



**THE HUB POWER COMPANY LIMITED**

**UNAUDITED FINANCIAL STATEMENTS  
FOR THE THIRD QUARTER ENDED  
MARCH 31, 2014**

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## COMPANY INFORMATION

### BOARD OF DIRECTORS

Hussain Dawood	(Chairman)
Khalid Mansoor	(Chief Executive)
Masood Ahmed	GOB Nominee
Syed Muhammad Ali	
Iqbal Alimohamed	
Syed Ahmed Iqbal Ashraf	NBP Nominee
Abdul Samad Dawood	
Shabbir H. Hashmi	
Qaiser Javed	
Ruhail Muhammed	
Ali Munir	
Shahid Hamid Pracha	
Inam ur Rehman	
Syed Khalid Siraj Subhani	

### AUDIT COMMITTEE

Iqbal Alimohamed	Chairman
Shabbir H. Hashmi	
Qaiser Javed	
Ruhail Mohammad	
Ali Munir	

### COMPANY SECRETARY

Shamsul Islam

### MANAGEMENT

Khalid Mansoor  
Hasnain Haider  
Shamsul Islam  
Tahir Jawaid  
Mohammad Kaleem Khan  
Shahid Mahmood  
Abdul Nasir  
Inam ur Rahman Siddiqui

### REGISTERED & 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](mailto:Info@hubpower.com)  
Website: <http://www.hubpower.com>

### PRINCIPAL BANKERS

Allied Bank of Pakistan  
Askari Bank Limited  
Bank Al-Falah Limited  
Bank Al-Habib Limited  
Bank of Punjab  
Bank Islami Pakistan Limited  
Barclays Bank PLC Pakistan  
Burj Bank Limited  
Citibank N.A. Karachi.  
Faysal Bank Limited  
Habib Bank Limited  
Habib Metropolitan Bank Limited  
Meezan Bank Limited  
MCB Bank Limited  
National Bank of Pakistan  
NIB Bank Limited  
Pak Brunei investment Company Limited

Pak China Investment Company Limited  
Pak Kuwait Investment Company (Pvt) Ltd.,  
Samba Bank Limited  
Standard Chartered Bank (Pakistan) Ltd.,  
Sumitomo Mitsui Banking Corp. Europe Ltd., London  
United Bank Limited

**INTER-CREDITOR  
AGENTS**

National Bank of Pakistan  
Habib Bank Limited  
Allied Bank Limited  
NIB Bank Limited

**LEGAL ADVISORS**

Rizvi, Isa, Afridi & Angell, Karachi

**AUDITORS**

Ernst & Young Ford Rhodes Sidat Hyder

**REGISTRAR**

Famco Associates (Pvt) Limited



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## DIRECTORS' REPORT FOR THE NINE MONTHS ENDED MARCH 31, 2014

Directors are pleased to present the Financial Statements (unaudited) for the nine month ended March 31, 2014.

### COMPANY

The Company operates a 1292MW plant at Hub, Balochistan and 225MW plant at Narowal, Punjab. Through its subsidiary Laraib Energy Limited it also operates an 84MW hydel plant at Mirpur, Azad Jammu & Kashmir.

### Financial Highlights

Turnover for the period was Rs. 121,215 million (2013: Rs. 132,494 million) and operating costs were Rs. 112,562 million (2013: Rs. 119,769 million). Both turnover and operating costs registered decrease in the period under review compared to corresponding period last year mainly due to lower load factor and lower generation bonus. Net profit earned by the Company during the period was Rs. 4,994 million (2013: Rs. 7,402 million). Earnings per share for the period was Rs. 4.32 compared to Rs. 6.40 in the same period last year. The decrease in profit is mainly attributable to lower efficiency, lower generation bonus, liquidated damages and higher repairs and maintenance expenditures.

The key financial results of the Company during the nine months ended March 31, 2014 are as follows:

	Rupees in Million			
	Quarter ended March 31, 2014	Quarter ended March 31, 2013	Nine Months ended March 31, 2014	Nine Months ended March 31, 2013
Turnover	43,395	42,534	121,215	132,494
Operating costs	39,970	38,254	112,562	119,769
Net Profit	2,057	2,661	4,994	7,402
Earnings per share (Rupees)	1.78	2.30	4.32	6.40

### Operational Highlights

The key operational highlights of the Company during the nine months ended March 31, 2014 are as follows:

	Unit	Quarter ended March 31, 2014	Quarter ended March 31, 2013	Nine Months ended March 31, 2014	Nine Months ended March 31, 2013
<b>Hub Plant</b>					
Generation	GWh	1,883	2,079	5,194	6,053
Load factor	%	73	80	66	77
Thermal Efficiency	%	37.76	38.31	37.75	38.18
<b>Narowal Plant</b>					
Generation	GWh	377	104	1,166	795
Load factor	%	82	23	83	56
Thermal Efficiency	%	45.49	45.08	45.20	45.10

The lower generation and load factor at Hub Plant has been primarily due to repair and maintenance works carried out at the boilers. In the corresponding period, Narowal faced fuel shortages while in the current period the Company had been able to maintain constant supply of fuel despite experiencing delay in payments from NTDC. Schedule maintenance at Narowal have also improved the efficiency of the Plant.

Our subsidiary, Laraib Energy Ltd., has completed one year of operations and during the period under review generated 308 GWh of electricity at a load factor of 55.8%. Tariff true-up of the Plant is in process with NTDC/NEPRA.

#### **INFORMATION IN RELATION TO LUXEMBOURG STOCK EXCHANGE**

The Directors, in compliance with the requirements of the "Commission De Surveillance Du Secteur Financier, Societe de Bourse de Luxembourg SA", are pleased to confirm that to the best of their knowledge, the condensed interim financial statements for the nine months ended March 31, 2014 give a true and fair view of the assets, liabilities, financial position and financial results of the Company and are in conformity with approved accounting standards as applicable in Pakistan. Further, the aforementioned management report includes a fair review of the development and performance of the Company together with the potential risks and uncertainties faced, if any.

#### **CONSOLIDATED FINANCIAL STATEMENTS**

Directors' Report on Consolidated Financial Statements (unaudited) of The Hub Power Company Limited (the Company) and its Subsidiary Laraib Energy Limited (the Subsidiary) for the nine month ended March 31, 2014 has been separately presented in this Report.

By Order of the Board



Khalid Mansoor  
Chief Executive

Karachi: April 30, 2014

**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM**  
**PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2014**

	Note	3 months ended Mar 2014 (Rs. '000s)	3 months ended Mar 2013 (Rs. '000s)	9 months ended Mar 2014 (Rs. '000s)	9 months ended Mar 2013 (Rs. '000s)
Turnover		43,395,114	42,534,372	121,215,386	132,493,749
Operating costs	4	(39,969,687)	(38,254,491)	(112,561,847)	(119,769,409)
<b>GROSS PROFIT</b>		<u>3,425,427</u>	<u>4,279,881</u>	<u>8,653,539</u>	<u>12,724,340</u>
General and administration expenses		(155,605)	(101,363)	(416,701)	(299,679)
Other income		8,062	3,224	80,361	14,859
Workers' profit participation fund	5	-	-	-	-
<b>PROFIT FROM OPERATIONS</b>		<u>3,277,884</u>	<u>4,181,742</u>	<u>8,317,199</u>	<u>12,439,520</u>
Finance costs	6	(1,219,838)	(1,520,326)	(3,320,403)	(5,036,249)
<b>PROFIT BEFORE TAXATION</b>		<u>2,058,046</u>	<u>2,661,416</u>	<u>4,996,796</u>	<u>7,403,271</u>
Taxation	7	(978)	(324)	(2,933)	(1,196)
<b>PROFIT FOR THE PERIOD</b>		<u><u>2,057,068</u></u>	<u><u>2,661,092</u></u>	<u><u>4,993,863</u></u>	<u><u>7,402,075</u></u>
Basic and diluted earnings per share (Rupees)		<u>1.78</u>	<u>2.30</u>	<u>4.32</u>	<u>6.40</u>

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



Khalid Mansoor  
Chief Executive



Iqbal Alimohamed  
Director

**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM**  
**STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2014**

