HUBCO

ANNUAL REPORT 2019

POWER EVOLUTION

POWER EVOLUTION

Over the years' of ups and downs, the effort to eradicate Pakistan's energy challenges has become demanding, but with HUBCO's resilience, strategy and human capital, the future holds nothing but the promise of growth and prosperity.

Similar to the might of nature and the miracles it manifests, our quest is to persevere and evolve. One of its manifestation is Northern Lights (Aurora Borealis), a glittering part of the sky formed when electrically charged solar particles collide with the atoms in Earth's atmosphere on the North and South Poles.

We, as an organization, gain our inspiration from mother nature and its phenomena to strive and shine. This journey continues over years, bringing us the challenges and opportunities to better serve the country.

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Since **1997** Hubco has been the leading and largest Independent Power Producer (IPP) of Pakistan, supplying reliable power to millions of households and setting the highest international standards of safety and environment. With our vision and mission statement, we strive to be at the forefront of economic and social transformation in Pakistan by providing reliable and affordable energy to our people. Energy is the foundation of economic prosperity and therefore, we believe that energy fuels life:

VISION

Fueling lives through energy

MISSION

To be a growth-oriented company recognized for international standards in safety and environment in providing reliable and affordable energy; serving the country, its stakeholders and local community as a responsible corporate citizen

CORE VALUES

Passion

Ownership

Winning

Enjoyment

Renewal

COMPANY **PROFILE**

As Pakistan's first and largest independent power producer, we have a combined power generation capacity of over 2920 MW. Our RFO-fired thermal Plant, situated at Mouza Kund, Hub in Baluchistan, supplies net 1292MW of reliable and uninterrupted electricity to the National grid. Our second plant at Narowal is an RFO-fired, engine based, combined cycle power station with an installed capacity of 225MW. Additionally, the Company holds 75% controlling interest in Laraib Energy Limited which owns and operates a run-off-the-river 84MW hydel power plant near the New Bong Escape, 8 km downstream of Mangla Dam in Azad Jammu and Kashmir. The Company owns 47.5 % shares of newly commissioned imported coal based China Power Hub Generation Company (Private) Limited (CPHGC) at Hub supplying 1320MW of affordable energy to the national grid.

The Company is the only power producer in Pakistan with four projects listed in the China Pakistan Economic Corridor (CPEC) including CPHGC, Sindh Engro Coal Mining Company (SECMC) and the upcoming Thar Energy Limited (TEL) and ThalNova Power Thar (Pvt.) Ltd. (TNPTL) at Thar Block II. The power generation capacity of the Company will enhance to over 3580MW after completion of the aforementioned power projects.

LATEST HIGHLIGHTS ABOUT **THE COMPANY WITH**

CAPACITY	**2920** MW	
PHILANTHROPY	**107** Pkr in Million	
REVENUE	**58,129** Pkr in Million	
CPEC AFFILIATION	**2 X 660MW** **1 X 330MW** **1 X 330MW** **3.8 MTPA**	CPHGC TEL TNPTL SECMC
O&M OF 3 PLANTS	**1292MW** **225MW** **84MW**	Hub Plant Narowal Plant Laraib Plant

GROUP **STRUCTURE**

THE HUB POWER COMPANY LIMITED

SUBSIDIARIES

- Laraib Energy Limited (LEL)
- Hub Power Holdings Limited (HPHL)
- Hub Power Services Limited (HPSL)
- Narowal Energy Limited (NEL)
- Thar Energy Limited (TEL)

ASSOCIATES

- ThalNova Power Thar (Private) Limited
- China Power Hub Generation Company (Pvt.) Ltd.

OTHERS

- Sindh Engro Coal Mining Company Limited

BUSINESS **STRATEGY**

With an aggressive growth plan and a focus on increasing the shareholder value, we have remained committed to promoting the long-term development of Pakistan by pursuing and capitalizing opportunities in domain of Water & Power portfolio.

The strategy is not just to aim for maximization of profit but also to ensure that the local communities, our partners and other stakeholders also benefit from our prosperity by investing 1% of PAT on projects of socio-economic development.

In the years to come, our business strategy will be focused on:

- Increasing reliability and sustainability of our base business
- Water desalination & purification projects
- On-grid and off-grid solar PV solutions
- Greenfield projects and acquisitions in Wind Energy Projects
- Medium scale Hydro project development and acquisition
- Strategic onshore and offshore acquisitions of thermal power plants
- Capitalizing on in-house technical expertise to provide cost effective O&M services to onshore & offshore plants in JV structure with General Electric (GE), USA
- Aligning our HSE systems with the best of the international practices
- Strengthening our team by attracting, hiring and retaining competent and experienced professionals

SWOT **ANALYSIS**

Strengths

- Growing demand
- Strategic coastal location
- Proven track record
- Pioneer & one of the largest IPP
- Competent Human Capital

Weakness

- Cashflow constraints
- Expensive fuel
- Low demand for RFO plants

Opportunity

- To Be the “Hub of Power”
- Government focus on water and power crisis
- Offshore & onshore O&M prospects
- Growing demand of affordable electricity

Threats

- Circular debt
- Political risks
- Delays in projects
- Delay in development of distribution network

COMPANY **INFORMATION**

BOARD OF DIRECTORS

Mr. M. Habibullah Khan
Chairman

Mr. Khalid Mansoor
Chief Executive

Ms. Aleeya Khan
Mr. Aly Khan
Mr. Javed Akbar
Mr. Manzoor Ahmed
Mr. Muhammad Ali
Mr. Ejaz Sanjrani
GOB Nominee

Dr. Nadeem Inayat
Mr. Owais Shahid
Mr. Saad Iqbal

AUDIT COMMITTEE

Mr. Manzoor Ahmed
Mr. Saad Iqbal
Mr. Aly Khan
Dr. Nadeem Inayat
Mr. Owais Shahid

COMPANY SECRETARY

Mr. Shaharyar Nashat

MANAGEMENT COMMITTEE

Mr. Khalid Mansoor
Mr. Ruhail Muhammad
Mr. Tahir Jawaid
Mr. Saleemullah Memon
Mr. Kamran Kamal
Mr. Abdul Nasir
Mr. Nazoor Baig
Mr. M. Inam Ur Rehman Siddiqui
Mr. Farrukh Rasheed
Mr. Shaharyar Nashat

REGISTERED & HEAD OFFICE

11th Floor, Ocean Tower
Block-9, Main Clifton Road, Karachi
P.O. Box No. 13841, Karachi-75600
Email: Info@hubpower.com
Website: http://www.hubpower.com

SUBSIDIARIES

Narowal Energy Limited
Laraib Energy Limited
Hub Power Holdings Limited
Hub Power Services Limited
Thar Energy Limited

PRINCIPAL BANKERS

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al-Habib Limited
Bank Islami Pakistan Limited
Bank of Punjab
Albaraka Bank Limited
Citibank N.A. Pakistan
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Industrial & Commercial Bank of China
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Pak Brunei Investment Company Limited
Pak China Investment Company Limited
Samba Bank Limited
Standard Chartered Bank (Pakistan) Ltd.
Sumitomo Mitsui Banking Corp. Europe Ltd, London
United Bank Limited

INTER-CREDITOR AGENTS

Habib Bank Limited
Allied Bank Limited
MCB Bank Limited

LEGAL ADVISOR

RIAA Barker Gillette

AUDITORS

A.F. Ferguson & Co., Chartered Accountants

REGISTRAR

FAMCO Associates (Pvt) Ltd.

HUB PLANT

Mouza Kund,
Post Office Gaddani,
District Lasbela, Balochistan.

NAROWAL PLANT

Hubco Narowal Project, Mouza Poong,
5 Km from Luban Pulli Point on Mureedkay-Narowal Road,
District Narowal, Punjab

CPHGC PLANT

Mouza Kund,
Post Office Gaddani,
District Lasbela, Balochistan.

LARAIB ENERGY LTD (SUBSIDIARY)

Head Office:
Gerry's Center, 1B 3rd Floor, Service Road West 7th Avenue,
Sector G-6/1, Islamabad

Plant:
New Bong Escape Hydro-Electric Power Complex,
Village Lehri, Tehsil & District Mirpur, Azad Jammu &
Kashmir

GEOGRAPHICAL **PRESENCE**

Hub Power Plant

Hub Plant consists of four generating units each rated at 323 MW gross output, with oil-fired single re-heat boiler and tandem compound, two cylinder condensing steam turbines directly coupled to a hydrogen cooled generator.

Total capacity
1292 MW

Laraib Energy Ltd.

Laraib Energy Limited has set up a run of the river hydro power plant, comprising 4 Kaplan Bulb turbines of 21 MW each.

Total capacity
84 MW

Narowal Energy Ltd.

Narowal Plant comprises of 11 generating sets based on MAN 18V48/60 engines, 11 Alborg Heat Recovery Steam Generators and one air cooled condensing Steam Turbine from Dresser Rand.

Total capacity
225 MW

CPHGC Plant

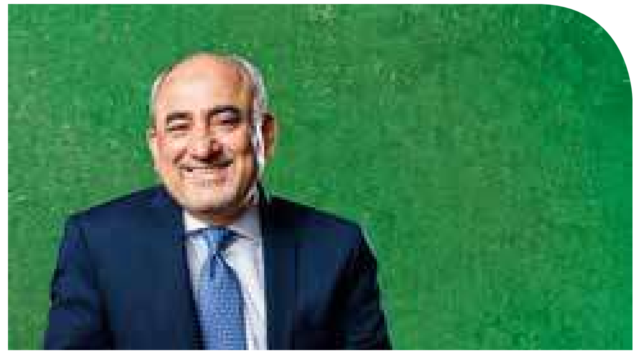
The CPHGC plant consists of two generating units each rated at 660 MW Gross, with each unit having GE supercritical boilers, steam turbine and generator sets.

Barge Jetty with Coal Transshipment Capacity of 4.2 MTPA

Total capacity
1320 MW


CPHGC PLANT
HUB POWER PLANT
KARACHI
NAROWAL
MIRPUR

BOARD & **LEADERSHIP**



MR. M. HABIBULLAH KHAN

Chairman

Mr. Habib Ullah Khan is the Founder and Chairman of Mega Conglomerate – Mega & Forbes Group of Companies (Mega Group – MFG), a diversified conglomerate with business holdings including the country's largest container terminal, third largest dairy producer, top tier cement manufacturing company, vertically integrated shipping company and most progressive real-estate developer responsible for the only L.E.E.D. certified commercial building in Pakistan.

Through over three decades of active patronage and participation in social and environmental welfare, he has also become strongly associated with various charitable causes; recently donating a building for visiting professors at the Institute of Business Administration in Karachi.

MR. KHALID MANSOOR

Mr. Khalid Mansoor is a Graduate in Chemical Engineering with distinction and honors. He has been the Chief Executive Officer of Hubco, the first and largest Independent Power Producer (IPP) in Pakistan, since May 20, 2013. The Company is the leading private sector player in evading the energy crisis faced by Pakistan. After becoming the CEO of Hubco in May 2013, he has transformed the Company and has initiated growth initiatives with Projects worth over US$ 3.5 billion under execution.

