commitment, to enable the subsidiary to meet any increase in project costs;

(c) to invest as equity or provide loan to the subsidiary, as deemed appropriate by the Chief Executive of the holding company at the relevant time, an amount not exceeding USD 17 million to enable the subsidiary to meet any shortfall in debt servicing;

(d) to arrange and provide letter(s) of credit to guarantee the commitment of the holding company to make investments mentioned hereinabove in paragraph (a), (b) and (c) for an amount not exceeding USD 46 million in accordance with the terms of the SSA (Refer note 24.6); and

(e) the return on any investments made pursuant to paragraph (b) and (c) above in the form of loan shall not be less than the borrowing costs of the holding company to be determined by the Chief Executive of the holding company.

The above SSA was signed on November 5, 2009. In accordance with the terms of the SSA, the holding company has entered into a Sponsor Charge and Assignment Deed with the subsidiary's lenders pursuant to which the holding company has:

(i) charged, by way of first fixed charge:

  (a) all its right, title and interest from time to time in and to the Shares and Related Rights of the subsidiary; and

  (b) all its rights, title and interest from time to time (whether present or future) in the Assigned Subordinated Loans (none at present) and all claims in relation thereto.

(ii) assigned and has agreed to assign absolutely all rights, title and interest present or future of the holding company in respect of the Assigned Subordinated Loans (none at present).

Accordingly, all the present and future shares which the holding company holds or owns in the subsidiary and the loans, if any, to be provided to the subsidiary in accordance with paragraph (b) and (c) above are subject to Security Interest created by Sponsor Charge and Assignment Deed above.

The holding company is committed to maintain a minimum of 75% equity interest in the subsidiary. As at June 30, 2010 on the basis of 75:25 debt to equity ratio, based on the current estimates of the project cost, the holding company's remaining equity commitment is likely to be USD 23.7 million.

At present, the holding company is financing investments in the subsidiary through internal cash generation. In future, the holding company also plans to use bank borrowings (to be arranged) for investments.

1.2 The Group consists of:

- The Hub Power Company Limited (the holding company); and
- Laraib Energy Limited (the subsidiary) – Holding of 75.19%.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Accounting convention

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

2.3 Basis of consolidation

All business combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given and liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination (including contingent liabilities) are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair values of the holding company's share of identifiable net assets acquired is recorded as goodwill.

The consolidated financial statements include the financial statements of the holding company and its subsidiary – "the Group". The financial statements of the subsidiary are prepared for the same reporting period as the holding company, using consistent accounting policies.

The assets and liabilities of the subsidiary have been consolidated on a line-by-line basis and the carrying value of investment held by the holding company is eliminated against the subsidiary's share capital and pre-acquisition reserves in the consolidated financial statements. Material intra-group balances and transactions are eliminated.

A change in the ownership interest of the subsidiary, without a change of control, is accounted for as an equity transaction.

Subsidiary companies are consolidated from the date on which more than 50% voting rights are transferred to the holding company or power to govern the financial and operating policies of the subsidiary is established and is excluded from consolidation from the date of disposal or cessation of control.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the holding company.

2.4 Property, plant and equipment

(a) Operating property, plant, equipment and depreciation

Owned assets

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

Depreciation is computed using the straight-line method over the estimated useful lives of the assets at the rates shown in note 10.1 to the consolidated financial statements. Depreciation on additions is charged for the full month in which an asset is put to use and on disposals up to the month immediately preceding the disposals.

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

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

Leased assets

Assets held under finance lease are initially stated at lower of fair value of asset and present value of minimum lease payments at the inception of lease. The corresponding liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. Finance charges are allocated over the period of lease term so as to provide a constant periodic rate of finance charge on the outstanding liability. Depreciation is charged on the basis similar to owned assets.

(b) Capital work-in-progress

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

2.5 Intangible assets and amortisation

(a) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the holding company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any. Impairment losses on goodwill are not reversed.

(b) Other intangible assets

These are stated at cost less accumulated amortisation. Amortisation is computed using the straight-line method over the estimated useful lives of the assets at the rate shown in note 11.1 to the consolidated financial statements.

2.6 Stores and spares

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

2.7 Impairment of non-current assets

The carrying amounts of non-current assets except goodwill are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to assess whether asset's carrying value exceeds its recoverable amount. Where carrying value exceeds the estimated recoverable amount, asset is written down to its recoverable amount. Impairment losses are recognised as expense in the profit and loss account. An impairment loss on non-current assets except goodwill is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.8 Inventory of fuel oil

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

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks and running finance under mark-up arrangements. Running finance under mark-up arrangements are shown in current liabilities.

2.10 Revenue recognition

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

2.11 Interest income

Interest income is recorded on accrual basis.

2.12 Staff retirement benefits

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

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

2.13 Deferred income

Gain on sale and lease back transactions are deferred and recognised as income over the lease term of respective assets.

2.14 Operating lease

An operating lease is a lease other than a finance lease, where a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss account on a straight-line basis over the lease term.

2.15 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees, which is the Group's functional and presentation currency, at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees equivalents using balance sheet date exchange rates. Non-monetary assets and liabilities are stated using exchange rates that existed when the values were determined. Exchange differences on foreign currency translations are included in profit and loss account except as mentioned in note 2.20.

2.16 Segment reporting

Segments are reported in a manner consistent with the internal reporting provided to the Group's 'chief operating decision maker' in order to assess each segment's performance and to allocate resources to them. Segment reports are regularly reviewed by the board of directors of the holding company.

2.17 Taxation

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

2.18 Dividend

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

2.19 Financial instruments

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value plus directly attributable transaction cost, if any, and subsequently measured at amortised cost using the effective interest rate method less provision for impairment, if any.

(b) Borrowings

Borrowings are recognised initially at fair value, net of attributable transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

(c) Trade and other payables

Liabilities for trade and other amounts payable are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method.

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised. All other borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs include exchange differences arising on foreign currency borrowings to the extent that they are regarded as an adjustment to interest cost. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use.

2.21 Use of estimates and judgements

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the periods in which the estimates are revised and in any future periods affected.

3. BUSINESS COMBINATION

3.1 On August 02, 2008, the holding company acquired 75.5% controlling interest in the subsidiary as disclosed in note 1.1. The fair value of the identifiable assets and liabilities of the subsidiary as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Note	Fair value recognised on acquisition (Rs. '000s)	Previous carrying value (Rs. '000s)
Property, plant and equipment		287,978	287,978
Other assets		279,222	296,392
Advances, deposits, prepayments and other receivables		4,055	4,055
Cash and bank balances		173,840	173,840
		745,095	762,265
Liabilities against assets subject to finance lease		4,041	4,041
Deferred income	20.2	550	550
Short term borrowings		6,500	6,500
Trade and other payables		221,200	238,371
Provision for contingent liability	22	58,179	-
Interest / mark-up accrued		173	173
		290,643	249,635
Net assets		454,452	512,630
Non-controlling interest (24.5%)		(111,341)	
Total net assets acquired		343,111	
Goodwill arising on acquisition	3.2 & 11	1,414,096	
Total consideration		1,757,207	
Cost of business combination			
Cash paid at the time of acquisition			560,000
Contingent consideration at the time of acquisition	3.2		
- share premium paid in advance			86,000
- balance share premium	22.6		1,100,748
Direct cost relating to the acquisition			10,459
Total cost of business combination			1,757,207
Cash outflow on acquisition:			
Net cash acquired with the subsidiary			167,340
Cash paid			(656,459)
Net cash outflow			(489,119)

3.2 The contingent share premium of PKR Equiv. USD 17.5 million was reduced to PKR Equiv. USD 15 million as agreed through amendment in the SPA (refer note 1.1) resulting in the reduction of goodwill (refer note 11). The corresponding provision for contingent share premium which was included in 'Trade and other payables' has also been reduced and, therefore, there is no impact on profit or loss of the Group.