	3 months ended Mar 2014 (Rs. '000s)	3 months ended Mar 2013 (Rs. '000s) Restated	9 months ended Mar 2014 (Rs. '000s)	9 months ended Mar 2013 (Rs. '000s) Restated
Profit for the period	2,057,068	2,661,092	4,993,863	7,402,075
<b>Other comprehensive income for the period</b>				
Actuarial losses on defined benefits plan	(2,983)	(3,323)	(8,949)	(9,968)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>2,054,085</u>	<u>2,657,769</u>	<u>4,984,914</u>	<u>7,392,107</u>

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



Khalid Mansoor  
Chief Executive




Iqbal Alimohamed  
Director




**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM**  
**BALANCE SHEET**  
**AS AT MARCH 31, 2014**

	Note	Mar 2014 (Rs. '000s) (Unaudited)	Jun 2013 (Rs. '000s) (Audited) Restated
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed Assets			
Property, plant and equipment	8	41,591,353	43,462,670
Intangibles		14,626	27,194
Investment in subsidiary		4,674,189	4,674,189
Long term loan and advance		65,338	87,342
Long term deposits and prepayments		10,503	8,267
<b>CURRENT ASSETS</b>			
Stores and spares		1,711,347	1,574,038
Stock-in-trade		3,561,047	4,247,498
Trade debts	9	80,748,617	24,799,191
Loan and advances		123,172	108,333
Prepayments and other receivables		2,957,431	3,255,814
Cash and bank balances		659,766	17,068,953
		89,761,380	51,053,827
<b>TOTAL ASSETS</b>		<b>136,117,389</b>	<b>99,313,489</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVE</b>			
<b>Share Capital</b>			
Authorised		12,000,000	12,000,000
Issued, subscribed and paid-up		11,571,544	11,571,544
<b>Revenue Reserve</b>			
Unappropriated profit		17,923,402	21,038,569
		29,494,946	32,610,113
<b>NON-CURRENT LIABILITIES</b>			
Long term loans		20,906,275	23,551,136
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	69,547,533	34,838,252
Interest / mark-up accrued		1,152,231	1,422,134
Short term borrowings	11	12,004,333	4,526,903
Current maturity of long term loans		3,012,071	2,364,951
		85,716,168	43,152,240
<b>COMMITMENTS AND CONTINGENCIES</b>			
	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>136,117,389</b>	<b>99,313,489</b>

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

  
Khalid Mansoor  
Chief Executive


  
Iqbal Alimohamed  
Director




**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM**  
**CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2014**

	<b>Note</b>	<b>9 months ended Mar 2014 (Rs. '000s)</b>	<b>9 months ended Mar 2013 (Rs. '000s)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		4,996,796	7,403,271
Adjustments for:			
Depreciation		2,015,111	2,009,421
Amortisation		12,568	11,050
(Gain) / loss on disposal of fixed assets		(35)	207
Staff gratuity		11,964	6,700
Interest income		(72,127)	(8,135)
Interest / mark-up		3,196,269	4,860,404
Amortisation of transaction cost		45,637	44,066
Operating profit before working capital changes		10,206,183	14,326,984
Working capital changes		(23,334,808)	(6,211,992)
Cash (used in) / generated from operations		(13,128,625)	8,114,992
Interest received		73,706	6,207
Interest / mark-up paid		(3,466,172)	(5,229,781)
Taxes paid		(2,933)	(1,196)
Net cash (used in) / generated from operating activities		(16,524,024)	2,890,222
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(145,347)	(56,586)
Proceeds from disposal of fixed assets		1,588	589
Long term loan and advance		22,004	(68,129)
Long term deposits and prepayments		(2,236)	(365)
Net cash used in investing activities		(123,991)	(124,491)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		(5,195,225)	(3,469,932)
Proceeds from long term loans - Laraib's investment		-	80,395
Repayment of long term loans - Hub plant		(979,062)	(979,061)
Repayment of long term loans - Narowal plant		(1,064,315)	(915,555)
Net cash used in financing activities		(7,238,602)	(5,284,153)
Net decrease in cash and cash equivalents		(23,886,617)	(2,518,422)
Cash and cash equivalents at the beginning of the period		12,542,050	(19,191,438)
Cash and cash equivalents at the end of the period	14	(11,344,567)	(21,709,860)

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

  
Khalid Mansoor  
Chief Executive

  
Iqbal Alimohamed  
Director

**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM**  
**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2014**

	<b>9 months ended Mar 2014 (Rs. '000s)</b>	<b>9 months ended Mar 2013 (Rs. '000s) Restated</b>
<b>Issued capital</b>		
Balance at the beginning of the period	11,571,544	11,571,544
Balance at the end of the period	<u>11,571,544</u>	<u>11,571,544</u>
<b>Unappropriated profit</b>		
Balance at the beginning of the period - restated	21,038,569	19,195,545
Total comprehensive income for the period	4,984,914	7,392,107
<b>Transactions with owners in their capacity as owners</b>		
Final dividend for the fiscal year 2012-2013 @ Rs. 4.50 (2011-2012: @ Rs. 3.00) per share	(5,207,195)	(3,471,463)
Interim dividend for the fiscal year 2013-2014 @ Rs. 2.50 (2012-2013: @ Rs. 3.50) per share	(2,892,886)	(4,050,040)
	(8,100,081)	(7,521,503)
Balance at the end of the period	<u>17,923,402</u>	<u>19,066,149</u>
<b>Total equity</b>	<u><u>29,494,946</u></u>	<u><u>30,637,693</u></u>

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



Khalid Mansoor  
Chief Executive



Iqbal Alimohamed  
Director

**THE HUB POWER COMPANY LIMITED**  
**NOTES TO THE CONDENSED INTERIM**  
**FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2014**

**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 (Hub plant) and a 214 MW (net) oil-fired power station in Punjab (Narowal plant). The Company also has a 75% controlling interest in Laraib Energy Limited "Subsidiary". The subsidiary owns a hydel power station of 84 MW which commenced operations on March 23, 2013.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation followed for the preparation of these condensed interim financial statements are same as those applied in preparing the financial statements for the year ended June 30, 2013 except as follow:

**Change in accounting standards, interpretations and pronouncements**

During the period, the Company has adopted Revised IAS 19 - 'Employee Benefits'. As per revised standard, actuarial gains and losses for defined benefit plans are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income / (expense). All other changes in the net defined benefit asset / (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss.

The adoption of above revised standard has resulted in change in accounting policy of the Company related to recognition of actuarial gains and losses to recognise actuarial gains and losses in total in other comprehensive income in the period in which they occur. Previously, actuarial gains or losses in excess of 10% of the actuarial liability or plan assets were recognised in profit and loss account over the expected average working life of the employees. The impact of the said changes on these condensed interim financial statements is as under:

	(Rs. '000s)
Net decrease in unappropriated profit as at July 01, 2012	10,063
Net decrease in other comprehensive income for the period ended March 31, 2013	9,968

**3. BASIS OF PREPARATION**

These unaudited condensed interim financial statements of the Company for the third quarter ended March 31, 2014 have been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions of and directives issued under the Ordinance have been followed.

These condensed interim financial statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2013.

**4. OPERATING COSTS**

	3 months ended Mar 2014 (Rs. '000s)	3 months ended Mar 2013 (Rs. '000s)	9 months ended Mar 2014 (Rs. '000s)	9 months ended Mar 2013 (Rs. '000s)
Fuel cost	37,623,837	36,166,201	105,298,563	113,522,816
Stores and spares	186,947	17,301	406,794	174,054
Operation and Maintenance	1,036,512	958,270	2,941,025	2,758,201
Insurance	242,081	211,753	723,864	635,260
Depreciation	666,600	663,382	1,997,072	1,992,393
Amortisation	2,683	2,753	12,112	8,258
Repairs, maintenance and other costs	211,027	234,831	1,182,417	678,427
	<u>39,969,687</u>	<u>38,254,491</u>	<u>112,561,847</u>	<u>119,769,409</u>

**5. WORKERS' PROFIT PARTICIPATION FUND**

Provision for Workers' profit participation fund	102,902	133,071	249,840	370,164
Workers' profit participation fund recoverable from WAPDA / NTDC	(102,902)	(133,071)	(249,840)	(370,164)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Company is required to pay 5% of its profit to the Workers' profit participation fund (the "Fund"). However, such payment does not affect the Company's overall profitability because after payment to the Fund, the Company bills this to Water and Power Development Authority (WAPDA) / National Transmission and Despatch Company Limited (NTDC) as a pass through item under the Power Purchase Agreements (PPAs).