He is also Chairman of the Boards of Laraib Energy Limited, Narowal Energy Limited and Hub Power Services Limited. He is also a Director of Thar Energy Limited.

He was the President of the Overseas Investors Chamber of Commerce & Industry (OICCI) for the term 2017.

He held the position of CEO of Algeria Oman Fertilizer Company (AOA) where he was responsible for setting up the world's largest Ammonia and Urea Fertilizer Complex.

He has been the CEO of various Companies of the Engro Group and he has been a Director on the Boards of various Engro Group Companies and Sui Northern Gas Pipeline Limited.

He has over 38 years of experience in Energy and Petrochemical Sectors in leading roles for mega size projects development, execution, management and operations.

MS. ALEEYA KHAN

Ms. Aleeya Khan holds an M. Arch. Graduate Degree from Columbia University and an Undergraduate Honors B. Arts in Urban Design & Architecture from New York University.

During her time at university she periodically worked at globally recognized architecture firm, Beyer Blinder Belle. After finishing her formal education Ms. Khan spent six months working at a New York based practice Only-If Architecture and then moved back to Pakistan to work at Imperial Builders & Developers (Private) Ltd, the real estate development arm of Mega Conglomerate.

Over the last few years, she has been working on several projects to expand the IDBL portfolio and continue in its goal to change the Real Estate landscape of Pakistan.

She serves as a director of Pioneer Cement Ltd. and Haleeb Foods Limited. She is a SECP certified director in corporate governance.

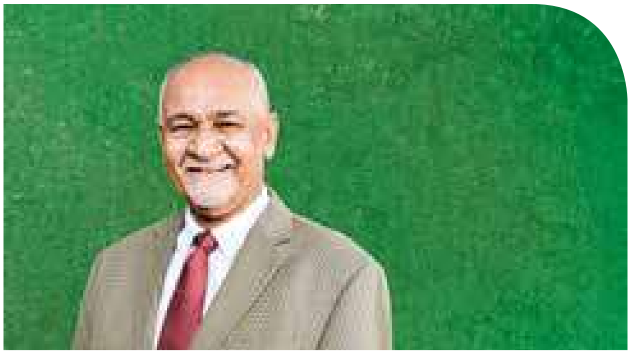
MR. ALY KHAN

Mr. Aly Khan is an Honors M.Sc. Graduate from Boston College and an Undergraduate B.S. from Northeastern University.

Over the course of the last decade he has cultivated his professional career working in London, Singapore and New York for various global institutions including Citi Group and Yang Ming Marine Transport Corporation in several management and training capacities.

Locally, Mr. Khan has extended valuable contributions to multiple ventures through key management roles including spearheading the construction and operation of Pakistan's first commercial L.E.E.D. Certified Building, setting up a state-of-the-art 8,000 ton per day cement plant and growing one of the country's largest dairy businesses to 600,000 liters per day of sales.

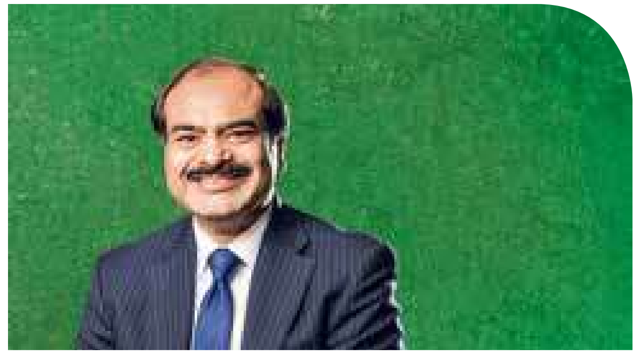
He is the Chairman of Pioneer Cement Ltd., Director of Haleeb Foods Limited, Director of Qasim International Container Terminal. He is a SECP certified director in corporate governance.



MR. JAVED AKBAR

Mr. Javed Akbar has undergraduate and post-graduate qualification in Chemical Engineering from the United Kingdom and has over 40 years of experience in fertilizer and chemical business with Exxon, Engro and Vopak. He has managed Exxon and Engro Fertilizers plants and their expansions in Pakistan, worked in Exxon's Chemical Technology divisions in USA and Canada, and served as Human Resources Manager in Exxon Pakistan. He was part of the buyout team when Exxon divested its stake in Engro.

Prior to his retirement in 2006, he was Chief Executive of Engro Vopak Terminal Limited, a joint venture between Engro and Royal Vopak of Holland. After his retirement, he established a consulting company specializing in analyzing and forecasting petroleum, petrochemical and energy industry trends and providing strategic insight. He is on the boards of Engro Fertilizers Limited, Engro Powergen Limited, Engro Powergen Qadirpur Limited, Engro Vopak Terminal Limited, and Javed Akbar Associates (Private) Limited. He also serves on the panel of Energy Experts Group and environmental experts of Sindh Environmental Protection Agency. He joined the board of Hub Power Company Limited in 2017.



MR. MANZOOR AHMED

Mr. Manzoor Ahmed is presently Acting Managing Director, National Investment Trust Limited. Being COO, since seven (7) years, Mr. Ahmed has been successfully managing the operations and investment portfolio worth over Rs. 100bn. He has experience of over twenty-eight (28) years of the Mutual Fund industry and has been placed at many key positions within NIT that includes capital market operations, investments, research and liaising with the regulatory authorities. He is M.B.A. and also holds D.A.I.B.P. At present, he is a candidate for CFA Level III. Mr. Ahmed has attended various training courses organized by locally and internationally reputed institutions like London Business School (LBS) UK and Financial Markets World, New York (USA). He represents NIT as Nominee Director on the Board of Directors of many leading national and multinational companies of Pakistan. Mr. Ahmed is also a Certified Director from Pakistan Institute of Corporate Governance.

MR. EJAZ SANJRANI

Mr. Ejaz Sanjrani holds Master's degree from the University of Westminster, United Kingdom. He remained as Coordinator to Chief Minister on Balochistan Revenue Authority. Presently, he is holding the position of Special Assistant to Chief Minister for Population Welfare & Balochistan Revenue Authority. He is also holding the directorship on the Board of ENAR Petrotech Services under the Ministry of Industries & Production.

Mr. Sanjrani is also Director Sanjrani Mining Company, Sanjrani Construction Company and Sanjrani Coal Company. He has extensive experience in social and human resource management in public and private sectors.

MR. OWAIS SHAHID

Owais Shahid is Chief, Corporate & Investment Banking Group in Allied Bank Limited (ABL). His portfolio includes Financial Institutions, Corporate, International Banking, Investment Banking, Capital Markets and Home Remittances . He joined ABL in 2005 and has led its investment banking team as Head Syndications and then as Group Head Investment Banking. He established it as a leading investment banking outfit in Pakistan.

His Corporate & Investment Banking experience spans over 19 years and includes numerous innovative and unique transactions in syndications, M&A, listings, project financing and capital markets. With strong credit background and substantial corporate finance & advisory experience, he has led a number of landmark transactions and has executed over 500 investment banking transactions valuing over USD 40 Billion with ABL being in a lead role. These transactions also include various "first of its kind", "largest" and "award-winning" transactions concluded in history of Pakistan's investment banking industry. In recognition of ABL's market leadership in investment banking in Pakistan, ABL was honored with over 35 investment banking awards from internationally recognized institutions.

Owais is currently serving on the Boards of Hub Power & Laraib Energy and is a Member Trustee of Friends of IBA Trust. Previously, he has served on the Boards of Kot Addu Power, Narowal Energy, Atlas Power and First Receivable Securitization Company. Prior to joining ABL, he has worked for National Bank of Pakistan, Standard Chartered Modaraba and Emirates Bank International. His qualifications include BBA (Hons) & MBA from IBA, Karachi and Chartered Financial Analyst from CFA Institute, USA.

MR. SAAD IQBAL

Mr. Saad Iqbal graduated from Curry College, USA in Business Communication as major. Mr. Saad has also completed postgraduate diploma in International Business Management from the Kingston University, United Kingdom. He has also obtained certificates in finance for non-financial managers from LUMS, Capital Markets and Finance from KSBL, Financial Modeling from IBA.

He is on the Board of several companies including Kot Addu Power Company Limited (Kapco), Tariq Glass Industries Limited, Millat Tractors Limited, Gul Ahmed Bio Films Limited, Gul Ahmed CBMC Glass Company Limited, Swift Textile Mills (Private) Limited, JSDN Electric limited, Metro solar Power Limited, Metro Power Company Limited, Metro Property Network (Private) Limited, Metro Wind Power Limited, Metro Estate (Private) Limited, Haji Alimohamed foundation (Project Zubaida Medical Centre).

MR. MUHAMMAD ALI

Mr. Ali has over 20 years of experience and expertise in Energy & Petrochemical Sectors; holding leading roles that oversaw development, construction, operations and management of mega-size projects. He has recently taken over the energy business portfolio of the JS group of companies as CEO of JS Energy where he looks after the group's oil and gas, power generation, and energy storage and handling businesses.

Previously he served as CEO of Engro Vopak Terminal – Pakistan's largest bulk liquid chemical import terminal, CEO of Engro Elengy Terminal – Pakistan's first LNG terminal and CEO of Engro Powergen Qadirpur Limited – a 220 MW gas-fired IPP. He also ran Engro's New Ventures division where he developed and operated an 84MW gas-fired IPP in Nigeria, developed and installed a 50MW Wind IPP in Pakistan, and ran the feasibility for a 450MW LNG to power plant.

Prior to his power generation work at Engro, he was the Manager of Strategic Planning, Contracts and Procurement at Engro Fertilizer where he was a key leadership team member that developed and brought into production a $1.1 billion grassroots ammonia/urea plant, which at the time was the world's largest single train project of its kind.

He has been a board member of the Hub Power Company (1292 MW oil-fired IPP), Laraib Energy (84MW Hydro power IPP), Engro Powergen (developer and majority shareholder of Sindh Engro Coal Mining Company a Thar coal mining company), Engro Powergen Thar Ltd (660MW coal IPP), GEL Nigeria (84MW Nigerian IPP) and Petroleum Institute of Pakistan.

He holds a Bachelor's degree in Electrical Engineering from University of Engineering Technology Lahore and graduated from the Advanced Management Program from INSEAD in France.

DR. NADEEM INAYAT

Dr. Nadeem Inayat is currently heading the investment portfolio of the Fauji Foundation as Director Investments. He holds a Doctorate in Economics and has over 30 years of diversified domestic as well as international experience in the financial sector. He has vast experience in corporate governance, policy formulation and deployment, project appraisal, implementation, monitoring & evaluation, restructuring and collaboration with donor agencies.

He is also a Board member of different public sector universities and has conducted various academic courses on economics, international trade and finance at reputable institutions of higher education in Pakistan. He is also a member of Pakistan Institute of Development Economics (PIDE).

BOARD & FUNCTIONAL **COMMITTEES**

The Board has established three Committees to conduct smooth operations of the Board and assist in decision making. All three committees are chaired by non-executive directors.