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)

4. TURNOVER

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
Turnover		112,849,809	93,609,789
Less: Sales tax		(13,155,545)	(10,825,865)
		99,694,264	82,783,924

5. OPERATING COSTS

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
Residual fuel oil		86,246,924	71,894,694
Operation and Maintenance	5.1	2,707,219	2,360,427
Insurance		542,272	409,800
Depreciation	10.3	1,697,242	1,690,968
Amortisation	11.1	302	958
Miscellaneous		812,360	330,266
		92,006,319	76,687,113

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

6. OTHER INCOME

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
Interest income		26,906	20,577
Gain on disposal of fixed assets		-	1,125
Deferred income realised	20.2	157	144
Exchange gain		39,961	111,596
Other		-	30
		67,024	133,472

7. GENERAL AND ADMINISTRATION EXPENSES

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
Salaries, benefits and other allowances	7.1	257,127	210,845
Fuel and power		8,061	4,914
Property, vehicles and equipment rentals		16,646	11,979
Repairs and maintenance		14,308	8,462
Legal and professional		24,836	38,356
Insurance		8,762	6,990
Auditors' remuneration	7.2	3,521	3,085
Donation	7.3	20,602	25,649
Depreciation	10.3	25,653	18,648
Amortisation	11.1	1,978	905
Loss on disposal of fixed assets		879	-
Miscellaneous		103,203	85,213
		485,576	415,046

7.1 These include Rs. 17.594 million (2009: Rs. 19.694 million) in respect of staff retirement benefits.

7.2 Auditors' remuneration

	2010 (Rs. '000s)	2009 (Rs. '000s)
Statutory audits	2,053	1,800
Half yearly review	489	425
Other services	852	685
Out-of-pocket expenses	127	175
	3,521	3,085

7.2.1 In addition to above, an amount of Rs. 1.750 million (2009: Rs. Nil) was paid to statutory auditors of the holding company for rendering other services which was capitalised under capital work-in-progress - Narowal.

7.3 No directors or their spouses had any interest in any donee to which donations were made.

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
8. FINANCE COSTS			
Holding company			
Interest / mark-up on long term loans		1,065,602	1,105,124
Mark-up on short term borrowings		497,611	807,556
Miscellaneous finance costs		103,386	88,702
Bank charges		174	58
		1,666,773	2,001,440
Narowal			
Interest / mark-up on long term loans		2,251,221	151,203
Mark-up on short term borrowings		15,150	561,794
Other finance costs		173,797	533,540
Liquidated damages		-	8,312
		2,440,168	1,254,849
Laraib's investment			
Mark-up on short term borrowings		24,127	72,240
Unwinding of discount on share premium payable		39,288	-
Other finance costs		63,400	6,361
		126,815	78,601
		4,233,756	3,334,890
Less: amount capitalised in the cost of qualifying assets - Narowal	10.5	(2,440,165)	(1,240,390)
Finance cost of the holding company		1,793,591	2,094,500
Subsidiary			
Interest / mark-up on long term loans		116,847	-
Mark-up on leased assets		260	348
Mark-up on salary payable to CEO		837	1,846
Mark-up on short term borrowings from CEO		122	1,024
Mark-up on short term borrowings		2,308	14
Other finance costs		245,252	59,947
Late payment surcharge on payables		-	183
Bank charges		3,438	223
		369,064	63,585
Less: amount capitalised in the cost of qualifying assets - subsidiary	10.6	(362,099)	(59,947)
Finance cost of the subsidiary		6,965	3,638
		1,800,556	2,098,138
9. WORKERS' PROFIT PARTICIPATION FUND			
Provision for Workers' profit participation fund	22	277,806	189,050
Payment of Workers' profit participation fund recoverable from WAPDA	14	(277,806)	(189,050)
		-	-

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

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
10. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	10.1	27,609,409	29,225,249
Capital work-in-progress			
Plant betterments	10.4	42,685	112,636
Narowal	10.5	21,973,584	8,563,800
Subsidiary	10.6	4,355,670	320,210
		26,371,939	8,996,646
		53,981,348	38,221,895

10.1 Operating property, plant and equipment

	Owned								
	Freehold land	Building on freehold land	Leasehold property	Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Leased vehicles	Total
	(Rs. '000s)								
Cost:									
As at July 1, 2009	18,890	186,495	862	49,310,935	39,270	80,810	10,019	5,871	49,653,152
Additions	-	33,309	-	26,154	999	49,616	3,946	-	114,024
Disposals	-	-	-	(11,488)	-	(18,618)	-	-	(30,106)
Transfers	-	-	-	-	-	2,815	-	(2,815)	-
As at June 30, 2010	18,890	219,804	862	49,325,601	40,269	114,623	13,965	3,056	49,737,070
Depreciation:									
Rate (%)	-	3.33, 10 & 20	3.33	3.33 to 33.33	10 to 20	20 to 25	10 to 20	20	-
As at July 1, 2009	-	87,827	424	20,255,502	31,782	42,249	6,399	3,720	20,427,903
Charge for the year	-	6,415	29	1,694,153	3,300	17,647	985	987	1,723,516
Disposals	-	-	-	(11,176)	-	(12,582)	-	-	(23,758)
Transfers	-	-	-	-	-	2,252	-	(2,252)	-
As at June 30, 2010	-	94,242	453	21,938,479	35,082	49,566	7,384	2,455	22,127,661
Net book value as at June 30, 2010	18,890	125,562	409	27,387,122	5,187	65,057	6,581	601	27,609,409
Net book value as at June 30, 2009	18,890	98,668	438	29,055,433	7,488	38,561	3,620	2,151	29,225,249
Cost of fully depreciated assets as at June 30, 2010	-	18,372	-	194,231	25,495	20,961	3,367	-	262,426
Cost of fully depreciated assets as at June 30, 2009	-	18,372	-	121,490	20,322	20,929	3,456	-	184,569

10.2 Disposal of operating property, plant and equipment

Assets	Cost (Rs. '000s)	Accumulated depreciation (Rs. '000s)	Net book value (Rs. '000s)	Sale price (Rs. '000s)	Mode of disposal	Particulars of buyer
Vehicle	2,975	1,550	1,425	-	Ex-gratia	Javed Mahmood - Ex-CEO
Vehicle	1,789	298	1,491	1,501	Negotiation	Sirajuddin Ghumro - Ex-employee
Vehicle	1,973	493	1,480	1,765	Tender	M/s. Auto Mall
Vehicle	1,789	149	1,640	1,724	Insurance claim	EFU General Insurance
Generator	750	525	225	-	Ex-gratia	Javed Mahmood - Ex-CEO
Computer	201	117	84	50	Negotiation	Javed Mahmood - Ex-CEO
Items having a net book value not exceeding Rs. 50,000 each						
Vehicles	10,092	10,092	-	110	Holding company policy	Various
Computers	10,362	10,359	3	319	Various	Various
Equipment	175	175	-	-	Various	Various
Total - June 30, 2010	30,106	23,758	6,348	5,469		
Total - June 30, 2009	10,006	8,437	1,569	2,694		

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
10.3 Depreciation charge for the year has been allocated as follows:			
Operating costs	5	1,697,242	1,690,968
General and administration expenses	7	25,653	18,648
Capital work-in-progress - Narowal		621	-
		1,723,516	1 ,709,616
10.4 Capital work-in-progress - Plant betterments			
Opening balance		112,636	36,642
Additions during the year		21,565	82,394
Transfers during the year		(91,516)	(6,400)
		42,685	112,636
10.5 Capital work-in-progress - Narowal			
Opening balance		8,563,800	3,642,242
Additions during the year			
Payments for land		15,354	10,952
Housing colony		39,991	-
EPC costs		10,619,829	3,615,240
Professional services		68,072	120,643
Insurance cost		27,215	182,586
Land development		81,230	214,547
Borrowing & related transaction cost	8	2,266,371	1,102,523
Other finance costs	8	173,794	137,867
Government fees		2,779	2,387
Testing & pre-commissioning		105,710	-
Other directly attributable cost		9,439	2,576
		13,409,784	5,389,321
Transfers during the year		-	-
Transaction cost directly attributable to borrowings	17	-	(467,763)
		-	(467,763)
	10.5.1	21,973,584	8,563,800

10.5.1 This include expenditures which are under discussion with various suppliers and are also subject to final tariff determination by NEPRA.