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	3 months ended Mar 2014 (Rs. '000s)	3 months ended Mar 2013 (Rs. '000s)	9 months ended Mar 2014 (Rs. '000s)	9 months ended Mar 2013 (Rs. '000s)
<b>6. FINANCE COSTS</b>				
Interest / mark-up on long term loans	770,911	818,930	2,328,307	2,755,679
Mark-up on short term borrowings	406,560	655,684	867,962	2,104,725
Amortisation of transaction cost	14,895	14,912	45,637	44,066
Other finance costs	27,472	30,800	78,497	131,779
	<u>1,219,838</u>	<u>1,520,326</u>	<u>3,320,403</u>	<u>5,036,249</u>

## 7. TAXATION

### Current

- For the period	978	324	2,933	699
- Prior year	-	-	-	497
	<u>978</u>	<u>324</u>	<u>2,933</u>	<u>1,196</u>

## 8. PROPERTY, PLANT AND EQUIPMENT

	Note	Mar 2014 (Rs. '000s) (Unaudited)	Jun 2013 (Rs. '000s) (Audited)
Operating property, plant and equipment		41,526,810	43,395,401
Capital work-in-progress		64,543	67,269
	8.1	<u>41,591,353</u>	<u>43,462,670</u>

8.1 Additions to property, plant and equipment during the period were Rs. 145,347 million and disposal therefrom at net book value were Rs. 1.553 million.

## 9. TRADE DEBTS - Secured

	Note	Mar 2014 (Rs. '000s) (Unaudited)	Jun 2013 (Rs. '000s) (Audited)
Considered good	9.1	<u>80,748,617</u>	<u>24,799,191</u>

9.1 These receivables include an overdue amount of Rs. 63,071 million (June 2013: Rs. 12,047 million) from WAPDA and Rs. 3,936 million (June 2013: Rs. 627 million) from NTDC. These are not impaired because the trade debts are secured by a guarantee from the Government of Pakistan (GOP) under Implementation Agreements.

The delay in payments from WAPDA carries mark-up at State Bank of Pakistan (SBP) discount rate plus 2% per annum compounded semi-annually and the delay in payment from NTDC carries mark-up at a rate of 3 month KIBOR plus 4.5% per annum compounded semi-annually.

## 10. TRADE AND OTHER PAYABLES

This includes Rs. 61,703 million (June 2013: Rs. 29,785 million) payable to Pakistan State Oil Company Limited (PSO), out of which overdue amount is Rs. 54,340 million (June 2013: Rs. 20,520 million).

The delay in payments to PSO carries mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

## 11. SHORT TERM BORROWINGS - Secured

	Note	Mar 2014 (Rs. '000s) (Unaudited)	Jun 2013 (Rs. '000s) (Audited)
Finances under mark-up arrangements	11.1 to 11.3	<u>12,004,333</u>	<u>4,526,903</u>

11.1 The facilities for running finance available from various banks / financial institutions amounted to Rs. 21,665 million (June 2013: Rs. 21,965 million) at mark-up ranging between 0.75% to 3.00% per annum above one / three month KIBOR. The mark-up on the facilities is payable on monthly / quarterly basis in arrear. The facilities expire during the period from March 31, 2014 to March 30, 2015. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate.

11.1.1 The facilities amounting to Rs. 16,740 million (June 2013: Rs. 17,040 million) are secured by way of charge over the trade debts and stocks of the Company pari passu with the existing charge.

11.1.2 The facilities amounting to Rs. 4,925 million (June 2013: Rs. 4,925 million) are secured by way of:

- (a) a first ranking charge on all present and future (i) amounts standing to the credit of the Energy Payment Collection Account and the Master Facility Account, (ii) Fuel, lube, fuel stocks at the Narowal plant and Spares parts; and (iii) the Energy Payment Receivables of Narowal plant.
- (b) a subordinated charge on all present and future plant, machinery and equipment and other moveable assets of the Narowal plant excluding; (i) the immoveable properties; (ii) Hypothecated Assets under first ranking charge; (iii) the Energy Payment Collection Account, Working Capital Facility Accounts and the Master Facility Account; (iv) the Energy Payment Receivables; (v) all of the Project Company's right, title and interest in the Project Documents (including any receivables thereunder); and (vi) all current assets.

11.1.3 This includes a sum of Rs. 275 million (June 2013: Rs. Nil) payable to an associated undertaking. The available facilities amounted to Rs. 275 million (June 2013: Rs. 5,275 million). These facilities are secured by way of securities mentioned in note 11.1.1 and 11.1.2.

11.2 The Company also has Murabahah facility agreements with banks for an amount of Rs. 625 million (June 2013: Rs. 625 million) at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrear. These facilities will expire on August 28, 2014. Any late payment by the Company is subject to an additional payment of 4.00% per annum above the normal mark-up rate. These facilities are secured by way of securities mentioned in note 11.1.2.

11.3 The Company also entered into a Musharaka agreement amounting to Rs. 635 million (June 2013: Rs. 635 million) at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facility is payable on quarterly basis in arrear. This facility will expire on October 31, 2014. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. This facility is secured by way of securities mentioned in note 11.1.2 (a).

## 12. COMMITMENTS AND CONTINGENCIES

There is no material change in the status of commitments and contingencies as disclosed in the Company's annual financial statements for the year ended June 30, 2013 except as follows:

12.1 Commitments in respect of capital and revenue expenditures amount to Rs. 1,200.208 million (June 2013: Rs. 348.070 million).

12.2 During the period, WAPDA informed the Company of its intention to impose liquidated damages (LDs) amounting to Rs. 235 million due to non-availability of Hub Power Plant for electricity generation. The plant was unavailable for electricity generation because of shortage of fuel caused by persistent delay in payments by WAPDA. The Company has notified WAPDA that, as per the PPA, no Liquidated Damages can be imposed on the Company that arise due to a breach by WAPDA of the PPA. The Company is strongly contesting this matter and will take appropriate legal measures to vigorously defend its position.

The management is confident that this matter will be decided in its favour and, therefore, no provision has been made in these condensed interim financial statements.

12.3 On March 24, 2014, the FBR passed an order for the recovery of Rs. 4,001 million relating to fiscal year ended June 2012. In FBR's view, the Company had claimed input tax in excess of what was allowed under the law. The Company has filed appeal and stay application with the CIR-A. In order to mitigate itself, the Company has also obtained stay order from the High Court which is valid till May 18, 2014 or decision by the CIR-A whichever is earlier.

The management and their tax advisor are of the opinion that the position of the Company is sound on technical basis and eventual outcome ought to be in favour of the Company. Pending the resolution of the matter stated above, no provision has been made in these condensed interim financial statements.

### 13. RELATED PARTY TRANSACTIONS AND BALANCES

Related party comprises subsidiary, associated companies, companies where directors also hold directorship, retirement benefits fund and key management personnel. Significant transactions and balances with related parties, other than those which have been disclosed elsewhere in these condensed interim financial statements are as follows:

	Note	9 months ended Mar 2014 (Rs. '000s)	9 months ended Mar 2013 (Rs. '000s)
<b>Subsidiary</b>			
Outstanding balance of subordinated loan to Subsidiary		80,395	80,395
Interest income on subordinated loan to Subsidiary		9,038	1,502
Interest receivable on subordinated loan to Subsidiary		13,381	-
Reimbursement of expenses from Subsidiary		49,035	-
Receivable from Subsidiary against reimbursement of expenses		110,366	-
<b>Associated Undertakings</b>			
Interest income on placement of funds		17,939	-
Amounts paid for the purchase of assets		9,247	-
Amounts paid for services rendered		9,936	-
Donation		10,000	-
Reimbursement of expense		32	-
Repayment of long term loans		658,565	-
Accrued Markup on long term loans		45,549	-
Accrued Markup on short term borrowings		2,141	-
Interest / Mark-up on long term loans		391,636	-
Mark-up on short term borrowings		11,341	-
Other finance costs		11,084	-
<b>Other related parties</b>			
Mark-up on short term borrowings		49	-
Repayment of short term borrowings and related Mark-up		15,537	-
Remuneration to key management personnel			
Salaries, benefits and other allowances		71,626	45,081
Retirement benefits		10,362	3,831
	13.2	81,988	48,912
Directors' fee	13.3	8,800	7,915
Contribution to staff retirement benefit plans		5,982	6,841

13.1 In addition to above, the outstanding balance of long term loan includes Rs. 1,289 million (June 2013: Rs. 1,354 million) payable to Askari Bank Limited (an associated undertaking).