The election for the Board of Directors was held on October 5, 2018. These committees are as follows:

Board Audit Committee (BAC):

The committee assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to shareholders in compliance with the requisite legislative and regulatory standards, systems of internal control and risk management and the audit process. It has the power to call for information from management and to consult directly with the external auditors or their advisors as considered appropriate. The committee met five times during the year and the attendance was as follows:

Names	Meetings Attended
Mr. Manzoor Ahmed	5/5
Mr. Andalib Alavi	1/1
Mr. Iqbal Alimohamed	1/1
Mr. Qaiser Javed	2/3
Mr. Aly Khan	5/5
Mr. Owais Shahid	4/5
Dr Nadeem Inayat	0/1
Mr. Saad Iqbal	4/4

Secretary: Mr. Muhammad Irfan Iqbal

Board Compensation Committee (BCC):

The committee meets to review and recommend all elements of the Compensation, Organization and Employee Development policies relating to the senior executives' and members of the management committee. The CEO attends Board Compensation Committee meetings by invitation. The committee met twice during the year and the attendance was as follows:

Names	Meetings Attended
Mr. Manzoor Ahmed	2/2
Mr. Javed Akbar	2/2
Mr. Aly Khan	2/2
Mr. Muhammad Waseem Mukhtar	0/1
Ms. Aleeya Khan	1/1
Mr. Muhammad Ali	1/1

Secretary: Mr. Farrukh Rasheed

Board Investment Committee (BIC):

The committee reviews the investment plans and assists the Board in evaluating investment performances whilst also monitoring various investment opportunities to utilize the Company's capital and financial resources. The Committee also reviews issues relating to investment, corporate finance, mergers and acquisitions.

No Committee meetings were held during the year.

Management Committee

The committee is to look at annual corporate objectives, approval and revision of budgets prior to presentation to the Board of Directors, review of strategy, stewarding corporate and departmental objectives.

The Committee Members are as follows:

Names	
Mr. Khalid Mansoor	Chairman
Mr. Ruhail Muhammad	Member
Mr. Tahir Jawaid	Member
Mr. Abdul Nasir	Member
Mr. Nazoor Baig	Member
Mr. Saleemullah Memon	Member
Mr. Kamran Kamal	Member
Mr. Inam-ur-Rehman Siddiqui	Member
Mr. Farrukh Rasheed	Member
Mr. Shaharyar Nashat	Member

Secretary: Mr. Abou Saeed M. Shah

Committee For Organization And Employee Development (COED)

The committee is to look at employee related policies, compensation, development, trainings, succession planning and to bring necessary focus on HR issues.

The Committee members are as follows:

Names	
Mr. Khalid Mansoor	Chairman
Mr. Ruhail Muhammad	Member
Mr. Tahir Jawaid	Member
Mr. Abdul Nasir	Member
Mr. Kamran Kamal	Member
Mr. Saleemullah Memon	Member
Mr. Nazoor Baig	Member
Mr. Inam-ur-Rehman Siddiqui	Member
Mr. Farrukh Rasheed	Member
Mr. Shaharyar Nashat	Member

Secretary: Mr. Muhammad Talha

MANAGEMENT **TEAM**

Khalid Mansoor
CEO Hubco

Ruhail Muhammad
CEO Hub Power Holdings Limited

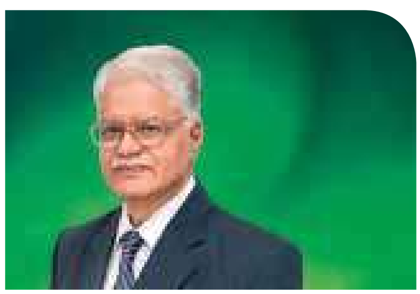
Tahir Jawaid
CEO Hub Power Services Limited

Kamran Kamal
CEO Laraib Energy Limited

Saleemullah Memon
CEO Thar Energy Limited & ThalNova Power Thar Pvt. Ltd.

Abdul Nasir
CFO Hubco

Nazoor Baig
Technical Director

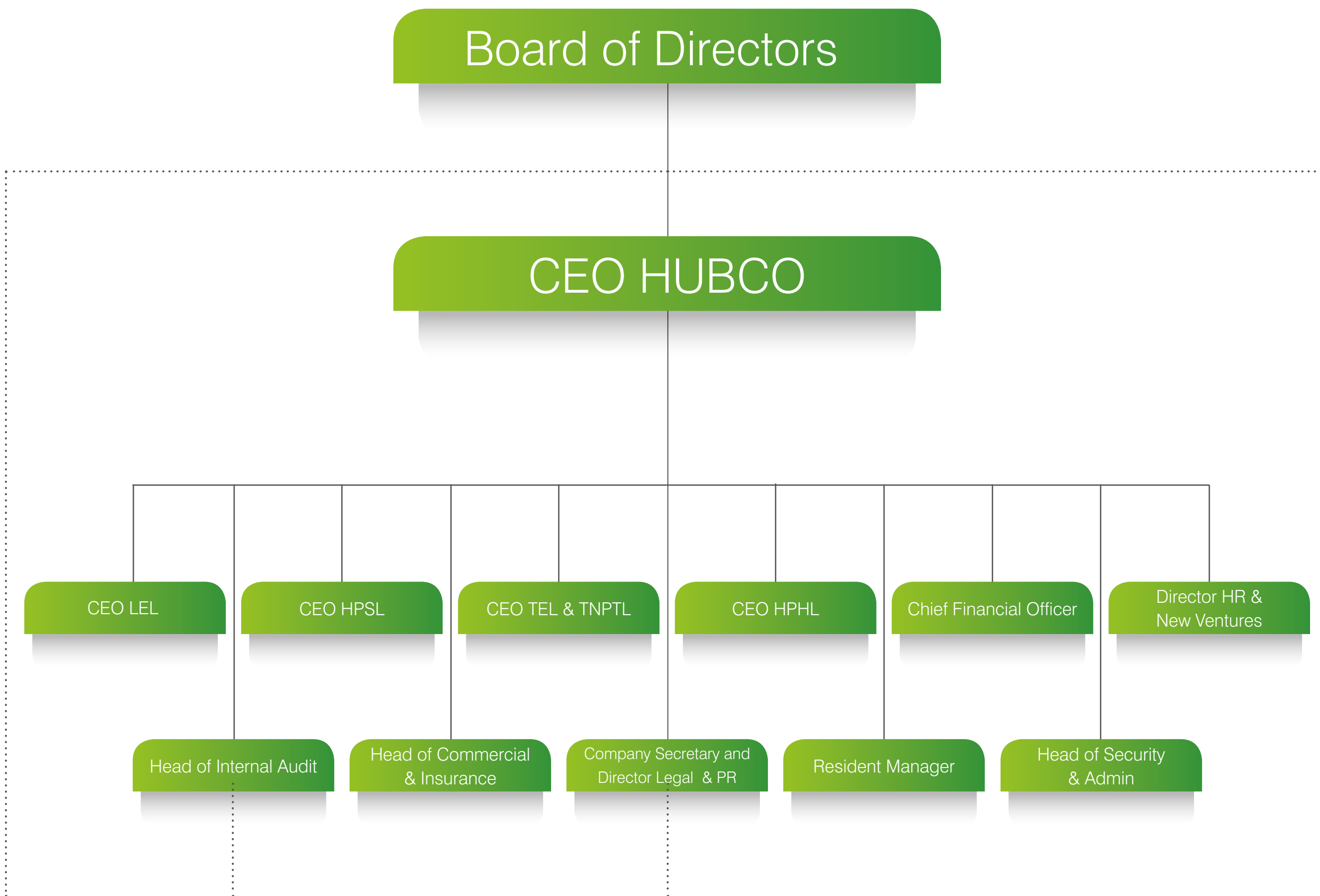


M. Inam Ur Rehman Siddiqui
Resident Manager

Farrukh Rasheed
Director HR & New Ventures

Shaharyar Nashat
Company Secretary, Director Legal & Public Relations

ORGANIZATIONAL
STRUCTURE



A BRIEF HISTORY
OF HUBCO

1985

Government Of Pakistan And World Bank Developed Strategy For Private Investment In Pakistan Power Sector

1988

Completion Of Feasibility Study Of 1292 MW Oil Fired Power Project In Area Near The Hub River Estuary

1991

The Hub Power Company Limited (Hubco) Incorporated In Pakistan As A Limited Liability Company To Undertake The Project

1995

Financial Close Of Hub Power Plant, 1st Project Funded By World Bank

1997

Hub(1,292 MW) Construction Completion Oil Fired IPP – 1st In The History Of Pakistan

2011

Narowal(225 MW) Hubco-Narowal Power Plant, 225 MW Thermal Power Project Narowal

2013

Laraib (84 MW) Run Of The River Hydel Plant At Mirpur AJ&K - 1st Hydel IPP Of Pakistan

2015

Subsidiaries Established:

1. Hub Power Services Ltd (HPSL)
2. Hub Power Holdings Ltd (HPHL)
3. Narowal Energy Ltd (NEL)

O&M Hub(1,292 MW)
Hubco (HPSL) Undertakes O&M Of Hub Plant On August 1, 2015

Growth Projects

1. China Power Hub Generation Company
2. Sindh Engro Coal Mining Company
3. Thar Energy Limited

2016

O&M Narowal (225 MW) Hubco (HPSL) Undertakes O&M Of Narowal Plant On April 22, 2016

2018

O&M Laraib (84 MW)
Hubco (HPSL) Undertakes O&M Of Laraib For Better Management Of Its Assets

2018

Acquisition of 330 MW ThalNova Power Thar (Pvt.) Ltd. in Thar Block II

2019

Increase of shareholding in 1320 MW China Power Hub Generation Company Limited (CPHGC) from 26% to 47.5%.

CHAIRMAN'S **REVIEW**

It gives me tremendous pleasure in presenting to you the 2019 Annual Report of the Hub Power Company Limited.

The year turned over with imminent socio-economic changes and reforms on the horizon. With significant depreciation of rupee against dollar and higher interest rates, the cross-section of Pakistan's industrial sector witnesses stagnation and lower GDP.

This has placed considerable pressure on the country's power sector, which was already facing various deep-rooted challenges such as circular debt. The overdue receivables have hampered the ability of the IPPs to smoothly run their operations. The persistence of circular debt is also impeding new equity investments in the power sector as well as creating difficulties in raising project financing for new projects as part of CPEC from Chinese Financial Institutions.

Though the company continues to face challenges in making the required strategic changes to improve future sustainability under these difficult times, the board has played a very active role in directing the management to refocus. They have moved swiftly in making the necessary adjustments in the company's portfolio (especially our predominance on RFO based generation) by aggressively uplifting the company's equity from 26% to 47.5% in CPHGC and achieving COD first quarter 2020 creating a massive inflow of revenue. Furthermore, to ensure HUBCO's lead in IPPs and reliance of our investment in Thar for the future, the company on fast-track took management control by taking 38.3% of ThalNova – a project identical to TharEnergy. This has not only led to cost optimization, but has also created an opportunity in the future for an O&M services company to expand their revenue base with several inter-aligned services on both these coal projects in Thar.

The board is extremely cognizant of the government's policies to replace RFO plants once the PPA expires and deregulate the power sector and for this very reason the company has made strides in restructuring their efforts by strengthening our new venture team and ensuring that our succession planning in key areas are well positioned. Throughout our growth strategy, sustainable generation remains at the core of our business philosophy thus not only are we increasing our investments in the conventional energy sector, but also phasing in avenues of renewable energy and water utility. With these specific efforts, we hope that future opportunities will allow us to leverage our own HUBCO resources in our growth initiatives.