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
10.6 Capital work-in-progress - Subsidiary			
Opening balance		320,210	-
Acquisition of a subsidiary		-	279,629
Additions during the year / period			
EPC costs		3,621,148	-
Professional services		113,234	20,695
Insurance cost		145,833	-
Borrowing & related transaction cost	8	335,722	40,061
Other finance costs	8	26,377	19,886
Other directly attributable cost		12,021	-
		4,254,335	80,642
Transfers during the year / period		-	-
Transaction cost directly attributable to borrowings	12.1	(218,875)	(40,061)
		(218,875)	(40,061)
		4,355,670	320,210

11. INTANGIBLES

	Cost as at July 1, 2009	Adjustments (Note 3.2)	Additions	Disposals	Cost as at June 30, 2010	Accumulated amortisation as at July 1, 2009	Charge for the year	Disposals	Accumulated amortisation as at June 30, 2010	Net book value as at June 30, 2010	Net book value as at June 30, 2009
	(Rs. '000s)										
Goodwill (note 11.2)	1,659,483	(245,387)	-	-	1,414,096	-	-	-	-	1,414,096	1,659,483
Computer Software	28,663	-	10,094	-	38,757	26,413	2,280	-	28,693	10,064	2,250
	1,688,146	(245,387)	10,094	-	1,452,853	26,413	2,280	-	28,693	1,424,160	1,661,733

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
11.1 Amortisation charge for the year at 33.33% has been allocated as follows:			
Operating costs	5	302	958
General and administration expenses	7	1,978	905
		2,280	1,863

11.2 For impairment testing, goodwill has been allocated to under construction 'Laraib power plant' as Cash Generating Unit (CGU), which is also a reportable segment. No goodwill has been impaired as a result of annual impairment test carried out on June 30, 2010. The recoverable amount for the purpose of assessing impairment on goodwill on acquisition of the subsidiary is determined based on value in use. The calculations are based on the cash flows derived mainly under the Power Purchase Agreement for a term of 25 years from COD between the subsidiary and the Power Purchaser (refer note 1.1). These cash flows are denominated in USD and have been discounted using a discount rate which reflects the current market rate appropriate for the business. For the calculation, the Group has used a discount rate of 4.3% and the cash flows are discounted over whole of the life of the project. The management believes that any reasonable possible change to the key assumptions on which calculation of recoverable amount is based, would not cause the carrying amount to exceed the recoverable amount.

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
12. OTHER ASSETS			
Deposits		2,466	2,497
Prepayments		3,529	2,671
Transaction cost of borrowings	12.1	-	317,841
Advance operating lease rentals		19,028	-
		25,023	323,009

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
12.1 Transaction cost of borrowings			
Opening balance		317,841	-
Acquisition of a subsidiary		-	277,780
Additions during the year / period	10.6	218,875	40,061
Transfer to long term loans during the year	17	(536,716)	-
		-	317,841

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
13. TRADE DEBTS - Secured			
Considered good	13.1 & 13.2	66,712,461	46,629,457

13.1 This includes an amount of Rs. 57,764 million (2009: Rs. 40,044 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. The aging of these overdue receivables is as follows:

	2010 (Rs. '000s)	2009 (Rs. '000s)
Up to 3 months	28,324,374	16,789,462
3 to 6 months	25,916,378	13,924,942
Over 6 months	3,523,136	9,329,377
	57,763,888	40,043,781

13.2 This includes Rs. 373 million relating to a tax matter (see note 24.8).

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
14. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances - considered good			
Executives		327	1,212
Employees		398	248
Suppliers		9,181	20,674
Current portion of advance operating lease rentals		3,308	-
		13,214	22,134
Current portion of lease deposits		268	549
Prepayments			
LC commission and other loan related costs		6,109	68
Miscellaneous		11,303	11,425
		17,412	11,493
Other receivables			
Interest accrued		7,605	589
Income tax	24.7	296,872	296,872
Sales tax		104,980	268,488
Receivable from an associated company		116	353
Payment of Workers' profit participation fund recoverable from WAPDA	9	277,806	189,050
Miscellaneous		46,124	2,014
		733,503	757,366
		764,397	791,542

	2010 (Rs. '000s)	2009 (Rs. '000s)
15. CASH AND BANK BALANCES		
Savings accounts	287,704	348,934
Call and term deposits	640,125	685,165
Current accounts	-	323
In hand	111	238
	927,940	1,034,660

15.1 Savings, call and term deposits accounts carry mark-up rates ranging between 0.25% to 9% (2009: 0.38% to 13%) per annum.

16. AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2010 (No. of Shares)	2009 (No. of Shares)		2010 (Rs. '000s)	2009 (Rs. '000s)
		Authorised :		
1,200,000,000	1,200,000,000	Ordinary shares of Rs.10/- each	12,000,000	12,000,000
		Issued, subscribed and paid-up :		
		Ordinary shares of Rs.10/- each		
818,773,317	818,773,317	For cash	8,187,733	8,187,733
		For consideration other than cash		
338,022,463	338,022,463	- against project development cost	3,380,225	3,380,225
358,607	358,607	- against land	3,586	3,586
338,381,070	338,381,070		3,383,811	3,383,811
1,157,154,387	1,157,154,387		11,571,544	11,571,544

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

16.2 Associated companies held 495,726,779 (2009: 464,568,583) shares in the holding company as at year end.

17. LONG TERM LOANS - Secured

From Banks / Financial Institutions	Note	As at July 01, 2009	Drawn	Repaid	Current portion	Transaction cost	As at June 30, 2010
		(Rs. '000s)					
Holding company							
Under the Private Sector Energy Development Fund's (PSEDF I) Facility	17.1 & 17.1.1	5,378,290	-	(722,108)	(722,109)	-	3,934,073
Under the Private Sector Energy Development Fund's (PSEDF II) Facility	17.1 & 17.1.2	1,913,808	-	(256,953)	(256,953)	-	1,399,902
Sub Total		7,292,098	-	(979,061)	(979,062)	-	5,333,975
For Narowal							
Commercial Facility	17 2.1	1,648,692	4,127,861	-	(229,320)	-	5,547,233
Expansion Facility	17.2.2	3,846,948	9,631,676	-	(447,548)	-	13,031,076
Transaction cost	10.5	(467,763)	-	-	-	-	(467,763)
Sub Total		5,027,877	13,759,537	-	(676,868)	-	18,110,546
Long term loans of the holding company		12,319,975	13,759,537	(979,061)	(1,655,930)	-	23,444,521
Subsidiary							
Foreign currency loans	17.3.1	-	1,990,985	-	-	-	1,990,985
Local currency loans	17.3.2	-	555,000	-	-	-	555,000
Transaction cost	12.1	-	-	-	-	(536,716)	(536,716)
Long term loans of the subsidiary		-	2,545,985	-	-	(536,716)	2,009,269
		12,319,975	16,305,522	(979,061)	(1,655,930)	(536,716)	25,453,790

From Banks / Financial Institution	Note	As at July 01, 2008	Drawn	Repaid	Current portion	Transaction cost	As at June 30, 2009
		(Rs. '000s)					
Holding company							
Under the Private Sector Energy Development Fund's (PSEDF I) Facility	17.1 & 17.1.1	6,100,397	-	(722,107)	(722,107)	-	4,656,183
Under the Private Sector Energy Development Fund's (PSEDF II) Facility	17.1 & 17.1.2	2,170,763	-	(256,955)	(256,955)	-	1,656,853
Sub Total		8,271,160	-	(979,062)	(979,062)	-	6,313,036
For Narowal							
Commercial Facility	17.2.1	-	1,648,692	-	-	-	1,648,692
Expansion Facility	17.2.2	-	3,846,948	-	-	-	3,846,948
Transaction cost	10.5	-	-	-	-	(467,763)	(467,763)
Sub Total		-	5,495,640	-	-	(467,763)	5,027,877
		8,271,160	5,495,640	(979,062)	(979,062)	(467,763)	11,340,913

POWERING ON

The holding company

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

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

(i) the Tangible Moveable Property of the holding company;
(ii) the Intellectual Property of the holding company; and
(iii) all goodwill belonging to the holding company.

excluding (i) those relating or pertaining to the Narowal power plant; (ii) the Commercial Facility Disbursement Account; and (iii) present and future shares acquired in Laraib Energy Limited including bonus shares and right shares.