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

13.3 This represents fee paid to Board of Directors for attending meetings.

13.4 The transactions with related parties are made under normal commercial terms and conditions.

	9 months ended Mar 2014 (Rs. '000s)	9 months ended Mar 2013 (Rs. '000s)
<b>14. CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	659,766	238,435
Finances under mark-up arrangements	(12,004,333)	(21,948,295)
	<u>(11,344,567)</u>	<u>(21,709,860)</u>

#### 15. EVENTS AFTER THE BALANCE SHEET DATE

15.1 On April 07, 2014, the FBR issued a Show Cause Notice intending to recover an amount of Rs. 4,044 million relating to fiscal year ended June 2013. In FBR's view, the Company had claimed input tax in excess of what was allowed under the law. The Company is taking appropriate action to protect its interest.

The management and their tax advisor are of the opinion that the position of the Company is sound on technical basis and eventual outcome ought to be in favour of the Company. Pending the resolution of the matter stated above, no provision has been made in these condensed interim financial statements.

15.2 (i) Under the Implementation Agreement with GOP and under the tax laws, the Company's interest income is exempt from income tax. However, on April 07, 2014, the FBR issued tax demand of Rs. 3.2 million on the grounds that interest income for the tax year 2011 from term deposits is not covered under the exemption allowed under the tax law. The Company has filed appeal and stay application with the CIR-A. In order to mitigate itself, the Company has also obtained stay order from the High Court which is valid till June 09, 2014 or decision by the CIR-A whichever is earlier.

The management and their tax advisor are of the opinion that the position of the Company is sound on technical basis and eventual outcome ought to be in favour of the Company. Pending the resolution of the matter stated above, no provision has been made in these condensed interim financial statements.

(ii) FBR also imposed 2% WWF [i.e. 2% of the profit before taxation] for the tax year 2011 and issued a demand for Rs. 108.5 million. The Company has filed appeal and stay application with the CIR-A. In order to mitigate itself, Company has also obtained stay order from the High Court which is valid till June 09, 2014 or decision by the CIR-A whichever is earlier.

WWF is a pass through under the PPA and is recoverable from WAPDA. No provision has been made in these condensed interim financial statements as any payment made by the Company is a pass through item under the PPA.

#### 16. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on April 30, 2014 in accordance with the resolution of the Board of Directors.

#### 17. GENERAL

Figures have been rounded off to the nearest thousand rupees.



Khalid Mansoor  
Chief Executive



Iqbal Alimohamed  
Director



growth through energy

## DIRECTORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED MARCH 31, 2014

Directors are pleased to present the Financial Statements (un-audited) of The Hub Power Company Limited (the Company) and its Subsidiary Laraib Energy Limited (the Subsidiary) for the nine months ended March 31, 2014.

### COMPANY

The Group has installed power generation capacity of 1601MW through its three plants, a 1292 MW RFO fired plant at Hub in Balochistan, another 225 MW RFO fired plant at Narowal in Punjab and a 84 MW hydel plant in Mirpur, Azad Jammu & Kashmir. The hydel power plant of 84 MW is owned by Laraib Energy Limited in which the Company has 75% majority stake.

### FINANCIAL HIGHLIGHTS

The key financial results of the Group for the nine months ended March 31, 2014 are as follows:

	Rupees in Million			
	Quarter ended March 31, 2014	Quarter ended March 31, 2013	Nine Months ended March 31, 2014	Nine Months ended March 31, 2013
Turnover	44,261	42,637	123,996	132,596
Operating costs	40,294	38,334	113,632	119,849
Net Profit *	2,198	2,732	5,528	7,665
Earnings per share (Rupees)	1.90	2.36	4.78	6.62

\* Attributable to the Owners of the holding company.

Consolidated earnings per share for the period was lower because of lower profit for Hub Plant compared to corresponding period last year mainly due to lower efficiency, lower generation bonus, liquidated damages and higher repairs and maintenance expenditures partly offset by contribution from Laraib after commissioning of operations in March 2013.

Rehabilitation works initiated on the boilers at Hub plant early this year is progressing as planned. Rehabilitation of one of the boilers had been completed while work on the second boiler is about to start. Work on remaining of the boilers would be completed by end of next fiscal year.

The results of the Laraib Energy Limited, the subsidiary, are based on the Reference Tariff and the incremental revenue on account of any tariff adjustments shall be accounted for in the period in which such adjustments shall be made by the NEPRA. Laraib had filed the application for true-up of tariff at commercial operations date (COD) with NTDC in September 2013 who has now completed the review and NTDC Board on April 19, 2014 have approved majority of the one time adjustments in tariff at COD, however with regards to cost overruns their position is that these are not covered under the PPA therefore NEPRA may consider them as per their rules and regulations. NTDC would now pass it on to NEPRA for the determination of adjusted tariff at COD.

#### Registered & Head Office

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🌐 www.hubpower.com

Laraib during the period had a turnover of Rs. 2,780 million, operating costs of Rs. 1,040 million and the net profit of Rs. 752 million. No dividend can be declared by Laraib until tariff true-up by NEPRA and fulfillment of lenders' covenants to be able to achieve Project Completion.

### OPERATIONAL HIGHLIGHTS

Key operational numbers for each of plant for the nine months ended March 31, 2014 are as follows:

	Unit	Quarter ended March 31, 2014	Quarter ended March 31, 2013	Nine Month ended March 31, 2014	Nine Month ended March 31, 2013
<b>Hub Plant</b>					
Generation	GWh	1,883	2,079	5,194	6,053
Load factor	%	73	80	66	77
<b>Narowal Plant</b>					
Generation	GWh	377	104	1,166	795
Load factor	%	82	23	83	56
<b>Laraib Plant</b>					
Generation	GWh	101.5	-	308.2	-
Load factor	%	56.0	-	55.8	-

Electricity generation at the Hub Plant was lower due to the units being out of service for repair, maintenance and refurbishment work. Performance of Narowal Plant has improved following the overhaul of engines, furthermore last year Narowal faced fuel shortage while during the current period Company has been able to manage fuel supply for the Plant despite late payment by the Power Purchaser.

Laraib has completed its first year of operations. Generation for operating year was 435 GWh compared to the requirement of 470 GWh under its Power Purchase Agreement which was mainly due to low hydrology and minor issues at the Plant which have been rectified by the EPC Contractor under the warranty.

### CORPORATE SOCIAL RESPONSIBILITY

We remained proactive in maintaining our Corporate Social Responsibility (CSR) program. Based on the revisited CSR strategy, partner organization are being finalized for intervention in Hub, Balochistan and Mirpur, Azad Jammu & Kashmir areas whereas partner organization has been finalized for intervention in Narowal, Punjab. Work will start in next quarter.

### OCCUPATIONAL HEALTH, SAFETY & ENVIRONMENT

The Company and its operators are committed to Health, Safety and Environment (HSE). The Company has set the strategic objective of strengthening the system for Health, Safety and Environment by aligning the existing system with world renowned DuPont Safety Management System. Operators have been taken on board for accomplishment of this objective and their response have been very positive.

Sea water intake channel cleaning job at Hub Plant was completed safely after carrying out a through risk assessment of the activity. Fatality incident investigation recommendations are being implemented as per plan by the Operator. Monetary support has been extended to the deceased's grieved family.

Environmental reporting on Self-Monitoring and Reporting Technique (SMART) requirements to Balochistan Environmental Protection Agency (BEPA) and Punjab Environmental Protection Agency (PEPA) remained in progress for Hub and Narowal Plants respectively. Laraib being a hydel plant is not required to follow SMART requirements.

#### **INFORMATION IN RELATION TO LUXEMBOURG STOCK EXCHANGE**

The Directors in compliance with the requirements of the "Commission De Surveillance Du Secteur Financier, Societe de Bourse de Luxembourg SA", are also pleased to confirm that to the best of their knowledge, the condensed interim financial statements for the nine months ended March 31, 2014 give a true and fair view of the assets, liabilities, financial position and financial results of the Company and are in conformity with approved accounting standards as applicable in Pakistan. Further, the aforementioned management report includes a fair review of the development and performance of the Company together with the potential risks and uncertainties faced, if any.

#### **FUTURE OUTLOOK**

Company is committed to provide the necessary stimulus for the growth of the Country and play a strategic role in the development of power sector. However, the Government needs to permanently resolve the issues facing the sector foremost amongst them is the circular debt. Funding is most essential not only for the operation of the plants but also to embark on growth options. Confidence need to be built so that funding is available for growth opportunities.