We also understand the need to reduce our debt to relieve financial burden for which we have tasked the management to maintain continuous liaisons with all government agencies responsible to expedite the company's outstandings as part of the circular debt. We have internally developed a model to ensure strong future revenue flows and expect a CAGR of 42% over the next three years giving us a pool of available funds to systematically deploy thus increasing our revenue capacity and minimizing our reliance on government receivables.

Please be assured that your company continues to innovate and endeavors to set the right standard. We, at HUBCO, are a family and our people are our assets – we plan and prepare for the worst to achieve the best.

Finally, I would like to thank all our shareholders in having trust in the company by subscribing to one of the largest right shares issue in the history of PSX, which has provided the confidence to our management to continue in their pursuit of developing new ventures for sustainable growth.

I seek the full and whole-hearted support of all our stakeholders and thank the entire HUBCO team for their continued dedication and hard work in achieving the company's goals.

MR. M. HABIBULLAH KHAN
Chairman

CEO'S **MESSAGE**

Ever since its evolution, HUBCO has mastered the art of turning challenges into its strengths. It is this resilience with which HUBCO has evolved as Pakistan's first and largest Independent Power Producer. Despite strong headwinds, the last year stands out with numerous laudable achievements.

With respect to its operations, all HUBCO's Plants supplied reliable and uninterrupted electricity to the National Grid. The RFO based plants received reduced load factors due to low demand from the Power Purchaser. However, the Company ensured the availability and reliability of its plants in compliance with the terms of its Power Purchase Agreements (PPAs). As a manifestation of operational excellence, our 1292MW flagship power plant in Hub demonstrated its highest ever Net Complex Capacity of 1208MW. Our other two plants, namely Narowal Energy Limited and Laraib Energy Limited also maintained their efforts for operational excellence including optimizing thermal efficiency and availability.

In terms of our financial performance, the fiscal year 2018-19 witnessed a number of challenges. Due to the rising circular debt and delay in payments by Power Purchaser, the cash flows of the Company were severely constrained, restraining the Company from declaring any dividends. During the year, the Company raised Rs. 7 billion from Rights Issue to finance the increase of its shareholding in its Joint Venture Company, China Power Hub Generation Company (CPHGC) from 26% to 47.5%. The Rights Issue was one of the largest in the history of Pakistan Stock Exchange. On a consolidated basis, the Company reported net profit after tax of Rs. 11.2 billion for the year, which translated into earnings per share (EPS) of PKR 9.37 as compared to PKR 9.23 per share reported last year.

The year witnessed the historic completion of our US$ 2billion super critical technology based 2x660MW China Power Hub Generation Company Private Limited (CPHGC) Project with integrated Jetty. The successful commissioning of CPHGC Project on August 17, 2019 has fortified the generation of affordable electrical power in the national energy mix. We take pride in the fact that our joint venture Project with China Power International Holding (CPIH) has been executed in a record time as per schedule and within the budgeted costs, resulting in engineering excellence and fulfilling our promise of providing Pakistan with affordable and ample energy in a short period of time.

Our lignite based 330MW Thar Energy Limited Project in Thar Block II has completed 37% of Project Construction to achieve COD, targeted for end of March 2021. The Company has engaged China Development Bank (CDB) as the lead arranger for the foreign financing from China and Habib Bank Limited (HBL) as the lead arranger for the local financing. The expected Financial Close of the Project is end 2019.

Further fortifying our growth portfolio, the year added another feather in our cap as we acquired 38.3% majority equity stake in the 330MW ThalNova Power Thar (Pvt.) Ltd Project. This addition will not only enhance our power generation capacity but will also supplement the energy security of Pakistan by further utilizing indigenous Thar Coal. This addition will increase the aggregate generation capacity of HUBCO to 3581 MW by 2021.

The Commercial Operation Date of our other joint venture Project, the 3.8MTPA Sindh Engro Coal Mining Company (SECMC – Phase 1) was also achieved on July 10, 2019. Thar coal mine is part of the early harvest projects of the China Pakistan Economic Corridor (CPEC) framework, making it truly a project of national and strategic importance. HUBCO and its JV partners are now working diligently to pursue Phase-2 of the mining Project as per expansion plans, which intends to economize the mine and double the production capacity to 7.6 million tons per annum for supplying coal to our 330MW each Thar Energy and ThalNova Projects.

In accordance with our Vision 2025 crafted last fiscal year, HUBCO aspires to capitalize on the growth opportunities in water solutions, renewable energy, thermal energy and O&M services. Currently, we are in the process of developing various public private partnership Projects in the field of water recycling, Sea Water Reverse Osmosis (SWRO) and renewable energy.

We are hopeful that the initiatives undertaken by the current government for bringing improvement in the power sector will start yielding results in the near future. Such measures, which include curbing power theft, improving recoveries, rationalizing end-consumer tariff and improving the share of renewables and indigenous fuel in the generation mix, are expected to address the root causes of circular debt and will ultimately benefit Pakistan's energy sector on a sustainable basis.

Following its core value of Winning, HUBCO won the prestigious Corporate Excellence Award for 2019 conferred by the Management Association of Pakistan. The Award recognized Company's management practices, corporate governance and operational performance.

We have a strong commitment towards our people, which is demonstrated through our efforts towards developing a skilled workforce and a value driven culture. To align our business with the changing dynamics of the power sector, we initiated reskilling of our workforce at HUBCO's internal training facility, which has enabled us to develop people from the Base Business for our upcoming coal based power generation Projects. In addition, Leadership Development had been another major focus area, for which structured interventions were rolled out. Furthermore, Employee Engagement remained a core pillar of our Organization's people philosophy. As a result of round-the-year initiatives we implemented, the Group-level Employee Engagement score observed a 19 percent improvement as compared to last year as reported by 3rd party surveys. As we step into the next year, our focus would remain on reskilling our workforce to timely fill the emerging business requirements and at the same time work towards sustaining a highly engaged work culture.

HUBCO is strongly committed to following international best practices in Health, Safety & Environment (HSE). I am pleased to share with you that implementation of one of the world's best DuPont Safety System has progressed well across all our sites. During the year, we continued refining our processes for safer and more sustainable operations for today and tomorrow. Audits are being carried out to assess status of implementation and staff is being trained on DuPont Personnel Safety Management (PSM) systems.

Giving utmost importance to the welfare of the local communities where we operate, we have undertaken various CSR initiatives in the areas of Health, Education, Physical Infrastructure & Livelihood Improvement. Our goal is to streamline the social development of the communities around Hub, Gadani and Lasbella in Balochistan, Narowal in Punjab, Mirpur in Azad Jammu and Kashmir and Thar in Sindh.

In the end, I would like to thank our employees for their relentless efforts and making outstanding contributions to the success of the Company, our families for their unwavering support and our shareholders for reposing their continued confidence in the organization.

Warm regards,

Khalid Mansoor

REPORT OF THE DIRECTORS

REPORT OF THE **DIRECTORS**

The Directors of your Company are pleased to present the Annual Report of the Company along with its audited financial statements for the year ended June 30, 2019.

About the Company

The Hub Power Company Limited (Hubco) is the first and largest Independent Power Producer (IPP) in the country with a combined installed power generation capacity of 2920 MW. Our Hub Plant, situated at Mouza Kund, Hub in Balochistan, is one of the most efficient RFO fired thermal power plant in Pakistan, which supplies reliable and uninterrupted electricity to the national grid. Our Narowal Plant is also an RFO-fired, engine based, combined cycle power station, located at Mouza Poong, Narowal in Punjab. The Company also holds 75% controlling interest in Laraib Energy Limited, which is a run off the river hydel power plant near the New Bong Escape, 8 km downstream of Mangla Dam in Azad Jammu and Kashmir. Our joint-venture with China Power International Holdings (CPIH), a 1320MW imported coal-based power plant, China Power Hub Generation Company Limited (CPHGC) with its integrated coal jetty, has started its commercial operations providing affordable and uninterrupted energy to over 4 million households.

The Company issued Right Shares and raised an amount of PKR 7 billion from Pakistan Stock Exchange (PSX). The Right Share was priced at PKR 50 per share and the Company has issued 140 million shares. The purpose of Rights Issuance was to raise funds which were utilized to consolidate Hubco's energy portfolio and increase its shareholding in CPHGC from 26% to 47.5%.

The Company has established wholly owned subsidiaries for its future growth initiatives. Hub Power Holdings Limited (HPHL) has been incorporated to invest in the future growth projects. The Hub Power Services Limited (HPSL), manages O&M of our existing power assets, preparing to undertake O&M of our imported and indigenous coal based growth projects, in addition to exploring other onshore and offshore business opportunities. HPSL is currently operating the Hub, Narowal & Laraib Plants. The Company's wholly owned subsidiary, Narowal Energy Limited (NEL) owns the 225MW Narowal Power Plant.

The Company has established Thar Energy Limited (TEL), to set up a 330MW mine-mouth lignite-fired power Plant at Thar Coal Block II Sindh. The Company has signed a Shareholders' agreement with Fauji Fertilizer Company Limited (FFCL) and CMEC TEL Power Investments Limited (CMEC Dubai) for equity investment of 30% and 10% respectively in the Project, while Hubco holds 60% shares of TEL.

The Company has acquired majority shares in 330MW ThalNova Power Thar Pvt. Ltd (TNPTL) mine-mouth lignite-fired power plant which is a similar project like TEL and provides huge opportunities for synergy.

The Company also holds 8% shareholding in Sindh Engro Coal Mining Company Limited (SECMC), a joint venture between the Company, Engro, Thal Limited, HBL, CMEC and Government of Sindh, which has developed a coal mine at Thar which has the seventh largest reserves of coal in the World. SECMC achieved Commercial Operations for Phase I on July 10, 2019 and will be embarking to double its coal mining capacity from current 3.8 MTPA to 7,6 MTPA for supplying fuel to Hubco's Thar Energy Limited and ThalNova projects which are under construction.

Health, Safety & Environment

During the year 2018-19, Company completed 4.3 Million man-hours across its 3 operational power stations with a Total Recordable Injury Rate (TRIR) of 0.05. To ensure the safety of personnel, plant and processes, the Company is undergoing implementation of DuPont Safety Management System – one of the world's best process safety management (PSM) systems. The initiative not just ensures effective implementation and compliance to the HSE systems but also continually improves it to world-class standards. DuPont implementation and training are in progress at our three operational sites and audits are being carried out to assess status of implementation.

Operational Highlights

Operational highlights of the three Plants during the year under review are as follows:

HUB Plant

Hub Plant supplied reliable and uninterrupted electricity to the National Grid. During the year the Plant generated 827 GWh of electricity (2017-18: 5,201GWh) with a load factor of 7.87% (2017-18: 49.48%). Major reason for low load factor has been lower electricity demand from Power Purchaser. The Hub Complex successfully demonstrated the ‘Complex Dependable Capacity’ on December 29, 2018. The test was conducted in the presence of CPPA(G) for six hours. The net complex capacity, an average of continuous running of six hours, of 1208MW Net has been demonstrated. The test went quite well, and the demonstrated capacity was the highest in the history of the plant (previous highest being 1207.67MW in 2017).