(b) a floating charge on the whole of the holding company's undertaking and assets, present and future, other than:

(i) any assets for the time being effectively charged by way of fixed charge; (ii) any undertaking and assets, present and future, relating or pertaining to the Narowal power plant; (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); (iv) the Commercial Facility Disbursement Account; and (v) present and future shares acquired in Laraib Energy Limited including bonus shares and right shares.

(c) an assignment of all rights, title and interest, present and future, in relation to the Assigned Documents, Tangible Moveable Property, book and other debt and monetary claims (which are not otherwise subject to a fixed charge), uncalled capital, all Investments, Assigned Accounts and Insurances but excluding rights, interests and claims relating to or arising out of the documents executed for the Narowal power plant; and

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

17.1.1 Interest is payable @ 14% per annum.

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

17.2 In connection with Narowal project:

17.2.1 The holding company has a long term facility of Rs. 6,750 million for 30% equity commitment with various banks / financial institution. Disbursements under the facility are subject to fulfilment of certain conditions precedent. The loan is repayable in 40 installments on quarterly basis following the 3 months after the end of availability period (earlier of 18 months from the facility effective date or three months after the COD) at a mark-up rate of three months KIBOR plus 0.25% per annum. The mark-up is payable on quarterly basis in arrear starting from the availability period (the loans became available on April 16, 2009).

This loan is secured pari passu by way of same securities as mentioned in note 17.1 and a first ranking floating charge over the Commercial Facility Disbursement Account and all credit balances held therein from time to time and all rights, property and benefits arising therefrom at any time and from time to time.

17.2.2 The holding company has another long term facility for debt financing for an amount of Rs. 15,750 million with various banks / financial institution. Disbursements under the facility are subject to fulfilment of certain conditions precedent. The loan is repayable in 40 installments on quarterly basis following the 3 months after the end of availability period (earlier of 18 months from the facility effective date or three months after the COD) at a mark-up rate of three months KIBOR plus 3.47% per annum. The mark-up is payable on quarterly basis in arrear starting from the availability period (the loans became available on April 16, 2009).

This loan is secured pari passu by way of:

(a) mortgage by Deposit of Title Deeds over the immovable properties of the holding company situated at Narowal and acquired for the purposes of Narowal Project;

(b) a first ranking floating charge over the Project Company's undertaking and assets (both present and future), fixed and current, tangible and intangible, wherever situated and all present and future trade deposits, trade debts, loans and advances, bills and other receivables in relation to the Narowal Project;

(c) by way of hypothecation, the creation of a first fixed charge over the present and future properties purchased for the purposes of Narowal Project;

(d) mortgage and assignment of the holding company's rights, titles and interests, present and future, actual and contingent under and in connection with the Narowal Project Documents and all rights of the holding company to make recovery under the Narowal Project Documents and all proceeds of whatsoever nature receivable by the holding company under the Narowal Project Documents; and

(e) by way of first priority security, the holding company has assigned, charged and granted a security interest on all and each of the Project Company's rights, title, interest and benefit, present and future, under and in connection with the GOP Guarantee (for Narowal Project) and all rights of the Project Company to make recovery under the GOP Guarantee and any proceeds thereof receivable by the Project Company under the GOP Guarantee.

The holding company shall not pay dividends until certain requirements under these facilities are satisfied. Any late payment by the holding company is subject to an additional payment of 2% per annum above the normal mark-up rate.

During the year, the holding company withdrew Rs. 13,759.537 million after obtaining lenders' consent for deferment of certain conditions precedent. The lenders' consent for deferment of certain conditions precedent expired on April 30, 2010 and the holding company has applied for the waiver of these conditions precedent for availability of these loans.

The outstanding balance of long term loans include Rs. 1,711.571 million out of the total available facilities of Rs. 2,000 million from an associated undertaking.

The subsidiary

17.3 In connection with the construction of the power project of the subsidiary:

17.3.1 The subsidiary has entered into long term loan facilities of USD 135.6 million with various banks / financial institutions at an interest rate of six months LIBOR plus 4.75% per annum. Disbursements under these facilities are subject to fulfilment of certain conditions precedent. The loans are repayable in 24 installments starting from November 5, 2013 and then on each interest payment date (January 1 and July 1) until and including the final maturity date of November 5, 2024. The availability period of loan facilities is 42 months from December 20, 2009 provided that in no event shall the availability period extend beyond August 5, 2013. Any late payment by the subsidiary is subject to an additional payment of 2% per annum above the normal mark-up rate.

17.3.2 The subsidiary has also entered into a long term loan facility of Rs. 3,250 million with banks at an interest rate of six months KIBOR plus 3.25% per annum. Disbursements under this facility are subject to fulfilment of certain conditions precedent. The loan is repayable in 19 installments starting from November 5, 2013 and then on each interest payment date (January 1 and July 1) until and including the final maturity date of May 5, 2022. The availability period of loan facility is 42 months from December 20, 2009 provided that in no event shall the availability period extend beyond August 5, 2013. Any late payment by the subsidiary is subject to an additional payment of 2.5% per annum above the normal mark-up rate.

The subsidiary is not expected to declare dividend before the Commercial Operations Date and satisfaction of Lenders conditionalities.

During the year, the subsidiary withdrew USD 23.3 million and Rs. 555 million after obtaining lenders' consent for deferment of certain conditions precedent.

The loan facilities are secured by way of:

(a) a Fixed charge over the following assets namely:

(i) all proceeds, receivables and moneys payable by the Security Trustee from receipts account;

(ii) the assigned agreements but only as to such rights that are not effectively assigned by way of security to the Security Trustee under the Security Deed;

(iii) the authorisations and consents (to the extent permitted under any Applicable Law without the need to obtain the further consent of any Government Entity);

(iv) all monetary claims and all related rights (if not effectively charged or assigned pursuant to the Accounts Charge) and only as to such rights that are not effectively assigned by way of security to the Security Trustee under the Security Trust Deed;

(v) all intellectual property rights, including license, designs rights, copyright, patents and trademarks to the extent permitted by Applicable Law;

(vi) all goodwill of the subsidiary's business;

(vii) all Insurances;

(viii) all other present and future assets of the subsidiary both real and personal, tangible and intangible (if not otherwise effectively charged or assigned, as applicable, to the Security Trustee); and

(ix) in charged accounts and in all authorised investments held by the subsidiary or any of its nominee and all of benefits, right, title and interest present and future in or relating to the same.

(b) a floating charge over whole of the subsidiary's undertakings and assets, present and future other than any asset charged or assigned under Fixed charge.

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The subsidiary has entered into lease agreements with a commercial bank to acquire vehicles. The lease rentals are payable on monthly basis and the financing rate used as discounting factor ranging from 14.94% to 16.23% (2009: 12.84% to 18.17%) per annum. The amounts of future payments and the periods in which these will be due are as follows:

	2010 (Rs.'000s)			2009 (Rs.'000s)		
	Minimum lease payments	Finance cost	Present value of minimum lease payments	Minimum lease payments	Finance cost	Present value of minimum lease payments
Not later than one year	777	114	663	1,730	220	1,510
Later than one year but not later than five years	1,017	74	943	1,776	206	1,570
	1,794	188	1,606	3,506	426	3,080

19. SHARE PREMIUM PAYABLE

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
Share premium payable		536,593	-
Less: current portion	22	(495,385)	-
		41,208	-

This represents share premium payable to Coate & Co. (Pvt.) Limited for the acquisition of shares of the subsidiary as per the amended SPA (Refer note 1.1).

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
20. DEFERRED LIABILITIES			
Staff gratuity	20.1	15,689	15,001
Deferred income	20.2	92	249
		15,781	15,250

20.1 Staff gratuity

Actuarial valuation was carried out as on June 30, 2010. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Actuarial Cost method.