#### **ACKNOWLEDGEMENT**

Board is grateful to the shareholders for the trust and confidence reposed in the Company, the customers - WAPDA and NTDC, the Fuel Suppliers, the Operators of the plants and the employees for their support.

The Directors' Report on the Financial Statements (un-audited) of The Hub Power Company Limited for the nine month ended March 31, 2014 has been separately presented in this Report.

By Order of the Board



Khalid Mansoor  
Chief Executive

Karachi: April 30, 2014

**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM CONSOLIDATED**  
**PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2014**

	Note	3 months ended Mar 2014 (Rs. '000s)	3 months ended Mar 2013 (Rs. '000s)	9 months ended Mar 2014 (Rs. '000s)	9 months ended Mar 2013 (Rs. '000s)
Turnover		44,261,111	42,636,573	123,995,559	132,595,950
Operating costs	4	(40,294,134)	(38,333,995)	(113,631,522)	(119,848,913)
<b>GROSS PROFIT</b>		<u>3,966,977</u>	<u>4,302,578</u>	<u>10,364,037</u>	<u>12,747,037</u>
General and administration expenses		(181,163)	(115,936)	(506,000)	(342,065)
Other income		18,035	2,914	105,744	19,572
Workers' profit participation fund	5	-	-	-	-
<b>PROFIT FROM OPERATIONS</b>		<u>3,803,849</u>	<u>4,189,556</u>	<u>9,963,781</u>	<u>12,424,544</u>
Finance costs	6	(1,554,594)	(1,460,588)	(4,244,456)	(4,765,601)
<b>PROFIT BEFORE TAXATION</b>		<u>2,249,255</u>	<u>2,728,968</u>	<u>5,719,325</u>	<u>7,658,943</u>
Taxation	7	(978)	(1,065)	(2,933)	(5,008)
<b>PROFIT FOR THE PERIOD</b>		<u><u>2,248,277</u></u>	<u><u>2,727,903</u></u>	<u><u>5,716,392</u></u>	<u><u>7,653,935</u></u>
Attributable to:					
- Owners of the holding company		2,197,898	2,732,002	5,527,956	7,664,587
- Non-controlling interest		50,379	(4,099)	188,436	(10,652)
		<u><u>2,248,277</u></u>	<u><u>2,727,903</u></u>	<u><u>5,716,392</u></u>	<u><u>7,653,935</u></u>
Basic and diluted earnings per share attributable to owners of the holding company (Rupees)		<u><u>1.90</u></u>	<u><u>2.36</u></u>	<u><u>4.78</u></u>	<u><u>6.62</u></u>

The annexed notes from 1 to 18 form an integral part of these condensed interim consolidated financial statements.



Khalid Mansoor  
Chief Executive





Iqbal Alimohamed  
Director

**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM CONSOLIDATED**  
**STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2014**

	3 months ended Mar 2014 (Rs. '000s)	3 months ended Mar 2013 (Rs. '000s) Restated	9 months ended Mar 2014 (Rs. '000s)	9 months ended Mar 2013 (Rs. '000s) Restated
Profit for the period	2,248,277	2,727,903	5,716,392	7,653,935
<b>Other comprehensive income for the period</b>				
Actuarial losses on defined benefits plan	(2,983)	(3,323)	(8,949)	(9,968)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u>2,245,294</u>	<u>2,724,580</u>	<u>5,707,443</u>	<u>7,643,967</u>
Attributable to:				
- Owners of the holding company	2,194,915	2,728,679	5,519,007	7,654,619
- Non-controlling interest	50,379	(4,099)	188,436	(10,652)
	<u>2,245,294</u>	<u>2,724,580</u>	<u>5,707,443</u>	<u>7,643,967</u>

The annexed notes from 1 to 18 form an integral part of these condensed interim consolidated financial statements.

  
Khalid Mansoor  
Chief Executive

  
Iqbal Alimohamed  
Director



**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM CONSOLIDATED**  
**BALANCE SHEET**  
**AS AT MARCH 31, 2014**

	Note	Mar 2014 (Rs. '000s) (Unaudited)	Jun 2013 (Rs. '000s) (Audited) Restated
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS</b>			
Fixed Assets			
Property, plant and equipment	8	61,289,810	63,858,995
Intangibles		1,428,733	1,441,365
Long term advance, deposits and prepayments		26,905	32,790
<b>CURRENT ASSETS</b>			
Stores and spares		1,824,154	1,690,334
Stock-in-trade		3,561,047	4,247,498
Trade debts	9	81,539,727	25,925,964
Advances, deposits, prepayments and other receivables		3,006,587	3,365,639
Cash and bank balances		2,293,394	18,378,649
		92,224,909	53,608,084
<b>TOTAL ASSETS</b>		<b>154,970,357</b>	<b>118,941,234</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>SHARE CAPITAL AND RESERVE</b>			
<b>Share Capital</b>			
Authorised		12,000,000	12,000,000
Issued, subscribed and paid-up		11,571,544	11,571,544
<b>Revenue Reserve</b>			
Unappropriated profit		19,587,316	22,168,390
Attributable to owners of the holding company		31,158,860	33,739,934
<b>NON-CONTROLLING INTEREST</b>		1,347,709	1,159,273
		32,506,569	34,899,207
<b>NON-CURRENT LIABILITIES</b>			
Long term loans		31,642,464	35,540,428
Liabilities against assets subject to finance lease		3,081,663	3,423,721
Deferred liability - Gratuity		4,594	3,674
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	69,876,227	35,545,725
Interest / mark-up accrued		1,413,719	1,959,175
Short term borrowings	11	12,004,333	4,526,903
Current maturity of long term loans		4,141,032	2,899,733
Current maturity of liabilities against assets subject to finance lease		299,756	142,668
		87,735,067	45,074,204
<b>COMMITMENTS AND CONTINGENCIES</b>	12		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>154,970,357</b>	<b>118,941,234</b>

The annexed notes from 1 to 18 form an integral part of these condensed interim consolidated financial statements.

Khalid Mansoor  
Chief Executive

Iqbal Alimohamed  
Director



**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM CONSOLIDATED**  
**CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2014**

	9 months ended Mar 2014 (Rs. '000s)	9 months ended Mar 2013 (Rs. '000s)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	5,719,325	7,658,943
Adjustments for:		
Depreciation	2,682,928	2,082,112
Amortisation	12,632	11,240
(Gain) / loss on disposal of fixed assets	(20)	153
Staff gratuity	12,911	6,996
Interest income	(97,510)	(12,794)
Interest / mark-up	4,028,514	4,588,977
Amortisation of transaction cost	74,154	44,066
Operating profit before working capital changes	12,432,934	14,379,693
Working capital changes	(23,537,908)	(6,024,543)
Cash (used in) / generated from operations	(11,104,974)	8,355,150
Interest received	112,447	13,419
Interest / mark-up paid	(4,344,499)	(4,932,283)
Taxes paid	(6,807)	(6,247)
Net cash (used in) / generated from operating activities	(15,343,833)	3,430,039
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(184,454)	(3,999,177)
Proceeds from disposal of fixed assets	2,872	3,433
Long term advance, deposits and prepayments	5,885	22,480
Net cash used in investing activities	(175,697)	(3,973,264)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid to owners of the holding company	(5,195,225)	(3,469,932)
Proceeds from long term loans - Laraib's investment	-	80,396
Proceeds from long term loans - Subsidiary	-	3,380,408
Proceeds from liabilities against assets subject to finance lease - Subsidiary	-	958,240
Repayment of long term loans - Hub plant	(979,062)	(979,061)
Repayment of long term loans - Narowal plant	(1,064,315)	(915,555)
Repayment of long term loans - Subsidiary	(638,249)	-
Repayment of liabilities against assets subject to finance lease - Subsidiary	(166,304)	-
Net cash used in financing activities	(8,043,155)	(945,504)
Net decrease in cash and cash equivalents	(23,562,685)	(1,488,729)
Cash and cash equivalents at the beginning of the period	13,851,746	(18,348,271)
Cash and cash equivalents at the end of the period	15 (9,710,939)	(19,837,000)

The annexed notes from 1 to 18 form an integral part of these condensed interim consolidated financial statements.