Narowal Plant

The Narowal Plant supplied 636 GWh of electricity (2017-18: 1,200 GWh) to the National Grid. The Plant operated at a load factor of 34% (2017-18: 64%). Management has been vigorously continuing its efforts for operational excellence to optimize thermal efficiency and availability. Availability factor for the year was 95%. Major reason for low load factor was lower electricity demand from Power Purchaser.

Laraib Plant

The average Availability of Laraib Plant was 99.9% (2017-18: 98.9%), reflecting operational reliability of the Complex. Net Electrical Output (NEO) was 354 GWh (2017-18: 381 GWh). Comparatively lower generation in FY 2018-19 is mainly due to lower average hydrology received from Mangla Power house.

Annual Maintenance was completed in 36 days vs plan of 38 days, exhibiting the pursuit towards continuous improvement and outage excellence. Laraib plant completed its 6th Agreement Year (AY) on March 22, 2019 by generating 331 GWh vs plan of 470 GWh (Annual Target) under the Power Purchase Agreement. Less generation in 6th AY was due to low hydrology received from Mangla Powerhouse.

Demonstrated Complex Energy Test (DCET) for 6thAY conducted satisfactorily on 27th Nov 2018, total energy generation of 2079 MWh achieved against 2016 MWh required under PPA.

Predictive Enhancement and Performance Improvement (PEPI) Solutions

The PEPI project has been successfully implemented at the Hub Plant, with desired outcomes during FY 2018 - 19. New high-performance GE Steam Turbines were retrofitted in Unit-3 & Unit-4. The performance of new machines was excellent in performance test resulting in 3.5% of heat rate improvement on Unit 4 and 4% improvement on Unit 3.

Financial Performance

Financial highlights of the Group during the year under review are as follows:

Consolidated	Year ended June 30, 2019	Year ended June 30, 2018
Turnover	58,129	99,999
Operating Costs	36,640	81,720
Net Profit*	11,241	11,057
Earnings per share (Rs)*	9.37	9.23

*attributable to owners of the holding company

Consolidated net profit during the year under review is Rs. 11,241 million resulting in earnings per share of Rs. 9.37 compared to net profit of Rs. 11,057 million and earnings per share of Rs. Rs. 9.23 last year. The increase in profits is mainly due to depreciation of Rupee against USD partly offset by higher financing cost.

Unconsolidated	Year ended June 30, 2019	Year ended June 30, 2018
Turnover	36,029	76,676
Operating Costs	24,295	66,873
Net Profit*	8,037	8,565
Earnings per share (Rs)*	6.70	7.15

Unconsolidated net profit earned by the Company during the year under review is Rs. 8,037 million, resulting in earnings per share of Rs. 6.70 compared to a net profit of Rs. 8,565 million and earnings per share of Rs. 7.15 last year. The decrease in unconsolidated profit is mainly due to higher financing costs, partly offset by depreciation of Rupee against USD and lower administrative expenses.

Appropriations and movement in reserves have been disclosed in the Statement of Changes in Equity on page 104 of the Annual Report.

Risk Management & Strategy For Mitigating Risks

To mitigate all the risks and uncertainty that is faced by every business, the Company is implementing a circumspect and cautious rationale. The Company emphasizes on recognizing all long-term and short-term risks, to overcome and mitigate them.

Operational Risk

To mitigate the operational risks, necessary strategies have been developed and substantial investments are continuously being made to ensure the reliability of all operating plants. The Company has carried out necessary rehabilitation and refurbishments at the Hub Plant and is carrying out the requisite maintenance required at the Narowal and Laraib Plants.

Financial Risks

The financial risk management is disclosed in note 37 of the unconsolidated financial statements of the Company.

Credit Rating

Credit rating is an assessment of the credit standing of entities in Pakistan. PACRA since 2008, when the Company initiated its rating process, has maintained long-term and short-term entity rating at AA+ and A1+ respectively for the Company. These ratings denote a very low expectation of credit risk and indicate very strong capacity for timely payment of financial commitments.

During the year, NEL achieved its second year with robust long term and short-term credit rating. NEL's long term rating is maintained as AA- which is very high credit quality that indicates very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events. NEL's Short term rating is A1+ which is the highest capacity for timely repayments of financial commitments.

Corporate Social Responsibility

Community development remained at the forefront of Company's social interventions. The Company has worked tirelessly to identify the opportunities for development and uplifting the living standards of the communities near its Plants and has successfully rolled out the Hubco Rahnuma program, a volunteer program that allows employees to utilize their time, skills and effort as part of the Company's social outreach programs.

During the year under review, Hubco, its subsidiaries and associated concerns, continued working in the areas of education, health, livelihood and income generation and physical infrastructure development.

Human Resources

This year Hubco's learning and development philosophy focused on developing business & functions in line with the requirements of growth projects, and to ensure optimum talent density. The learning mix consisted of experiential learning opportunities including special projects / assignments, collaborative learning initiatives under Learning Hub™ and formal training platforms. Through Learning Hub, a total of 1,539 Man-Days of training were conducted during the year, with an average rating of 4.4/5.

Moreover, a centralized group for technical trainings was established at Hub Site for supporting the base business and developing skills required for growth projects.

HR worked cohesively with the line functions and employees to develop a bottom up cost optimization strategy keeping in view low load factor scenario for RFO based plants. HUBCO's Compensation Strategy was reviewed and aligned to ensure Salary, Wages and Benefits (SWB) cost remains within business affordability without compromising on quality, retention & engagement of employees. Furthermore, a comprehensive review of support functions across HUBCO group is in progress to align the organizational structure and SWB cost with the evolving business situation.

A thorough diagnosis of the issues highlighted in last year's Employee Engagement Report was conducted. Focus groups were conducted with the employees and subsequently Action Plans were developed by HR in conjunction with Line. Requisite approvals based on employee suggestions were obtained from Committee for Organization and Employee Development (COED) and new initiatives were rolled out. As a result, the Group-level score of Employee Engagement Survey is 68% this year, which is an 11-point improvement as compared with last year.

FUTURE OUTLOOK

1,320MW Coal Project China Power Hub Generation Company (Private) Limited (CPHGC)

Following the successful completion of the mandatory tests under the Power Purchase Agreement, the Project declared Commercial Operations Date (COD) on August 17, 2019. The two units of 660MW each achieved synchronization with the National Grid on December 28, 2018 and May 28, 2019 respectively while the Integrated Coal Jetty became operational in December 2018 with arrival of the first shipment of coal.

The Company has completed the exercise of Call Option as per the Shareholders Agreement pursuant to which the Company's shareholding in the Project has increased to 47.5%.

330MW Coal Project – Thar Energy Limited (TEL)

TEL is setting up 330MW mine mouth lignite-fired Power Plant at Block II, Thar. TEL has signed its land lease agreement with Sindh Engro Coal Mining Company on June 26, 2019 for purchase of 244 acres of land for the Project. TEL has issued Preliminary Notice To Commence (PNTC) to China Machinery Engineering Corporation (Offshore Contractor) and China East Resources Import and Export Corporation (Onshore Contractor). The construction activities are in full swing and TEL has completed 37% of Project Construction to achieve COD, targeted for end of March 2021.

The Company has signed a Shareholders' Agreement with Fauji Fertilizer Company Limited (FFCL) and CMEC Tel Power Investments Limited (CMEC Dubai) for equity investment of 30% and 10% respectively in the Project. FFCL and CMEC Dubai have also injected their share of equity in the Company and at present, the Company, FFC and CMEC Dubai own 60, 30 and 10 percent shares in TEL respectively.

TEL has engaged China Development Bank (CDB) as the lead arranger for the foreign financing from China and Habib Bank Limited (HBL) as the lead arranger for the local financing. On December 20, 2018, TEL executed the financing documents with both CDB and HBL for arrangement of financing for the Project.

330MW Coal Project - ThalNova Power Thar Private Limited (TNPTL)

The Company holds 38.3% of the total shareholding in the newly acquired ThalNova Project. The 330MW ThalNova Power Thar Pvt. Ltd (TNPTL) mine-mouth lignite-fired power Plant has executed an Implementation Agreement with Government of Pakistan ("GoP"), Power Purchase Agreement with Central Power Purchasing Agency (Guarantee) Limited "CPPA(G)", Water Use Agreement with Government of Sindh ("GoS"), Coal Supply Agreement with Sindh Engro Coal Mining Company Limited ("SECMC"), Land Lease Deed for purchase of 244 acres of land and Engineering Procurement and Supply / Construction Agreements for erection of the power Plant facility. Further, on July 22, 2019, TNPTL has also executed financing documents with its Foreign and Local Lenders.

On March 12, 2019, TNPTL gave Limited Notice to Proceed ("LNTP") to its EPC Contractors and they have started construction activities at TNPTL Site for early completion of the Power Plant. TNPTL is expected to achieve the Commercial Operations Date (COD) by January 12, 2022. TNPTL will supplement the country with energy security based on indigenous fuel and empower the local community of Thar with direct and indirect employment through its CSR projects.

Sindh Engro Coal Mining Company Limited (SECMC)

The Company holds 8% stake in the Sindh Engro Coal Mining Company. The indigenous coal mining Project declared its COD for Phase I on July 10, 2019. The SECMC successfully unearthed the first layer of coal in June 2018 and has also completed the 60-day testing period of steady state production of on-specification coal. During the project, 28 Million safe man hours completed without a lost work day injury (LWI). The Coal Supply to 2x330MW Engro Powergen Thar Private Limited is in progress as per Coal Supply Agreement (CSA). SECMC plans to expand mining capacity to 7.6 Mt/annum to cater for the two additional 330MW Power Plants including Thar Energy Limited and ThalNova Power Thar (Pvt.) Limited.

Market Share Information

Pakistan's installed power generation capacity is around 35,000MW of which hydel is 25%, thermal is 66%, renewables is 5% and nuclear power is 4%.

Overview of the Company's Power Generation of Its Three Plants for the Last Six Years Is as Follows:

Fiscal Year	Electricity Generation (GWh)	Company's share (GWh)	Percentage (%)
2013-14	105,698	9,119	8.6%
2014-15	108,916	8,716	8.0%
2015-16	114,093	9,254	8.1%
2016-17	120,621	8,590	7.1%
2017-18	126,061	6,782	5.4%
2018-19 (Est.)	122,798	1,817	1.5%

Related Party Transactions

Board Audit Committee reviewed the related party transactions and the Board approved them. These transactions were in line with the requirements of International Financial Reporting Standards (IFRS) and the Companies Act, 2017. The Company maintains a thorough and complete record of all such transactions.

The Company has entered into following related party transactions on mutually agreed terms, along with their justification:

Name of Related Party	Nature of Transaction	Justification
Hub Power Services Limited	O&M Services	To efficiently operate and maintain Hub Plant. Further, to develop resources to provide similar services to other companies including group companies.
Hub Power Services Limited Narowal Energy Limited Thar Energy Limited Laraib Energy Limited Hub Power Holdings Limited ThalNova Power Thar (Private) Limited	Reimbursement of Expenses and others	To share the common resources/expenses on proportionate basis to minimize Company's and group companies' costs.
Thar Energy Limited ThalNova Power Thar (Private) Limited	Management services	The Company is providing assistance to TEL and TNPTL in performance of their obligations under relevant project agreements by leveraging the project management experience of the Company.