		2010 (Rs. '000s)	2009 (Rs. '000s)
Reconciliation of the liability recognised in the balance sheet			
Present value of defined benefit obligation		110,529	92,557
Fair value of plan assets		(81,095)	(70,391)
Net actuarial losses not recognised		(13,745)	(7,165)
Net liability recognised in the balance sheet		15,689	15,001
Reconciliation of the movements during the year in the net liability recognised in the balance sheet			
Opening net liability		15,001	14,592
Expense recognised	20.1.1	9,345	12,315
Contributions to the fund made during the year		(8,657)	(11,906)
Closing net liability		15,689	15,001
Expense recognised			
Current service cost		6,242	10,078
Interest cost		12,958	8,832
Expected return on plan assets		(9,855)	(6,595)
Expense recognised		9,345	12,315

20.1.1 The total expense recognised include Rs. 0.123 million (2009: Rs. 0.054 million) capitalised under capital work-in-progress - Narowal.

	2010 (Rs. '000s)	2009 (Rs. '000s)
Actual return on plan assets		
Expected return on plan assets	9,855	6,595
Actuarial loss on plan assets	(3,641)	(2,308)
Actual return on plan assets	6,214	4,287

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

	2010	2009
- Valuation discount rate per annum	14%	14%
- Expected return on plan assets per annum	11%	14%
- Expected rate of increase in salary level per annum	14%	14%

POWERING ON

20.2 Deferred income

This represents excess of sale proceeds over book value of vehicles in respect of sale and lease back transactions.

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
Opening balance of gain on sale and lease back of vehicles		406	-
Acquisition of a subsidiary	3.1	-	550
Gain recognised during the year / period	6	(157)	(144)
		249	406
Less: Current portion shown under trade and other payables	22	(157)	(157)
		92	249

21. SHORT TERM BORROWINGS

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
Holding company			
Secured			
Finances under mark-up arrangements	30	6,743,596	2,433,355
Finances under mark-up arrangements - Narowal		-	1,148,890
	21.1	6,743,596	3,582,245
Subsidiary			
Short term finances	30	-	11,515
		6,743,596	3,593,760

21.1 The facilities for running finance available from various banks amounted to Rs. 9,300 million (2009: Rs. 8,519 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 September 30, 2010 to April 30, 2011. 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.

22. TRADE AND OTHER PAYABLES

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
Creditors			
Trade	22.1 & 22.2	55,532,162	41,992,353
Other		73,582	8,803
		55,605,744	42,001,156
Accrued liabilities			
Due to operation and maintenance contractor	22.3	138,044	130,142
Due to EPC contractor - Narowal		1,474,505	162,900
Miscellaneous finance costs		17,008	15,575
Miscellaneous	22.4	608,639	554,205
		2,238,196	862,822
Unearned income	22.5	880,249	848,232
Share premium payable	19	495,385	-
Unclaimed dividend		76,165	62,758
Current portion of deferred income	20.2	157	157
Provision for contingent consideration - balance share premium	3.2 & 22.6	-	1,346,135
Other payables			
Provision for Workers' profit participation fund	9	277,806	189,050
Provision for contingent liability	3.1	-	58,179
Payable to EPC contractor of the subsidiary		882,965	-
Payable in respect of project development cost of the subsidiary		82,782	173,887
Retention money		35,381	19,955
Withholding tax		7,510	57
		1,286,444	441,128
		60,582,340	45,562,388

22.1 This represents amount payable to Pakistan State Oil.

22.2 This includes an overdue amount of Rs. 48,769 million (2009: Rs. 37,894 million) which carries interest / mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

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

22.4 This includes a sum of Rs. 453.736 million (2009: Rs. 406.222 million) in respect of services rendered by an associated company.

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

22.6 During the year, the holding company has recorded 'Share premium payable' on achieving financial close by the subsidiary in December 2009 (refer note 1.1).

23. INTEREST / MARK-UP ACCRUED

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
Interest / mark-up accrued on long term loans		1,285,447	653,342
Interest / mark-up accrued on short term borrowings		126,662	112,612
	23.1	1,412,109	765,954

23.1 Included herein is a sum of Rs. 63.095 million (2009: Rs. 13.010 million) payable to an associated undertaking.

24. COMMITMENTS AND CONTINGENCIES

24.1 The holding company under the Fuel Supply Agreement (FSA) is committed to purchase a certain quantity of oil from Pakistan State Oil (PSO) every year.

24.2 Counter guarantees, to meet the requirements under the FSA, issued to various banks which are secured pari passu with long term loans (as mentioned in note 17.1) amount to Rs. 8,000 million (2009: Rs. 5,899 million).

24.3 Commitments by the holding company in respect of capital and revenue expenditure amount to Rs. 226.531 million (2009: Rs. 222.201 million).

24.4 In connection with the Narowal project:

(i) the holding company has entered into contracts for construction and operation of the Narowal power plant. The holding company's remaining capital & revenue commitments against these contracts amount to Rs. 613.334 million (2009: Rs. 9,924.538 million).

(ii) MAN Diesel, the EPC contractor for Narowal project was not able to achieve the required Commercial Operations Date (COD) of March 31, 2010 and has also raised certain issues on the basis of which it is seeking an extension of time for the completion of the Narowal project under the contracts. The holding company has denied MAN's request for extension of time and has reserved its rights under the contracts including the imposition of liquidated damages to MAN Diesel if the delay is attributable to MAN. The holding company has made progress in its negotiation with MAN for the finalisation of liquidated damages. However, in order to protect the holding company's position, the holding company has requested the Government of Pakistan for an extension in COD up to September 2010 and for the necessary amendment in the Letter of Support issued to the holding company.

(iii) the holding company has entered into a facility agreement with a commercial bank (an associated undertaking) for issuance of performance guarantee to the Private Power and Infrastructure Board (PPIB) for an amount of USD 1.125 million in order to secure the holding company's obligation of achieving COD by March 31, 2010. Considering the delay in COD, the holding company has extended the validity of the guarantee by another three months up to December 31, 2010. The guarantee is secured by way of a charge over the holding company's entire immovable assets 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 Laraib Energy Limited including bonus shares and right shares.

(iv) the holding company has entered into a Power Purchase Agreement (PPA) on November 20, 2008, with NTDC/CPPA/WAPDA (Power Purchaser) for the sale of all the available capacity and delivery and dispatch of Net Electrical Output generated from the Narowal power plant. Under the PPA, the holding company was required to achieve the COD by March 31, 2010 failing which the holding company is required to pay the liquidated damages to the Power Purchaser at the rate of USD 17,800 per day. In order to meet this obligation, on March 09, 2009, the holding company arranged the issuance of letter of credit (LC) in favour of the Power Purchaser for an amount of USD 5.874 million from a commercial bank. The LC expired on March 31, 2010 and was automatically extended for one year. This LC is secured by way of securities mentioned in note 17.2.2. Any late payment by the holding company is subject to a mark-up rate of three months KIBOR plus 4% per annum compounded semi-annually.

(v) under the Construction Contract (CC), the holding company has provided a guarantee of Rs. 265.782 million [equivalent to the 15% of total contract value (USD 22.003 million)] in favour of construction contractor [MAN Diesel Pakistan (Pvt.) Ltd]. This guarantee secures the holding company's payment obligations and shall remain valid until all payments under this contract have been made. This guarantee was valid up to April 15, 2010. Currently, the expiry of the validity period has been extended on monthly basis up to August 15, 2010. This guarantee is secured by way of securities mentioned in note 17.2.2.

Further, MAN Diesel is required to provide a guarantee before payments are made. MAN has not provided the guarantee and the holding company has withheld some of the construction contract payments.

(vi) 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 before the COD.

(vii) as per the PPA, the holding company is allowed to claim a margin of 3% over KIBOR in its tariff determination for the long term loans. The loans were signed at a rate of 3.47% over KIBOR as mentioned in note 17.2.2. The holding company plans to approach NEPRA for Tariff redetermination and the management believes that it is probable that NEPRA will approve the revised terms.

(viii) under the Narowal PPA, the holding company is required to maintain a reserve fund to meet the obligations for major maintenance expenses and therefore a certain portion (yet to be determined) from the first nine monthly capacity billings will not be available to the holding company.