Khalid Mansoor  
Chief Executive

Iqbal Alimohamed  
Director



**THE HUB POWER COMPANY LIMITED**  
**CONDENSED INTERIM CONSOLIDATED**  
**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2014**

	9 months ended Mar 2014 (Rs. '000s)	9 months ended Mar 2013 (Rs. '000s) Restated
<b>Attributable to owners of the holding company</b>		
<b>Issued capital</b>		
Balance at the beginning of the period	11,571,544	11,571,544
Balance at the end of the period	<u>11,571,544</u>	<u>11,571,544</u>
<b>Unappropriated profit</b>		
Balance at the beginning of the period - restated	22,168,390	19,612,198
Total comprehensive income for the period	5,519,007	7,654,619
<b>Transactions with owners in their capacity as owners</b>		
Final dividend for the fiscal year 2012-2013 @ Rs. 4.50 (2011-2012: @ Rs. 3.00) per share	(5,207,195)	(3,471,463)
Interim dividend for the fiscal year 2013-2014 @ Rs. 2.50 (2012-2013 @ Rs. 3.50) per share	(2,892,886)	(4,050,040)
Reduction in controlling interest of the holding company	-	898
	(8,100,081)	(7,520,605)
Balance at the end of the period	<u>19,587,316</u>	<u>19,746,212</u>
Attributable to owners of the holding company	<u>31,158,860</u>	<u>31,317,756</u>
<b>Advance against issue of shares to minority shareholders</b>		
Balance at the beginning of the period	-	74,481
Shares issued during the period	-	(74,481)
Balance at the end of the period	<u>-</u>	<u>-</u>
<b>Non-controlling interest</b>		
Balance at the beginning of the period	1,159,273	946,014
Shares issued during the period	-	74,481
Total comprehensive income for the period	188,436	(10,652)
Reduction in controlling interest of the holding company	-	(898)
Balance at the end of the period	<u>1,347,709</u>	<u>1,008,945</u>
<b>Total equity</b>	<u>32,506,569</u>	<u>32,326,701</u>

The annexed notes from 1 to 18 form an integral part of these condensed interim consolidated financial statements.

Khalid Mansoor  
Chief Executive

Iqbal Alimohamed  
Director



**THE HUB POWER COMPANY LIMITED**  
**NOTES TO THE CONDENSED INTERIM**  
**CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
**FOR THE THIRD QUARTER ENDED MARCH 31, 2014**

**1. STATUS AND NATURE OF BUSINESS**

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

The Group consists of:

- The Hub Power Company Limited (the holding company); and
- Laraib Energy Limited (the subsidiary) - Holding of 74.95%.

The subsidiary was incorporated in Pakistan on August 9, 1995 as a public limited company under the Companies Ordinance, 1984. The subsidiary owns a 84 MW hydropower generating complex near the New Bong Escape, which is 8 km downstream of the Mangla Dam in Azad Jammu & Kashmir (AJK). The hydel power plant commenced operations on March 23, 2013. As per the terms of the Power Purchase Agreement (PPA), the Reference Tariff approved by the National Electric Power Regulatory Authority (NEPRA) is to be adjusted at Commercial Operation Date (COD) and the subsidiary is in the process of obtaining tariff adjustment from NEPRA. These condensed interim consolidated financial statements include revenue on the basis of Reference Tariff and the differential amount of revenue due to tariff adjustment will be recognized in the subsequent period.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation followed for the preparation of these condensed interim consolidated financial statements are same as those applied in preparing the consolidated financial statements for the year ended June 30, 2013 except as follow:

**Change in accounting standards, interpretations and pronouncements**

During the period, the holding company has adopted Revised IAS 19 - 'Employee Benefits'. As per revised standard, actuarial gains and losses for defined benefit plans are recognised in other comprehensive income when they occur. Amounts recorded in profit and loss are limited to current and past service costs, gains or losses on settlements, and net interest income / (expense). All other changes in the net defined benefit asset / (liability) are recognised in other comprehensive income with no subsequent recycling to profit and loss.

The adoption of above revised standard has resulted in change in accounting policy of the holding company related to recognition of actuarial gains and losses to recognise actuarial gains and losses in total in other comprehensive income in the period in which they occur. Previously, actuarial gains or losses in excess of 10% of the actuarial liability or plan assets were recognised in profit and loss account over the expected average working life of the employees. The impact of the said changes on these condensed interim consolidated financial statements is as under:

	<b>(Rs. '000s)</b>
Net decrease in unappropriated profit attributable to the owners of the holding company as at July 01, 2012	<u>10,063</u>
Net decrease in other comprehensive income attributable to the owners of the holding company for the period ended March 31, 2013	<u>9,968</u>

**3. BASIS OF PREPARATION**

These unaudited condensed interim consolidated financial statements for the third quarter ended March 31, 2014 have been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions of and directives issued under the Ordinance have been followed.

These condensed interim consolidated financial statements do not include all the information and disclosures as required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended June 30, 2013.

**4. OPERATING COSTS**

	<b>3 months ended</b>	<b>3 months ended</b>	<b>9 months ended</b>	<b>9 months ended</b>
	<b>Mar 2014</b>	<b>Mar 2013</b>	<b>Mar 2014</b>	<b>Mar 2013</b>
	<b>(Rs. '000s)</b>	<b>(Rs. '000s)</b>	<b>(Rs. '000s)</b>	<b>(Rs. '000s)</b>
Fuel cost	37,623,837	36,166,201	105,298,563	113,522,816
Water use charges	15,234	1,737	46,234	1,737
Stores and spares	187,563	17,301	410,283	174,054
Operation and Maintenance	1,111,393	964,743	3,167,243	2,764,674
Insurance	271,310	214,556	813,556	638,063
Depreciation	856,078	731,873	2,660,394	2,060,884
Amortisation	2,683	2,753	12,112	8,258
Repairs, maintenance and other costs	226,036	234,831	1,223,137	678,427
	<u>40,294,134</u>	<u>38,333,995</u>	<u>113,631,522</u>	<u>119,848,913</u>

	3 months ended Mar 2014 (Rs. '000s)	3 months ended Mar 2013 (Rs. '000s)	9 months ended Mar 2014 (Rs. '000s)	9 months ended Mar 2013 (Rs. '000s)
<b>5. WORKERS' PROFIT PARTICIPATION FUND</b>				
Provision for Workers' profit participation fund	47,467	133,071	221,961	370,164
Workers' profit participation fund recoverable from WAPDA / NTDC	(47,467)	(133,071)	(221,961)	(370,164)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The holding company is required to pay 5% of its profit to the Workers' profit participation fund (the "Fund"). However, such payment does not affect the holding company's overall profitability because after payment to the Fund, the holding company bills this to Water and Power Development Authority (WAPDA) / National Transmission and Despatch Company Limited (NTDC) as a pass through item under the PPAs.

According to the legal advice, the subsidiary company is not liable to pay WPPF and therefore the provision has been reversed.

	3 months ended Mar 2014 (Rs. '000s)	3 months ended Mar 2013 (Rs. '000s)	9 months ended Mar 2014 (Rs. '000s)	9 months ended Mar 2013 (Rs. '000s)
<b>6. FINANCE COSTS</b>				
Interest / mark-up on long term loans	995,278	1,038,256	3,014,484	3,392,467
Interest on finance lease	46,653	40,206	146,068	128,432
Mark-up on short term borrowings	406,560	655,684	867,962	2,104,725
Amortisation of transaction costs	32,184	14,912	74,154	44,066
Other finance costs	73,919	130,880	141,788	260,873
	<u>1,554,594</u>	<u>1,879,938</u>	<u>4,244,456</u>	<u>5,930,563</u>
Less: amount capitalised in the cost of qualifying assets	-	(419,350)	-	(1,164,962)
	<u>1,554,594</u>	<u>1,460,588</u>	<u>4,244,456</u>	<u>4,765,601</u>

## 7. TAXATION

### Current

- For the period	978	1,065	2,933	4,511
- Prior year	-	-	-	497
	<u>978</u>	<u>1,065</u>	<u>2,933</u>	<u>5,008</u>

## 8. PROPERTY, PLANT AND EQUIPMENT

	Note	Mar 2014 (Rs. '000s) (Unaudited)	Jun 2013 (Rs. '000s) (Audited)
Operating property, plant and equipment		61,155,425	63,743,063
Capital work-in-progress			
Holding company		64,543	67,269
Subsidiary		69,842	48,663
		<u>134,385</u>	<u>115,932</u>
	8.1	<u>61,289,810</u>	<u>63,858,995</u>

8.1 Additions to property, plant and equipment during the period were Rs. 184.454 million and disposal therefrom at net book value were Rs. 2.852 million.