The details of related party transactions are disclosed in note 29 of the unconsolidated financial statements of the Company.

Financial Statements

The Unconsolidated and Consolidated financial statements of the Company have been audited by Messrs. A.F. Ferguson & Co., Chartered Accountants, the auditors, without any qualification.

Corporate & Financial Reporting Framework

The Directors are pleased to confirm compliance with Corporate and Financial Reporting Framework of the Securities & Exchange Commission Pakistan (SECP) and the Code of Corporate Governance for the following:

a. The financial statements, prepared by the management of the Company, fairly portray its state of affairs, the result of its operations, cash flows and changes in its 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. IFRS as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed; and

e. There are no doubts in the Company's ability to continue as a going concern.

Key financial data (unconsolidated) of last six years is as follows:

Fiscal year ending June	2019	2018	2017	2016	2015	2014
Turnover	36,029	76,676	78,590	86, 415	131,484	161,807
Profit	8,037	8,565	9,600	11,576	9,853	6,549
Assets	153,728	136,617	114,983	134,006	125,949	135, 432
Dividend	3,240	8,216	9,257	15, 622	9,257	8,100

Value of investments of provident fund and gratuity scheme based on their respective audited accounts as at June 30, 2018 are as follow:

Provident Fund

Rs.in million **0.38**

Gratuity Fund

Rs.in million **194.501**

Adequacy Of Internal Financial Controls

Directors confirm compliance with highest standard of Corporate Governance and that the internal controls are sound in design and have been effectively implemented and monitored.

Board of Directors

The Board reviewed Company's strategic direction, annual corporate plans and targets, long-term investments and borrowing. Board is committed to ensuring the highest standard of governance.

The Current Board of Directors of the Company consists of:

Male	10
Female	1

Composition	
Independent Directors	6
Other Non-Executive Directors	4
Executive Director	1

During the year, nine meetings of the Board of Directors were held. The Election of Directors was held on October 5, 2018 with one meeting prior to the election and eight after the election.

Attendance of the Directors are as follows:

Pre-election Directors	Meetings attended
Mr. M Habibullah Khan	1/1
Mr. Khalid Mansoor	1/1
Ms. Aleeya Khan	1/1
Mr. Aly Khan	1/1
Mr. Andalib Alavi	0/1
Mr. Iqbal Alimohamed	1/1
Mr. Javed Akbar	1/1
Mr. Manzoor Ahmed	0/1
Mr. Ejaz Sanjrani	0/1
Mr. Owais Shahid	1/1
Mr. Qaiser Javed	0/1
Mr. Shafiuddin Ghani Khan	1/1
Mr. Tabish Gauhar	0/1
Mr. Muhammad Waseem Mukhtar	0/1

Post-election Directors	Meetings attended
Mr. M Habibullah Khan	8/8
Mr. Khalid Mansoor	6/8
Ms. Aleeya Khan	8/8
Mr. Aly Khan	8/8
Mr. Javed Akbar	7/8
Mr. Manzoor Ahmed	8/8
Mr. Ejaz Sanjrani	8/8
Mr. Owais Shahid	7/8
Mr. Qaiser Javed	1/2
Mr. Saad Iqbal	6/8
Mr. Muhammad Ali	7/8
Dr. Nadeem Inayat[1]	2/5

1 Dr. Nadeem Inayat was appointed as Director in place of Mr. Qaiser Javed on March 14, 2019

The Pattern of Shareholding as required under the Code of Corporate Governance is attached with this Report. Details of trades in shares of the Company by Directors and Key Management Personnel and their spouses and minor children are reported on page 232.

Committees of the Board

The Board committees and their members are disclosed in page 20 of the annual report.

Directors' Remuneration

Chairman, non-executive directors and independent directors are entitled only for the fee for attending the meetings. The levels of remuneration are appropriate and commensurate with the level of responsibility and expertise to govern the Company successfully and with value addition.

Directors' Training

Of the eleven Directors, two Directors has been exempted from the Corporate Governance Leadership Skills (CGLS) training based on their experience as Director on the Board of Listed Companies. A total of 8 members of the Board are certified Directors.

Auditors

The retiring auditors Messrs. A. F. Ferguson & Co., Chartered Accountants being eligible, offer themselves for reappointment.

The Company remains grateful to its Shareholders, employees, business partners and all other stakeholders for their confidence in the Company and their support in the Company's journey on the path of growth and prosperity.

Khalid Mansoor
Chief Executive

M. Habibullah Khan
Chairman

انتخابات کے بعد

ڈائریکٹر کا نام	اجلاس میں حاضری
جناب ایم حبیب اللہ خان	8/8
جناب خالد منصور	8/6
محترمہ عالیہ خان	8/8
جناب علی خان	8/8
جناب جاوید اکبر	8/7
جناب منظور احمد	8/8
جناب اعجاز سنجرانی	8/8
جناب اویس شاہد	8/7
جناب قیصر جاوید	2/1
جناب سعد اقبال	8/6
جناب محمد علی	8/7
ڈاکٹر ندیم عنایت	5/2

[1] ڈاکٹر ندیم عنایت کا تقرر بطور ڈائریکٹر جناب قیصر جاوید کے متبادل کے طور پر، 14 مارچ، 2019ء کو ہوا تھا۔

کوڈ آف کارپوریٹ گورننس (Code of Corporate Governance) کے تحت حصص یافتگی کا انداز (Pattern of Shareholding) اس رپورٹ کے ساتھ منسلک ہے۔ ڈائریکٹرز، اہم انتظامی عملے کے ارکان، ان کے شرکائے حیات (spouses) اور چھوٹے بچوں کی جانب سے خرید وفروخت کی تفصیلات صفحہ 232 پر بیان کی گئی ہیں۔

بورڈ کی کمیٹیاں

بورڈ کی ماتحت کمیٹیاں اور ان کے ارکان سالانہ رپورٹ کے صفحہ نمبر 20 پر بیان کیے گئے ہیں۔

ڈائریکٹرز کا مشاہرہ

چیئرمین، نان-ایگزیکٹو ڈائریکٹرز اور انڈیپینڈنٹ ڈائریکٹرز اجلاس میں شرکت کے لیے صرف مشاہرے کے مستحق ہیں۔ مشاہرہ کی سطح کمپنی کو کامیابی سے چلانے اور اس کی قدر میں اضافہ کے حوالے سے ان کی ذمہ داریوں اور مہارت سے مطابقت رکھتی ہے۔

ڈائریکٹرز کی تربیت

لسٹڈ کمپنیوں کے بورڈ میں ڈائریکٹرز کی حیثیت سے 11 ڈائریکٹرز میں سے دو ڈائریکٹرز اپنے تجربے کی بنا پر کارپوریٹ گورننس لیڈرشپ اسکلز (CGLS) کی تربیت سے مستثنٰی ہیں جبکہ بورڈ کے باقی نو (9) اراکین سرٹیفائیڈ ڈائریکٹرز ہیں۔

آڈیٹرز

ریٹائر ہونے آڈیٹرز، میسرز اے ایف فرگوسن اینڈ کو (A.F.Ferguson & Co.)، چارٹرڈ اکاؤنٹنٹس، اہل ہونے کی بنا پر خود کو دوبارہ تقرری کے لیے پیش کرتے ہیں۔

کمپنی اپنے تمام حصص یافتگان، ملازمین، بزنس پارٹنرز اور دیگر تمام اسٹیک ہولڈرز کی مشکور ہے کہ ان کے اعتماد اور حمایت کے باعث کمپنی کی ترقی اور خوشحالی کا سفر جاری ہے۔

بورڈ کے حکم پر

خالد منصور
چیف ایگزیکٹو

محمد حبیب اللہ خان
چیئرمین

گزشتہ چھ برسوں کے اہم مالی اعدادوشمار (غیر انضمام شدہ) درج ذیل ہیں:

روپے ملین میں

مالی سال مختتم جون	2019	2018	2017	2016	2015	2014
کاروبار	36,029	76,676	78,590	86,415	131,484	161,807
منافع	8,037	8,565	9,600	11,576	9,853	6,549
اثاث جات	153,728	136,617	114,983	134,006	125,949	135,432
منافع منقسمہ	3,240	8,216	9,257	15,622	9,257	8,100

پراویڈنٹ فنڈ (Provident Fund) اور گریجویٹی (Gratuity) کی اسکیموں پر سرمایہ کاری 30 جون، 2018ء کو، ان سے تعلق رکھنے والے، آڈٹ شدہ حسابات کے مطابق درج ذیل تھی:

روپے ملین میں

پراویڈنٹ فنڈ	0.38
گریجویٹی فنڈ	194.501

مستحکم اندرونی مالی کنٹرولز

ڈائریکٹرز کارپوریٹ گورننس میں اعلیٰ ترین معیار کی تعمیل، اپنے نقشے کے اعتبار سے انٹرنل کنٹرولز کے مستحکم ہونے اور اُن پر مؤثر انداز میں عمل درآمد اور نگرانی کی تصدیق کرتے ہیں۔

بورڈ آف ڈائریکٹرز

بورڈ نے حکمت عملی کے حوالہ سے، کمپنی کی سمت، سالانہ ادارتی منصوبوں اور اہداف، طویل المیعاد سرمایہ کاری اور قرضوں کا جائزہ لیا ہے۔ بورڈ گورننس کے بلند ترین معیار کو یقینی بنانے کا پابند ہے۔

کمپنی کا موجودہ بورڈ آف ڈائریکٹرز درج پر مشتمل ہے:

ڈائریکٹرز کی کل تعداد	
مرد	10
خواتین	1
ساخت	
انڈیپنڈنٹ ڈائریکٹرز	4
دیگر انڈیپنڈنٹ ڈائریکٹرز	6
ایگزیکٹو ڈائریکٹرز	1

زیر جائزہ سال کے دوران، بورڈ آف ڈائریکٹرز کے نو (9) اجلاس منعقد ہوئے۔ ڈائریکٹرز کا انتخاب مؤرخہ 5 اکتوبر، 2018ء کو ہوا۔ انتخابات سے قبل ایک اجلاس ہوا جبکہ انتخابات کے بعد آٹھ (8) اجلاس منعقد ہوئے۔

ڈائریکٹرز کی حاضری درج ذیل کے مطابق رہی:

انتخابات سے پہلے

ڈائریکٹر کا نام	اجلاس میں حاضری
جناب ایم حبیب اللہ خان	1/1
جناب خالد منصور	1/1
محترمہ عالیہ خان	1/1
جناب علی خان	1/1
جناب عندلیب علوی	1/0
جناب اقبال علی محمد	1/1
جناب جاوید اکبر	1/1
جناب منظور احمد	1/1
جناب اعجاز سنجرانی	1/0
جناب اویس شاہد	1/0
جناب قیصر جاوید	1/0
جناب شفیع الدین غنی خان	1/1
جناب تابش گوہر	1/0
جناب محمد وسیم مختار	1/0