24.5 In connection with the development of the power project of the subsidiary:

(i) the subsidiary has entered into contracts for construction and operation of a hydel power plant. The subsidiary's remaining capital & revenue commitments against these contracts amount to Rs. 10,056.952 million (2009: Rs. 12,470.966 million).

(ii) pursuant to the PPA, the subsidiary in order to meet its obligation to achieve COD within 42 months of Financial Close has arranged the issuance of letter of credit (LC) in favour of the Power Purchaser for an amount of USD 1.680 million from commercial banks. The LC will expire on June 25, 2013. Any late payment by the subsidiary is subject to a mark-up rate of three months KIBOR plus 4% per annum compounded semi-annually. This LC is secured by way of securities mentioned in note 17.3.

(iii) the subsidiary has entered into land lease agreements with the GOAJK for (i) 424 kanals and (ii) 7,243 kanals of land for the project. The lease of 424 kanals is for a term of 30 years starting from October 2003 and is renewable after the end of the lease term. The subsidiary has paid advance rental for the lease of 7,243 kanals for a period of 5 years after which land measuring 3,515 kanals, required for permanent structures, will be leased again for a period of 20 years while the remaining land will revert to the Government. Under AJK Implementation Agreement, the GOAJK is committed to extend the term of the land lease agreement over the project life.

The amount of future payments under the non-cancellable operating leases and the period in which these payments will become due are as follows:

	2010 (Rs. '000s)	2009 (Rs. '000s)
Not later than one year	170	170
Later than one year but not later than five years	2,085	678
Later than five years	29,772	3,223
	32,027	4,071

24.6 Pursuant to the Sponsors Support Agreement (SSA) in connection with the investment in the subsidiary, the holding company is committed to provide an LC of USD 46 million (Refer note 1.1) to Laraib's lenders from Financial Close to the last repayment date of debt (expected in 2024). The holding company has arranged this LC in the amount of USD 46 million or aggregating Rs. 4,000 million whichever is lower. The LC amount will reduce as the equity is injected into the subsidiary and project achieves COD. Post COD, the holding company will be required to maintain a maximum LC of USD 17 million up to 2024. The holding company has entered into an agreement with a commercial bank (an associated undertaking) for a period of four years starting December 2009. The LC has been arranged for one year under the agreement and is renewable each year subject to certain conditions. Any late payment by the holding company is subject to a mark-up of six months KIBOR plus a margin of 4%. This LC 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 Laraib Energy Limited including bonus shares and right shares.

24.7 (i) The Deputy Commissioner of Income tax (DCIT) made assessments under section 52/86 of the Income Tax Ordinance, 1979 [ITO,79] amounting to Rs. 1,896 million stating that the holding company did not withhold tax at the time of issue of shares to sponsors against project development costs incurred by them. The holding company deposited tax amounting to Rs. 297 million against the above assessments in accordance with the departmental procedures. Appeals filed by the holding company before the Commissioner of Income tax (Appeals) [the "CIT(A)"] and thereafter with the Income Tax Appellate Tribunal (the "ITAT") were decided against the holding company. Against the decision of the ITAT, the holding company filed appeals before the High Court (the "HC"). The HC granted a stay of demand for the outstanding tax liability which according to the provisions of section 136 of the ITO,79 expired on August 2, 1999. However, the HC directed the DCIT not to institute recovery measures without its permission.

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

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

Without prejudicing its rights, the holding company has held several meetings with the FBR in order to settle the matter in an amicable manner. Various options have been discussed but no conclusion has yet been reached.

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

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

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

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

On Hubco's and other Independent Power Producers' (IPPs) representation, the Economic Coordination Committee (ECC) of the Federal Cabinet of the GOP directed the FBR to refund the tax recovered by it over and above 4%. The FBR has so far refunded Rs. 593 million but withheld Rs. 373 million on the pretext that the ECC decision was not applicable on "tax on tax" issue and also because the FBR has filed appeals before the courts which are pending adjudication.

The holding company continued its discussions with the GOP and the FBR for the balance refund of Rs. 373 million. As a result, the tax department has passed revised orders recognising refunds aggregating to Rs. 300.5 million. The tax law specifies that once an order recognising refund is passed, only then a taxpayer can apply for issuance of refund order and refund cheque. Accordingly, the holding company has filed applications with the tax department for issuance of refund orders and cheques for the above amounts. The holding company is also pursuing the tax department for issuance of revised orders recognising the balance refund amounting to Rs. 72.5 million.

The management and their tax advisors are of the opinion that the position of the Contractors and the holding company is strong on legal grounds and on the basis of the above referred orders, therefore, tax of Rs. 373 million will be refunded.

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

24.9 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 fall 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 have agreed that this petition should proceed and a judgement obtained on merits. During the year, the hearing was completed and judgement has been reserved. 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 9).

25. REMUNERATION OF CHIEF EXECUTIVES, DIRECTORS AND EXECUTIVES

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

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
		Chief Executives	
Managerial remuneration		27,723	24,175
Ex-gratia payment		21,850	-
Bonus		-	2,471
House rent		4,961	4,192
Utilities		1,102	931
Retirement benefits		1,102	931
Other benefits		3,940	4,531
		60,678	37,231
Number of persons		2	2
		Directors	
Fees	25.1	2,925	2,250
Number of persons		4	3
		Executives	
Managerial remuneration		76,904	67,633
Ex-gratia payment		2,673	-
Bonus		27,433	10,204
House rent		28,486	24,999
Utilities		7,593	6,459
Retirement benefits		16,064	17,390
Other benefits		23,996	25,319
		183,149	152,004
Number of persons		40	36
		Total	
Managerial remuneration / Fees		107,552	94,058
Ex-gratia payment		24,523	-
Bonus		27,433	12,675
House rent		33,447	29,191
Utilities		8,695	7,390
Retirement benefits		17,166	18,321
Other benefits		27,936	29,850
		246,752	191,485
Number of persons		46	41

25.1 This represents fee to four (2009: three) directors of the holding company.

25.2 The Chief Executives and certain Executives are provided with the use of Company maintained automobiles in accordance with the terms of their employment.

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

26. SEGMENT INFORMATION

26.1 SEGMENT ANALYSIS

The Group has three reportable segments on the basis of power plants; the Hub power plant which is in operation, Narowal power plant which is under construction and Laraib power plant (Hydel power plant) which is also under construction.

The unallocated items of profit and loss relate to costs incurred by the holding company for investment in subsidiary. The unallocated liabilities mainly represent share premium payable in respect of acquisition of the subsidiary.

	Hub Power plant	Narowal power plant	2010 Laraib power plant (Rs.'000s)	Unallocated	Total
Turnover	99,694,264	-	-	-	99,694,264
Operating costs	(92,006,319)	-	-	-	(92,006,319)
GROSS PROFIT	7,687,945	-	-	-	7,687,945
Other income	52,712	45	8,242	6,025	67,024
General and administration expenses	(342,184)	(47,099)	(94,085)	(2,208)	(485,576)
Finance costs	(1,666,773)	(3)	(6,965)	(126,815)	(1,800,556)
	5,731,700	(47,057)	(92,808)	(122,998)	
Workers' profit participation fund					-
PROFIT FOR THE YEAR					5,468,837
Assets	98,086,517	21,992,687	5,946,832	6,192	126,032,228
Liabilities	71,137,811	21,139,833	3,092,123	536,593	95,906,360
Depreciation and amortisation	1,719,017	2,913	3,866	-	1,725,796
Capital expenditure	32,026	13,421,246	4,046,139	-	17,499,411

	Hub Power plant	Narowal power plant	2009 Laraib power plant (Rs.'000s)	Unallocated	Total
Turnover	82,783,924	-	-	-	82,783,924
Operating costs	(76,687,113)	-	-	-	(76,687,113)
GROSS PROFIT	6,096,811	-	-	-	6,096,811
Other income	138,279	-	(4,807)	-	133,472
General and administration expenses	(322,826)	(28,763)	(55,447)	(8,010)	(415,046)
Finance costs	(2,001,440)	(14,459)	(3,638)	(78,601)	(2,098,138)
	3,910,824	(43,222)	(63,892)	(86,611)	
Workers' profit participation fund					-
PROFIT FOR THE YEAR					3,717,099
Assets	80,890,539	8,638,673	2,310,994	-	91,840,206
Liabilities	54,037,709	6,615,612	202,772	1,404,314	62,260,407
Depreciation and amortisation	1,707,429	1,156	2,894	-	1,711,479
Capital expenditure	738,049	4,929,492	41,097	-	5,708,638

26.2 The customers of the Group are NTDC/CPPA/WAPDA (Power Purchaser) under the long term PPAs of the respective power plants. The PPAs are guaranteed by the Government of Pakistan under the Implementation Agreements of the respective power plants.