## 9. TRADE DEBTS - Secured

	Note	Mar 2014 (Rs. '000s) (Unaudited)	Jun 2013 (Rs. '000s) (Audited)
Considered good	9.1	<u>81,539,727</u>	<u>25,925,964</u>

9.1 These receivables include an overdue amount of Rs. 63,071 million (June 2013: Rs. 12,047 million) from WAPDA and Rs. 4,062 million (June 2013: Rs. 843 million) from NTDC. These are not impaired because the trade debts are secured by a guarantee from the Government of Pakistan (GOP) under Implementation Agreements.

The delay in payments from WAPDA carries mark-up at State Bank of Pakistan (SBP) discount rate plus 2% per annum compounded semi-annually and the delay in payment from NTDC carries mark-up at a rate of three / six month KIBOR plus 2% to 4.5% per annum compounded semi-annually.

#### 10. TRADE AND OTHER PAYABLES

This includes Rs. 61,703 million (June 2013: Rs. 29,785 million) payable to Pakistan State Oil Company Limited (PSO), out of which overdue amount is Rs. 54,340 million (June 2013: Rs. 20,520 million).

The delay in payments to PSO carries mark-up at SBP discount rate plus 2% per annum compounded semi-annually.

	Note	Mar 2014 (Rs. '000s) (Unaudited)	Jun 2013 (Rs. '000s) (Audited)
<b>11. SHORT TERM BORROWINGS - Secured</b>			
<i>Holding company</i>			
Finances under mark-up arrangements	11.1 to 11.3	12,004,333	4,526,903
11.1 The facilities for running finance available from various banks / financial institutions amounted to Rs. 21,665 million (June 2013: Rs. 21,965 million) at mark-up ranging between 0.75% to 3.00% per annum above one / three month KIBOR. The mark-up on the facilities is payable on monthly / quarterly basis in arrear. The facilities expire during the period from March 31, 2014 to March 30, 2015. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark-up rate.			
11.1.1 The facilities amounting to Rs. 16,740 million (June 2013: Rs. 17,040 million) are secured by way of charge over the trade debts and stocks of the holding company pari passu with the existing charge.			
11.1.2 The facilities amounting to Rs. 4,925 million (June 2013: Rs. 4,925 million) are secured by way of:			
(a) a first ranking charge on all present and future (i) amounts standing to the credit of the Energy Payment Collection Account and the Master Facility Account, (ii) Fuel, lube, fuel stocks at the Narowal plant and Spares parts; and (iii) the Energy Payment Receivables of Narowal plant.			
(b) a subordinated charge on all present and future plant, machinery and equipment and other moveable assets of the Narowal plant excluding: (i) the immovable properties; (ii) Hypothecated Assets under first ranking charge; (iii) the Energy Payment Collection Account, Working Capital Facility Accounts and the Master Facility Account; (iv) the Energy Payment Receivables; (v) all of the Project Company's right, title and interest in the Project Documents (including any receivables thereunder); and (vi) all current assets.			
11.1.3 This includes a sum of Rs. 275 million (June 2013: Rs. Nil) payable to an associated undertaking. The available facilities amounted to Rs. 275 million (June 2013: Rs. 5,275 million). These facilities are secured by way of securities mentioned in note 11.1.1 and 11.1.2.			
11.2 The holding company also has Murabahah facility agreements with banks for an amount of Rs. 625 million (June 2013: Rs. 625 million) at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrear. These facilities will expire on August 28, 2014. Any late payment by the holding company is subject to an additional payment of 4.00% per annum above the normal mark-up rate. These facilities are secured by way of securities mentioned in note 11.1.2.			
11.3 The holding company also entered into a Musharaka agreement amounting to Rs. 635 million (June 2013: Rs. 635 million) at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facility is payable on quarterly basis in arrear. This facility will expire on October 31, 2014. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. This facility is secured by way of securities mentioned in note 11.1.2 (a).			



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## 12. COMMITMENTS AND CONTINGENCIES

There is no material change in the status of commitments and contingencies as disclosed in the annual consolidated financial statements for the year ended June 30, 2013 except as follows:

- 12.1 The holding company and its subsidiary company's commitments in respect of capital and revenue expenditures are Rs. 1,200.208 million (June 2013: Rs. 348.070 million) and Rs. 406.232 million (June 2013: Rs. 539.000 million) respectively.
- 12.2 During the period, WAPDA informed the holding company of its intention to impose liquidated damages (LDs) amounting to Rs. 235 million due to non-availability of Hub Power Plant for electricity generation. The plant was unavailable for electricity generation because of shortage of fuel caused by persistent delay in payments by WAPDA. The holding company has notified WAPDA that, as per the PPA, no Liquidated Damages can be imposed on the holding company that arise due to a breach by WAPDA of the PPA. The holding company is strongly contesting this matter and will take appropriate legal measures to vigorously defend its position.

The management is confident that this matter will be decided in its favour and, therefore, no provision has been made in these condensed interim consolidated financial statements.

- 12.3 On March 24, 2014, the FBR passed an order for the recovery of Rs. 4,001 million relating to fiscal year ended June 2012. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. The holding company has filed appeal and stay application with the CIR-A. In order to mitigate itself, the holding company has also obtained stay order from the High Court which is valid till May 18, 2014 or decision by the CIR-A whichever is earlier.

The management and their tax advisor are of the opinion that the position of the holding company is sound on technical basis and eventual outcome ought to be in favour of the holding company. Pending the resolution of the matter stated above, no provision has been made in these condensed interim consolidated financial statements.

### 13. SEGMENT INFORMATION

#### 13.1 SEGMENT ANALYSIS

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

	..... 3 months ended Mar 2014 .....				
	Hub plant	Narowal plant	Laraib plant	Unallocated	Total
	..... (Rs. '000s) .....				
Turnover	36,004,212	7,390,902	865,997	-	44,261,111
Operating costs	(33,672,585)	(6,297,102)	(324,447)	-	(40,294,134)
<b>GROSS PROFIT</b>	<b>2,331,627</b>	<b>1,093,800</b>	<b>541,550</b>	<b>-</b>	<b>3,966,977</b>
General and administration expenses	(128,251)	(26,548)	(25,558)	(806)	(181,163)
Other income	3,000	2,013	13,022	-	18,035
Workers' profit participation fund	-	-	-	-	-
<b>PROFIT FROM OPERATIONS</b>	<b>2,206,376</b>	<b>1,069,265</b>	<b>529,014</b>	<b>(806)</b>	<b>3,803,849</b>
Finance costs	(354,456)	(741,390)	(334,756)	(123,992)	(1,554,594)
<b>PROFIT BEFORE TAXATION</b>	<b>1,851,920</b>	<b>327,875</b>	<b>194,258</b>	<b>(124,798)</b>	<b>2,249,255</b>
Taxation	-	(711)	-	(267)	(978)
<b>PROFIT FOR THE PERIOD</b>	<b>1,851,920</b>	<b>327,164</b>	<b>194,258</b>	<b>(125,065)</b>	<b>2,248,277</b>
	..... 3 months ended Mar 2013 .....				
	Hub plant	Narowal plant	Laraib plant	Unallocated	Total
	..... (Rs. '000s) .....				
Turnover	39,036,212	3,498,160	102,201	-	42,636,573
Operating costs	(36,198,419)	(2,056,072)	(79,504)	-	(38,333,995)
<b>GROSS PROFIT</b>	<b>2,837,793</b>	<b>1,442,088</b>	<b>22,697</b>	<b>-</b>	<b>4,302,578</b>
General and administration expenses	(87,174)	(13,933)	(14,573)	(256)	(115,936)
Other income	674	1,048	1,192	-	2,914
Workers' profit participation fund	-	-	-	-	-
<b>PROFIT FROM OPERATIONS</b>	<b>2,751,293</b>	<b>1,429,203</b>	<b>9,316</b>	<b>(256)</b>	<b>4,189,556</b>
Finance costs	(412,245)	(974,979)	(26,552)	(46,812)	(1,460,588)
<b>PROFIT BEFORE TAXATION</b>	<b>2,339,048</b>	<b>454,224</b>	<b>(17,236)</b>	<b>(47,068)</b>	<b>2,728,968</b>
Taxation	-	(239)	(741)	(85)	(1,065)
<b>PROFIT FOR THE PERIOD</b>	<b>2,339,048</b>	<b>453,985</b>	<b>(17,977)</b>	<b>(47,153)</b>	<b>2,727,903</b>
	..... 9 months ended Mar 2014 .....				
	Hub plant	Narowal plant	Laraib plant	Unallocated	Total
	..... (Rs. '000s) .....				
Turnover	99,114,822	22,100,564	2,780,173	-	123,995,559
Operating costs	(93,525,304)	(19,036,543)	(1,069,675)	-	(113,631,522)
<b>GROSS PROFIT</b>	<b>5,589,518</b>	<b>3,064,021</b>	<b>1,710,498</b>	<b>-</b>	<b>10,364,037</b>
General and administration expenses	(342,116)	(73,186)	(89,299)	(1,399)	(506,000)
Other income	62,474	8,849	34,421	-	105,744
Workers' profit participation fund	-	-	-	-	-
<b>PROFIT FROM OPERATIONS</b>	<b>5,309,876</b>	<b>2,999,684</b>	<b>1,655,620</b>	<b>(1,399)</b>	<b>9,963,781</b>
Finance costs	(831,820)	(2,111,634)	(924,053)	(376,949)	(4,244,456)
<b>PROFIT BEFORE TAXATION</b>	<b>4,478,056</b>	<b>888,050</b>	<b>731,567</b>	<b>(378,348)</b>	<b>5,719,325</b>
Taxation	-	(2,248)	-	(685)	(2,933)
<b>PROFIT FOR THE PERIOD</b>	<b>4,478,056</b>	<b>885,802</b>	<b>731,567</b>	<b>(379,033)</b>	<b>5,716,392</b>