متعلق فریق کے ساتھ معاملت

بورڈ کی آڈٹ کمیٹی نے متعلق فریقین کے ساتھ انجام دی گئی معاملات کا جائزہ لیا اور بورڈ نے ان کی منظوری دی۔ یہ معاملات انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز (IRFS) اور کمپنیز ایکٹ، 2017ء کی مطابقت میں ہیں اور ان معاملات کا مکمل اور جامع ریکارڈ رکھا گیا ہے۔

کمپنی نے باہمی طور پر اتفاق کردہ شرائط اور ان کی توجیہات وضیحات پر مبنی درج ذیل معاملات کیے ہیں:

متعلقہ فریقین کے ساتھ معاملت کی تفصیل کمپنی کے غیر انضمام شدہ مالی گوشواروں کے نوٹ نمبر 29 میں بیان کی گئی ہے۔

متعلقہ فریق کا نام	معاملت کی نوعیت	توجیح / توضیح
حب پاور سروسز لمیٹیڈ	آپریشنز اور دیکھ بھال کی خدمات (O&M Services)	حب پلانٹ کو عمدگی کے ساتھ چلایا اور برقرار رکھا جا سکے۔ مزید برآں، ایسے وسائل کو ترقی دینا جن سے اسی نوعیت کی خدمات، گروپ کمپنیوں سمیت، دیگر کمپنیوں کو فراہم کرنا۔
حب پاور سروسز، نارووال نارووال انرجی لمیٹیڈ، تھر انرجی لمیٹیڈ، لاریب انرجی لمیٹیڈ، حب پاور ہولڈنگز لمیٹیڈ, تھل نووا پاور تھر (پرائیویٹ) لمیٹیڈ	اخراجات اور دیگر رقوم کی واپس ادائیگی	مشترکہ وسائل/اخراجات کو تناسب کی بنیاد پر کمپنی اور گروپ کمپنیوں کی لاگت میں کمی کرنا
تھر انرجی لمیٹیڈ تھل نووا پاور تھر (پرائیویٹ) لمیٹیڈ	انتظامی خدمات	کمپنی تھر انرجی لمیٹیڈ کو، متعلق پروجیکٹ ایگریمنٹ کے تحت، اس کی ذمہ داریاں پوری کرنے کے لیے، کمپنی کے پروجیکٹ مینجمنٹ کے تجربہ کی بنیاد پر معاونت فراہم رہی ہے۔

مالی گوشوارے

کمپنی کے غیر انضمام شدہ اور انضمام شدہ مالی گوشواروں کا آڈٹ میسرز اے ایف فرگوسن (M/s. A.F. Ferguson)، چارٹرڈ اکاؤنٹنٹس نے کیا ہے اور بے نقص پایا ہے۔

کارپوریٹ اور مالی رپورٹنگ کا فریم ورک

ڈائریکٹرز نہایت مسرت کے ساتھ، درج ذیل کے لیے، سیکیورٹیز اینڈ ایکسچینج کمیشن پاکستان (SECP) کے کارپوریٹ اینڈ فنانشل رپورٹنگ فریم ورک (Corporate and Financial Reporting Framework) اور درج ذیل کے لیے کارپوریٹ گورننس (Corporate Governance) کی تعمیل کی تصدیق کرتے ہیں:

ا۔ انتظامیہ کی جانب سے تیار کیے گئے کمپنی کے مالی گوشوارے اس کے معاملات، آپریشنز کے نتائج، نقدی کے بہاؤ (cash flow) اور ایکویٹی میں تبدیلی کی درست صورت حال بیان کرتے ہیں؛

ب۔ کمپنی کی بکس آف اکاؤنٹ مناسب انداز میں اور باقاعدہ طور پر رکھی گئی ہیں؛

ج۔ مالی گوشواروں کی تیاری کے دوران مناسب اکاؤنٹنگ پالیسیوں پر تسلسل کے ساتھ عمل کیا گیا ہے اور مالی گوشواروں، نیز حسابی تخمینے (accounting estimates) مناسب حد تک اور دانشمندانہ فیصلوں پر مبنی ہیں؛

د۔ پاکستان میں IFRS کا اطلاق جس طرح کیا جاتا ہے، مالی گوشواروں کی تیاری کے دوران اس پر عمل کیا گیا ہے اور اس میں کسی انحراف یا تبدیلی کو مناسب طور پر ظاہر کیا گیا ہے؛

ر۔ ایک ادارے کے طور پر کام کرتے رہنے کے لیے کمپنی کے کی صلاحیت شکوک وشبہات سے بالاتر ہے۔

300MW کا کوئلے سے چلنے والا پروجیکٹ – تھرانرجی لمیٹڈ (TEL)

تھرانرجی لمیٹڈ (TEL)، تھر کے بلاک II میں اور کان کے دہانے پر، 330MW کا پلانٹ نصب کر رہا ہے۔ اس پروجیکٹ کے لیے تھرانرجی لمیٹڈ نے، سندھ اینگرو کول مائننگ کمپنی کے ساتھ، 26 جون، 2019ء کو لینڈ لیز ایگریمنٹ پر دستخط کیے ہیں جس کے تحت، 244 ایکڑ زمین خریدی جائے گی۔

تھرانرجی لمیٹڈ نے چائنا مشینری انجینئر نگ کارپوریشن (غیر ملکی کنٹریکٹر) اور چائنا ایسٹ ریسورسز امپورٹ اینڈ ایکسپورٹ کارپوریشن (ملکی کنٹریکٹر) کو کام کے آغاز کا ابتدائی نوٹس (Preliminary Notice To Commence;PNTC) جاری کر دیا ہے۔ تعمیراتی سرگرمیاں زور و شور سے جاری ہیں اور تھرانرجی لمیٹڈ نے پروجیکٹ کا تعمیر کا 37 فیصد کام مکمل کرلیا ہے تا کہ تجارتی آپریشنز کے آغاز کی تاریخ (COD) میں جلدی کی جا سکے۔ کمپنی نے فوجی فرٹیلائزر کمپنی لمیٹڈ (FFCL) کے ساتھ شیئر ہولڈرز ایگریمنٹ اور سی ایم ای سی ٹیل پاور انویسٹمنٹس لمیٹڈ (CMEC Dubai) کے ساتھ بالترتیب 30 فیصد اور 10 فیصد ایکویٹی سرمایہ کاری کے لیے بھی معاہدے کیے ہیں۔ فوجی فرٹیلائزر لمیٹڈ اور سی ایم سی دبئی کمپنی کو ایکوٹی فراہم کر چکے ہیں اور اس وقت، کمپنی، فوجی فرٹیلائزز کمپنی سی ایم سی دبئی کے تھرانرجی لمیٹڈ میں بالترتیب 60 فیصد، 30 فیصد اور 10 فیصد حصص کے مالک ہیں۔

تھرانرجی لمیٹڈ نے چائنا ڈیویلپمنٹ بینک (CBD) کو چین سے مالی وسائل کی دستیابی (financing) کے لیے اور حبیب بینک لمیٹڈ (HBL) کو مقامی ذرائع سے مالی وسائل کی دستیابی کے لیے انتظامی سربراہ (lead arranger) مقرر کیا ہے۔ مؤرخہ 20 دسمبر، 2018ء کو تھرانرجی لمیٹڈ نے چائنا ڈیویلپمنٹ بینک اور حبیب بینک لمیٹڈ کے ساتھ، پروجیکٹ کی فنانسنگ کے لیے معاہدے پر دستخط کر دیئے ہیں۔

330MW کا کوئلے سے چلنے والا پروجیکٹ – تھل نووا پاور تھر پرائیویٹ لمیٹڈ

نیا حاصل کردہ 330MW کا تھل نووا پاور تھر پرائیویٹ لمیٹڈ (TNPTL) کان کے دہانے پر بھورے کوئلے سے بجلی پیدا کرنے والا پلانٹ ہے۔ اس پلانٹ کے لیے حکومت پاکستان (''GoP'') کے ساتھ امپلی میٹیشن ایگریمنٹ (Implementation Agreement)، سینٹرل پاور پرچیز ایجنسی (گارنٹی) لمیٹڈ ("CPPA-G") کے ساتھ پاور پرچیز ایگریمنٹ (Power Purchase Agreement) حکومت سندھ (''GoS'') کے ساتھ واٹر یوز ایگریمنٹ (Water Usage Agreement)، سندھ اینگرو کول مائننگ کمپنی لمیٹڈ (''SECMC'') کے ساتھ کول سپلائی ایگریمنٹ اور پاور پلانٹ کی تنصیب کے لیے 244 ایکٹر زمین کی خریداری کی غرض سے لینڈ لیز ڈیڈ (Land Lease Deed) معاہدہ کیا گیا ہے۔ مزید برآں، مؤرخہ 22 جولائی، 2019ء کو TNPTL نے قرض فراہم کرنے والے مقامی اور غیر ملکی اداروں کے ساتھ بھی فنانسنگ کی دستاویزات پر دستخط کیے ہیں۔

مؤرخہ 12 مارچ، 2019ء کو TNPTL نے ای پی سی کنٹریکٹر کو لمیٹڈ نوٹس ٹو پروسیڈ (Limited Notice To Proceed: LNTP) دیا اور کنٹریکٹر نے، پاور پلانٹ کی جلد از جلد تکمیل کے لیے TNPTL کی سائٹ پر کام شروع کر دیا ہے۔ توقع ہے کہ تجارتی بنیادوں پر آپریشنز کے آغاز کی تاریخ (COD) 12 جنوری، 2022ء تک حاصل کر لی جائے گی۔ تھل نووا پاور تھر پرائیویٹ لمیٹڈ توانائی کو محفوظ بنانے میں ملکی کوششوں میں معاونت فراہم کرے گا اور تھر کی مقامی آبادی کو با اختیار بنانے کے لیے اپنے ادارتی سماجی ذمہ داری (CSR) پروجیکٹ میں بالواسطہ اور بلاواسطہ طور پر روزگار فراہم کرے گا۔

سندھ اینگرو کول مائننگ کمپنی لمیٹڈ (SECMC)

مقامی طور پر کان کنی کے ذریعے حاصل ہونے والے کوئلے سے چلنے والے اس پروجیکٹ نے، اپنے فیز I کے لیے، تجارتی بنیادوں پر آپریشنز کے آغاز کی تاریخ (COD) مقرر کی ہے۔ سندھ اینگرو کول مائننگ کمپنی نے جون، 2018ء میں کوئلے کی پہلی تہہ تک رسائی حاصل کرنے کے بعد کوئلے کی تصریحات کے مطابق یکساں حالت میں پیداوار کا 60 روزہ ٹیسٹ بھی مکمل کرلیا ہے۔ پروجیکٹ کے دوران، کام کا دن ضائع کرنے والے حادثے (lost work day injury:LWI) کے بغیر انسانی محنت کے 28 ملین گھنٹے صرف ہوئے۔ کوئلے کی فراہمی کے معاہدے (Coal Supply Agreement; CSA) اینگرو پاور جین تھر پرائیویٹ کے 330MW کے دو یونٹوں کو کوئلے کی فراہمی جاری ہے۔ سندھ اینگرو کول مائننگ کمپنی اپنی کان کنی کی گنجائش بڑھا کر 7.6 میٹرک ٹن سالانہ (7.6Mt/annum) کرنا چاہتی ہے تا کہ تھرانرجی لمیٹڈ اور تھل نووا پاور تھر (پرائیویٹ) لمیٹڈ کی ملکیت، 330MW کے مزید دو یونٹوں کو کوئلہ فراہم کیا جا سکے۔