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
27. TRANSACTIONS WITH RELATED PARTIES / ASSOCIATED UNDERTAKINGS			
Amounts paid for services rendered	27.1	3,303,535	2,552,996
Reimbursement of expenses and others		1,522	1,129
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 short term borrowings		-	232,516
Mark-up on long term loans		200,539	-
Other finance cost		61,999	-
Mark-up on short term borrowings from subsidiary's CEO	8	122	1,024
Mark-up on salary payable to subsidiary's CEO	8	837	1,846
Remuneration to key management personnel			
Salaries, benefits and other allowances		91,697	74,298
Ex-gratia payment	27.2	21,850	-
Retirement benefits		5,519	5,473
	27.3	119,066	79,771
Fees	25.1	2,925	2,250
Contribution to staff retirement benefit plans		17,179	19,694

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

27.2 In addition to this, certain assets having book value of Rs. 1.734 million against proceeds of Rs. 0.050 million were given to Ex-Chief Executive of the holding company as ex-gratia.

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

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

	2010	2009
28. PLANT CAPACITY AND PRODUCTION		
Theoretical Maximum Output	10,512 GWh	10,512 GWh
Total Output	8,337 GWh	8,257 GWh
Load Factor	79.30%	78.50%

Practical maximum output for the hub power plant taking into account all the scheduled outages is 9,216 GWh (2009: 9,216 GWh). Output produced by the plant is dependent on the load demanded by WAPDA and the plant availability.

	Note	2010 (Rs. '000s)	2009 (Rs. '000s)
29. WORKING CAPITAL CHANGES			
(Increase) / decrease in current assets			
Inventory of fuel oil		981,011	(976,704)
Trade debts		(20,083,004)	(21,758,130)
Advances, deposits, prepayments and other receivables		34,161	234,247
		(19,067,832)	(22,500,587)
Increase in current liabilities			
Trade and other payables		16,490,356	32,182,808
		(2,577,476)	9,682,221
30. CASH AND CASH EQUIVALENTS			
Cash and bank balances	15	927,940	1,034,660
Finances under mark-up arrangements	21	(6,743,596)	(2,444,870)
		(5,815,656)	(1,410,210)

	Note	2010	2009
31. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY			
31.1 Basic			
Profit for the year attributable to owners of the holding company (Rupees in thousand)		5,490,335	3,732,753
Number of shares in issue during the year	16	1,157,154,387	1,157,154,387
Basic earnings per share (Rupees)		4.74	3.23

31.2 There is no dilutive effect on the earnings per share of the holding company.

32. PROPOSED FINAL DIVIDEND

The Board of Directors of the holding company proposed a final dividend for the year ended June 30, 2010 of Rs. 2.50 per share, amounting to Rs. 2,892.886 million, at their meeting held on August 9, 2010, for approval of the members at the Annual General Meeting to be held on September 22, 2010. These consolidated financial statements do not reflect this dividend payable which will be accounted for in the period in which it is approved.

33. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The overall risk management of the Group is carried out by the treasuries under policies approved by the Board of Directors. Such policies entail identifying, evaluating and addressing financial risks of the Group.

The Group's overall risk management procedures to minimize the potential adverse effects of financial market on the Group's performance are as follows:

(a) Market risk

Market risk is a risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of holdings of financial instruments. The Group is not exposed to equity price risk. The exposure to other two risks and their management is explained below:

(i) Foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Financial assets of the Group include Rs. 761.729 million (2009: Rs. 693.032 million) in foreign currencies which are subject to currency risk exposure and financial liabilities of the Group include Rs. 187.186 million (2009: Rs. 1,922.724 million) in foreign currencies which are subject to currency risk exposure.

The Group believes that the foreign exchange risk exposure on foreign currency assets and liabilities is immaterial.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Cash flow and fair value interest rate risks

The Group's exposure to the risk of changes in interest rates relates primarily to the following:

	2010 (Rs. '000s)	2009 (Rs. '000s)
Fixed rate instruments at carrying amount:		
Financial liabilities		
Long term loans	4,656,182	5,378,290
Share premium payable	536,593	-
	5,192,775	5,378,290
Variable rate instruments at carrying amount:		
Financial assets		
Trade debts	57,763,888	40,043,781
Cash and bank balances	927,829	1,034,099
Total	58,691,717	41,077,880
Financial liabilities		
Long term loans	22,453,538	6,941,685
Liabilities against assets subject to finance lease	1,606	3,080
Short term borrowings	6,743,596	3,593,760
Trade payables	48,769,054	37,903,893
Total	77,967,794	48,442,418

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest / mark-up would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

Owing to current cash flow difficulties and delays in payment by WAPDA, the holding company has delayed payments to PSO (fuel supplier). The holding company has also obtained short term running finances to meet its short term funding requirements. The holding company receives interest on overdue balances from WAPDA at variable rate provided under the PPA and pays interest on overdue balances to PSO at variable rate provided under the FSA. The rates on all these three financial instruments are almost similar and move in the same direction, therefore, any change in the variable rate does not significantly affect profit or loss.

In addition to above, the holding company has long term loans (PSEDF II) for Hub power plant at variable rates. The related finance cost is pass through to WAPDA under the PPA. Therefore, there is no significant impact of any change in interest rates on profit or loss.

The holding company has a long term loan facility for Narowal project from various banks / financial institution (see note 17.2.2). Under the Narowal PPA, the related finance cost up to a mark-up rate of 3 months KIBOR plus 3% margin is allowed as a pass through to the Power Purchaser. Therefore, a change in interest rate at the balance sheet date does not have a significant impact on profit or loss.

The holding company has another long term loan facility for Narowal project from various banks / financial institution (see note 17.2.1). The holding company has to manage the related finance cost from its own sources which exposes the holding company to the risk of change in 3 months KIBOR. Since the project is under construction, the related finance cost is capitalised at the balance sheet date, therefore the change in interest rate does not affect profit or loss.

The subsidiary has long term loan facilities with various banks / financial institutions (see note 17.3). Under the PPA, the related finance cost is allowed as a pass through to the Power Purchaser. Therefore, a change in interest rate at the balance sheet date does not have a significant impact on profit or loss.

Since the impact of interest rate exposure is not significant to the Group, the management believes that consideration of alternative arrangement to hedge interest rate exposure is not cost effective.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's exposure to credit risk is not significant for reasons provided below.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance sheet date was as follows:

	2010 (Rs. '000s)	2009 (Rs. '000s)
Deposits	2,734	2,497
Trade debts	66,712,461	46,629,457
Other receivables	331,651	192,555
Cash and bank balances	927,829	1,034,422
Total	67,974,675	47,858,931

Trade debts of the holding company are recoverable from WAPDA under the PPA and are secured by a guarantee from Government of Pakistan under the Implementation Agreement.

The significant amount of other receivables is also recoverable from WAPDA and is secured as mentioned above.

Credit risk on bank balances is limited as they are placed with foreign and local banks having good credit ratings assigned by local and international credit rating agencies. The Group is also required under the concession documents to keep project accounts with certain banks.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has the sufficient funds to meet its liabilities when due without incurring unacceptable losses. The holding company maintains running finance facilities (see note 21) to meet the short term funding requirements due to delay in payments by WAPDA. The delay in payments by WAPDA is mainly offset by the delay in payments to PSO.