	..... 9 months ended Mar 2013 .....				
	Hub plant	Narowal plant	Laraib plant	Unallocated	Total
	..... (Rs. '000s) .....				
Turnover	114,708,070	17,785,679	102,201	-	132,595,950
Operating costs	(106,569,824)	(13,199,585)	(79,504)	-	(119,848,913)
<b>GROSS PROFIT</b>	<u>8,138,246</u>	<u>4,586,094</u>	<u>22,697</u>	<u>-</u>	<u>12,747,037</u>
General and administration expenses	(257,935)	(41,324)	(42,386)	(420)	(342,065)
Other income	8,208	5,149	6,215	-	19,572
Workers' profit participation fund	-	-	-	-	-
<b>PROFIT FROM OPERATIONS</b>	<u>7,888,519</u>	<u>4,549,919</u>	<u>(13,474)</u>	<u>(420)</u>	<u>12,424,544</u>
Finance costs	(1,261,209)	(3,349,923)	(26,850)	(127,619)	(4,765,601)
<b>PROFIT BEFORE TAXATION</b>	<u>6,627,310</u>	<u>1,199,996</u>	<u>(40,324)</u>	<u>(128,039)</u>	<u>7,658,943</u>
Taxation	-	(1,111)	(3,812)	(85)	(5,008)
<b>PROFIT FOR THE PERIOD</b>	<u><u>6,627,310</u></u>	<u><u>1,198,885</u></u>	<u><u>(44,136)</u></u>	<u><u>(128,124)</u></u>	<u><u>7,653,935</u></u>

### 13.2 SEGMENT ASSETS & LIABILITIES

	..... (Unaudited) .....				
	..... Mar 2014 .....				
	Hub plant	Narowal plant	Laraib plant	Unallocated	Total
	..... (Rs. '000s) .....				
<b>TOTAL ASSETS</b>	<u>99,584,789</u>	<u>31,653,689</u>	<u>23,731,299</u>	<u>580</u>	<u>154,970,357</u>
<b>TOTAL LIABILITIES</b>	<u>76,535,913</u>	<u>25,663,503</u>	<u>15,841,345</u>	<u>4,423,027</u>	<u>122,463,788</u>
	..... (Audited) .....				
	..... Jun 2013 .....				
	Hub plant	Narowal plant	Laraib plant	Unallocated	Total
	..... (Rs. '000s) .....				
	Restated	Restated			Restated
<b>TOTAL ASSETS</b>	<u>69,261,622</u>	<u>25,199,749</u>	<u>24,479,863</u>	<u>-</u>	<u>118,941,234</u>
<b>TOTAL LIABILITIES</b>	<u>40,741,783</u>	<u>21,582,605</u>	<u>17,419,046</u>	<u>4,298,593</u>	<u>84,042,027</u>

#### 14. RELATED PARTY TRANSACTIONS AND BALANCES

Related party comprises associated companies, companies where directors also hold directorship, retirement benefits funds and key management personnel. Significant transactions and balances with related parties, other than those which have been disclosed elsewhere in these condensed interim consolidated financial statements are as follows:

	Note	9 months ended Mar 2014 (Rs. '000s)	9 months ended Mar 2013 (Rs. '000s)
<b>Associated Undertakings</b>			
Shares issued to an associated undertaking of the subsidiary		-	74,481
Interest income on placement of funds		17,939	-
Amounts paid for the purchase of assets		9,247	-
Amounts paid for services rendered		9,936	-
Donation		10,000	-
Reimbursement of expense		32	-
Repayment of long term loans		658,565	-
Accrued Markup on long term loans		45,549	-
Accrued Markup on short term borrowings		2,141	-
Interest / Mark-up on long term loans		391,636	-
Mark-up on short term borrowings		11,341	-
Other finance costs		11,084	-
<b>Other related parties</b>			
Mark-up on short term borrowings		49	-
Repayment of short term borrowings and related Mark-up		15,537	-
Remuneration to key management personnel			
Salaries, benefits and other allowances		88,611	61,333
Retirement benefits		12,066	5,772
	14.2	100,677	67,105
Directors' fee	14.3	11,400	8,515
Contribution to staff retirement benefit plans		7,616	8,558

14.1 In addition to above, the outstanding balance of long term loan includes Rs. 1,289 million (June 2013: Rs. 1,354 million) payable to Askari Bank Limited (an associated undertaking).

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

14.3 This represents fee paid to Board of Directors for attending meetings.

14.4 The transactions with related parties are made under normal commercial terms and conditions.

## 15. CASH AND CASH EQUIVALENTS

	9 months ended Mar 2014 (Rs. '000s)	9 months ended Mar 2013 (Rs. '000s)
Cash and bank balances	2,293,394	2,111,295
Finances under mark-up arrangements	(12,004,333)	(21,948,295)
	<u>(9,710,939)</u>	<u>(19,837,000)</u>

## 16. EVENTS AFTER THE BALANCE SHEET DATE

16.1 On April 07, 2014, the FBR issued a Show Cause Notice intending to recover an amount of Rs. 4,044 million relating to fiscal year ended June 2013. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. The holding company is taking appropriate action to protect its interest.

The management and their tax advisor are of the opinion that the position of the holding company is sound on technical basis and eventual outcome ought to be in favour of the holding company. Pending the resolution of the matter stated above, no provision has been made in these condensed interim consolidated financial statements.

16.2 (i) Under the Implementation Agreement with GOP and under the tax laws, the holding company's interest income is exempt from income tax. However, on April 07, 2014, the FBR issued tax demand of Rs. 3.2 million on the grounds that interest income for the tax year 2011 from term deposits is not covered under the exemption allowed under the tax law. The holding company has filed appeal and stay application with the CIR-A. In order to mitigate itself, the holding company has also obtained stay order from the High Court which is valid till June 09, 2014 or decision by the CIR-A whichever is earlier.

The management and their tax advisor are of the opinion that the position of the holding company is sound on technical basis and eventual outcome ought to be in favour of the holding company. Pending the resolution of the matter stated above, no provision has been made in these condensed interim consolidated financial statements.

(ii) FBR also imposed 2% WWF [i.e. 2% of the profit before taxation] for the tax year 2011 and issued a demand for Rs. 108.5 million. The holding company has filed appeal and stay application with the CIR-A. In order to mitigate itself, the holding company has also obtained stay order from the High Court which is valid till June 09, 2014 or decision by the CIR-A whichever is earlier.

WWF is a pass through under the PPA and is recoverable from WAPDA. No provision has been made in these condensed interim consolidated financial statements as any payment made by the holding company is a pass through item under the PPA.

## 17. DATE OF AUTHORISATION

These condensed interim consolidated financial statements were authorised for issue on April 30, 2014 in accordance with the resolution of the Board of Directors.

## 18. GENERAL

Figures have been rounded off to the nearest thousand rupees.



Khalid Mansoor  
Chief Executive



Iqbal Alimohamed  
Director