The holding company is exposed to liquidity risk in relation to the Narowal project financing arrangements (see note 17.2) where the holding company is required to meet certain conditions precedent. If the withdrawal from these long term loan facilities is not available, the holding company will be required to manage funding for Narowal project from its own sources. The holding company is also required to meet all costs due to delay in COD from its own sources which will be funded from LDs recoverable from MAN [see note 24.4 (ii)].

The Narowal project long term loans (see note 17.2) carry interest at a rate of 3 months KIBOR plus a margin. The holding company is exposed to liquidity risk to the extent that the returns (subject to final tariff determination) from the project are not sufficient to meet the funding requirement for the loan mentioned in 17.2.1. The holding company is also exposed to liquidity risk for the differential of 0.47% [see note 24.4 (vii)] and will approach NEPRA at the time of final tariff determination.

Following are the contractual maturities of financial liabilities, including estimated interest payments:

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 5 to 10 years	Over 10 years	Total
			(Rs. '000s)			
2009-10						
Long term loans	3,460,741	2,929,199	22,437,370	22,095,345	2,119,279	53,041,934
Liabilities against assets subject to finance lease	569	208	1,017	-	-	1,794
Share premium payable	258,874	273,750	42,190	-	-	574,814
Short term borrowings	6,870,258	-	-	-	-	6,870,258
Trade and other payables	59,199,039	-	-	-	-	59,199,039
Total	69,789,481	3,203,157	22,480,577	22,095,345	2,119,279	119,687,839
2008-09						
Long term loans	1,396,404	1,484,026	12,001,499	7,414,476	633,248	22,929,653
Liabilities against assets subject to finance lease	689	1,041	1,776	-	-	3,506
Short term borrowings	3,706,372	-	-	-	-	3,706,372
Trade and other payables	44,713,942	-	-	-	-	44,713,942
Total	49,817,407	1,485,067	12,003,275	7,414,476	633,248	71,353,473

Fair value estimation

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

Capital risk management

The Group's objective when managing capital is to safeguard the Group's ability to continue as a going concern, as required under various project agreements, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

34. FINANCIAL INSTRUMENTS BY CATEGORY

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables (Rs. '000s)	Total June 30, 2010 (Rs. '000s)
Assets as per balance sheet		
Deposits	2,734	2,734
Trade debts	66,712,461	66,712,461
Other receivables	331,651	331,651
Cash and bank balances	927,940	927,940
Total	67,974,786	67,974,786

	Financial liabilities measured at amortised cost (Rs. '000s)	Total June 30, 2010 (Rs. '000s)
Liabilities as per balance sheet		
Long term loans	28,395,167	28,395,167
Liabilities against assets subject to finance lease	1,606	1,606
Share premium payable	536,593	536,593
Short term borrowings	6,870,258	6,870,258
Trade and other payables	59,199,039	59,199,039
Total	95,002,663	95,002,663

	Loans and receivables (Rs. '000s)	Total June 30, 2009 (Rs. '000s)
Assets as per balance sheet		
Deposits	2,497	2,497
Trade debts	46,629,457	46,629,457
Other receivables	192,555	192,555
Cash and bank balances	1,034,660	1,034,660
Total	47,859,169	47,859,169

	Financial liabilities measured at amortised cost (Rs. '000s)	Total June 30, 2009 (Rs. '000s)
Liabilities as per balance sheet		
Long term loans	12,973,317	12,973,317
Liabilities against assets subject to finance lease	3,080	3,080
Short term borrowings	3,706,372	3,706,372
Trade and other payables	44,713,942	44,713,942
Total	61,396,711	61,396,711

35. INITIAL APPLICATION / EXEMPTION OF STANDARDS OR INTERPRETATIONS

Standards effective and adopted in 2010

IAS 1 - Presentation of financial statements

The presentation of these consolidated financial statements has been amended to reflect the changes introduced by IAS 1 (Revised) "Presentation of Financial Statements" which became effective from the periods beginning on or after January 01, 2009. The adoption of IAS 1 (Revised) does not materially affect the computations of the results except some changes in presentation and disclosures. All 'non-owner changes in equity' are required to be presented separately in a performance statement. Companies can choose either to present one performance statement (statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income). The Group has adopted two statements approach to reflect these changes.

IFRS 8 - Operating Segments

This standard is effective for periods beginning on or after January 1, 2009 and introduces the 'management approach' to segment reporting. This standard requires the presentation and disclosure of segment information based on the internal reports that are regularly reviewed by the Group's 'chief operating decision maker' in order to assess each segment's performance and to allocate resources to them. The adoption of IFRS 8 has resulted in additional disclosures given in note 26 to the consolidated financial statements.

Exemption from applicability of IFRIC - 4 "Determining Whether an Arrangement Contains a Lease"

The holding company

On June 22, 2009, the Securities and Exchange Commission of Pakistan (SECP) exempted the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" for power sector companies where Letter of Intent (LOI) is issued by the Government on or before June 30, 2010. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC - 4.

Under IFRIC 4, the consideration required to be made by lessee (WAPDA) for the right to use the asset is to be accounted for as finance lease under IAS - 17 "Leases". If the holding company were to follow IFRIC - 4 and IAS - 17, the effect on the consolidated financial statements would be as follows:

	2010 (Rs. '000s)	2009 (Rs. '000s)
Decrease in unappropriated profit at the beginning of the year	(11,749,859)	(12,270,485)
Increase in profit for the year	808,858	520,626
Decrease in unappropriated profit at the end of the year	(10,941,001)	(11,749,859)

Exemption from applicability of IFRIC - 12 "Service Concession Arrangements"

The subsidiary

On June 22, 2009, the Securities and Exchange Commission of Pakistan (SECP) exempted the application of International Financial Reporting Interpretation Committee (IFRIC) - 12 "Service Concession Arrangements" for power sector companies where Letter of Intent (LOI) is issued by the Government on or before June 30, 2010. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC - 12.

Under IFRIC 12, the revenue and costs relating to construction of infrastructure or upgrade services are recognised in accordance with IAS 11 "Construction Contracts" and a financial asset is recognised to the extent the Company has an unconditional contractual right to receive cash irrespective of the usage of infrastructure. If the subsidiary were to follow IFRIC - 12 and IAS - 11, the profit for the year would have increased by Rs. 92.808 million (2009: Rs. 63.892 million) and unappropriated profit as at balance sheet date would have increased by Rs. 156.700 million (2009: Rs. 63.892 million) in the consolidated financial statements.

36. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on August 9, 2010 in accordance with the resolution of the Board of Directors of the holding company.

37. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Vince Harris OBE
Chief Executive

Taufique Habib
Director

Proxy Form

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

I/We ____________________
of ____________________
being a member of THE HUB POWER COMPANY LIMITED and holder of ____________
Ordinary Shares as per the Share Register Folio No ____________ and/or CDC Participant
ID No. ____________ and Account / Sub-Account No. ____________ hereby appoint
____________ of ____________ or failing him/her ____________
as my/our proxy to vote for me & on my/our behalf at the 19th Annual General Meeting of the Company to be held at Islamabad Serena Hotel, Islamabad on September 22, 2010 at 11.30 AM and at any adjournment thereof.

Signature on
Revenue Stamp
of Rs.5/-

Signature of Shareholder ____________
Folio / CDC No. ____________

(1) Signature ____________
Name ____________
Address ____________
____
NIC or Passport No. ____________

(2) Signature ____________
Name ____________
Address ____________
____
NIC or Passport No. ____________

Notes:

- A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy need not be a member of the Company.
- If a member is unable to attend the meeting, they may complete and sign this form and send it to the Company Secretary, The Hub Power Company Limited, Head Office at 3rd Floor, Islamic Chamber Building, ST-2/A, Block 9, Clifton, Karachi 75600 so as to reach not less than 48 hours before the time appointed for holding the Meeting.

- **For CDC Account Holders / Corporate Entities**
  In addition to the above the following requirements have to be met.
  (i) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be stated on the form.
  (ii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
  (iii) The proxy shall produce his original NIC or original passport at the time of the meeting. In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen.

HUBCO

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AFFIX
CORRECT
POSTAGE

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

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Karachi-75600.

www.hubpower.com