مارکیٹ شیئر کے بارے میں معلومات

پاکستان میں بجلی پیدا کرنیکی نصب شدہ گنجائش تقریباً 35,000MW ہے جس میں 25 فیصد پانی سے، 66 فیصد حرارت سے، قابل تجدید ذرائع سے 5 فیصد اور 4 فیصد ایٹمی توانائی سے پیدا کی جاتی ہے۔

مالی سال	پاکستان میں پیدا کی گئی بجلی (GWh)	کمپنی کا حصہ (GWh)	فیصد (%)
2013-14	105,698	9,119	8.6%
2014-15	108,916	8,716	8.0%
2015-16	114,093	9,254	8.1%
2016-17	120,621	8,590	7.1%
2017-18	126,061	6,782	5.4%
2018-19 (تخمینہ)	122,798	1,817	1.5%

آپریشنل خطرات

آپریشنل خطرات کم کرنے کے لیے ضروری حکمت عملی تیار کی گئی ہیں اور مسلسل بھاری سرمایہ کاری کی جارہی ہے تاکہ تمام آپریٹنگ پلانٹس کا قابل بھروسہ ہونا یقینی بنایا جا سکے۔ کمپنی نے حب پاور پلانٹ پر بحالی اور تجدید کا ضروری کام انجام دیا ہے جب کہ نارووال اور لاریب پلانٹس کی مطلوبہ دیکھ بھال اور مرمت بھی کا جارہی ہے۔

مالی خطرات

مالی خطرات کے انتظام کے بارے میں معلومات کا افشاء کمپنی کے غیر انضمام شدہ مالی گوشواروں کے نوٹ نمبر 37 میں کیا گیا ہے۔

قرض کے حصول کے لیے درجہ بندی (Credit Rating)

قرض حصول کے لیے درجہ بندی یا کریڈٹ ریٹنگ سے مراد پاکستانی اداروں کی قرضوں کے حصول کے لیے قابلیت کی تشخیص ہے۔ سنہ 2008ء سے، جب کمپنی نے اپنی درجہ بندی کے طریقہ کار (rating process) کا آغاز کیا تھا، پکرا (PACRA) نے کمپنی کی طویل المیعاد اور قلیل المیعاد ادارتی درجہ بندی (entity rating) کو +AA اور +A1 ادارتی درجہ بندی برقرار رکھی ہے۔ قرضوں کے حصول کے لیے ان درجہ بندیوں (credit ratings) سے قرضوں (credit) کے لیے خطرات کے بارے میں کم توقعات ظاہر ہوتی ہیں اور یہ بھی ظاہر ہوتا ہے کہ کمپنی میں اپنے مالی وعدے پورا کرنے کے لیے بہترین صلاحیت موجود ہے۔

نارووال انرجی لمٹیڈ نے زیر جائزہ سال، جو کمپنی کا دوسرا سال بھی ہے، مضبوط طویل المیعاد اور قلیل المیعاد درجہ بندیاں حاصل کیں۔ زیر جائزہ سال کے دوران کمپنی کی طویل المیعاد درجہ بندی -AA برقرار رہی جو قرضوں کے حصول میں قابل بھروسہ ہونے کے حوالہ سے نہایت بلند معیار ہے اور اس سے بروقت ادائی کے ذریعے مالی وعدوں کو پورا کرنے کے لیے مضبوط صلاحیت کا اظہار ہوتا ہے۔ یہ صلاحیت متوقع (foreseeable) واقعات کے حوالے سے زیادہ غیر محفوظ نہیں ہے۔ نارووال انرجی لمٹیڈ کی قلیل المیعاد درجہ بندی +A1 بھی برقرار ہے اور یہ درجہ بندی بھی مالی وعدہ کی بروقت ادائیگی کے لیے نہایت بہترین صلاحیت ہے۔

ادارتی سماجی ذمہ داری (Corporate Social Responsibility)

عوام کی ترقی کمپنی کی سماجی مداخلتوں (social interventions) کا اہم ترین حصہ رہی ہے۔ اپنے پلانٹس کے اطراف میں رہنے والی مختلف آبادیوں کی ترقی کے لیے مواقع کی تلاش اور ان کے معیار زندگی کو بلند کرنے کے لیے کمپنی نے انتھک کام کیا ہے اور حبکو رہنما پروگرام کا آغاز کیا ہے جو بہت کامیاب رہا ہے۔ یہ ایک رضا کارانہ پروگرام ہے جو ملازمین کو اپنا وقت، مہارتیں اور کوششیں کمپنی کے سماجی آؤٹ ریچ پروگرام کے حصے کے طور پر استعمال کریں۔

زیر جائزہ سال کے دوران، حبکو، اس کے ذیلی اداروں اور شریک اداروں نے تعلیم، صحت، روزگار اور آمدنی پیدا کرنے والے ذرائع اور طبعی ڈھانچے کی ترقی کے لیے کام جاری رکھا۔

انسانی وسائل

اس سال حبکو (HUBCO) کے تدریسی و ترقیاتی فلسفہ کی توجہ بزنس اور فنکشنل لیڈرز کی تیاری پر مرکوز رہی جو ترقیاتی پروجیکٹس کے تقاضوں کے مطابق ہے اور ٹیلنٹ میں زیادہ سے زیادہ اضافے کو یقینی بناتی ہے۔ تدریسی مواد، تجربے سے سیکھنے والے مواقع پر مشتمل ہے جس میں خصوصی پروجیکٹس/ اسائمنٹس، لرننگ حب (Learning HubTM) کے زیر اہتمام باہمی تعاون پر مبنی تدریسی سرگرمیاں اور رسمی تربیتی پروگرامز شامل ہیں۔ لرننگ حب TM کے ذریعہ پورے سال میں کل 1,539 ایام کار (Man-Days) پر مبنی تربیتی پروگرام منعقد کیے گئے جس کی اوسط فی ملازم 4.4/5 ایام کار بنتی ہے۔ مزید برآں، حب سائٹ پر تیکنیکی تربیت کا ایک مرکزی گروپ بھی قائم کیا گیا تاکہ ترقیاتی پروجیکٹس کے لیے درکار مہارتوں کو ترقی دینے اور کاروباری بنیادیں اعانت فراہم کی جا سکے۔

انسانی وسائل کا شعبہ (Human Resource Department) لائن فنکشنز اور ملازمین کے ساتھ مل جل کر کام کرتا ہے تاکہ RFO سے چلنے والے پلانٹس کے لیے کم فیکٹر (low factor) والی صورت حال کے پیش نظر ہر سطح پر اخراجات میں کمی کی حکمت تیار کی جا سکے۔ حبکو (HUBCO) کی کمپنسیشن اسٹریٹجی کا جائزہ لیا گیا اور اسے تنخواہ، اجرت اور فوائد (Salary, Wages & Benefits; SWB) کے مطابق بنایا گیا تاکہ یہ اخراجات، معیار اور ملازمین کو برقرار رکھنے اور ان کی مصروفیت پر سمجھوتا کیے بغیر کاروبار کے لیے با کفایت رہیں۔ علاوہ ازیں، پورے حبکو (HUBCO) گروپ میں سپورٹ فنکشنز پر جامع نظر ثانی کا عمل جاری ہے تاکہ اسے بدلتی ہوئی کاروباری صورت حال میں ادارتی اسٹرکچر اور SWB کے اخراجات کے مطابق بنایا جا سکے۔

گزشتہ سال کی ایمپلائی انگیجمنٹ رپورٹ میں بیان کردہ مسائل کا تفصیلی جائزہ لیا گیا۔ ملازمین کے ساتھ فوکس گروپ بنائے گئے اور اس کے بعد، لائن انتظامیہ کے تعاون سے ایکشن پلان ترتیب دیئے گئے۔ ملازمین کی تجاویز پر کمیٹی برائے آرگنائزیشن اینڈ ایمپلائی ڈیولپمنٹ (COED) سے درکار منظوری حاصل کی اور نئے اقدامات کیے گئے۔ اس کے نتیجے میں گروپ کی سطح ایمپلائی انگیجمنٹ سروے کا اسکور 68 فیصد رہا جو گزشتہ سال کے مقابلے میں 11 نکات پر مشتمل بہتری ہے۔

مستقبل کا منظر نامہ

1,320MW کا کوئلے سے چلنے والا پروجیکٹ – چائنا پاور حب جنریشن کمپنی (پرائیویٹ) لمٹیڈ پاور پرچیز ایگریمنٹ (PPA) کے تحت لازمی ٹیسٹ پاس کرنے کے بعد پروجیکٹ نے کمرشل آپریشنز کے آغاز کے لیے 17 اگست، 2019ء کی تاریخ کا اعلان کیا۔ مؤرخہ 28 دسمبر، 2018ء اور مؤرخہ 28 مئی، 2019ء کو 660MW کے دو یونٹوں نے، بالترتیب نیشنل گرڈ سے ہم آہنگی حاصل کی جبکہ دسمبر، 2018ء میں کوئلے کی کی پہلی شپمنٹ کی آمد سے منسلکہ کول جیٹی (Integrated Coal Jetty) بھی آپریشنل ہوگئی۔

کمپنی نے شیئر ہولڈرز ایگریمنٹ کے تحت اپنا کال آپشن (Call Option) بھی استعمال کرلیا ہے، جس کے باعث، پروجیکٹ کمپنی کے حصص بڑھ کر 47.5 فیصد ہو جائیں گے۔

رحاصل ہونے والی گنجائش پلانٹ کی تاریخ میں سب سے زیادہ تھی۔اس سے قبل، سنہ2017ء میں زیادہ سے زیادہ گنجائش 1,207.67MW حاصل ہوئی تھی۔

نارروال پلانٹ

نارووال پلانٹ نے نیشنل گرڈ کو636GWh(2017-18:1,200GWh) بجلی فراہم کی اور سال کے دوران 34 فیصد لوڈ فیکٹر حاصل کیا (2017-18:64%)۔ زیادہ سے زیادہ عمدہ کارکردگی، حرارتی کارکردگی میں اضافے اور دستیابی کے لیے انتظامیہ مسلسل اور انتھک کوششیں کررہی ہے۔
زیرجائزہ سال کے دوران دستیابی کا فیکٹر 95 فیصد تھا جبکہ لوڈ فیکٹر میں کمی کی بڑی وجہ بجلی کے خریدار ادارے کی جانب سے طلب میں کمی تھی۔

لاریب پلانٹ

لاریب پلانٹ کی اوسط دستیابی99.9فیصد تھی (2016-17:97.87%) تھی جس سے اس کمپلیکس کے آپریشنل بھروسہ کا اظہار ہوتا ہے۔ اس پلانٹ کا نیٹ الیکٹریکل آؤٹ پٹ (Net Electrical Output; NEO) 354GWh تھا (2017-18:381GWh)۔مالی سال2018-19 کے لیے نسبتاً کم پیداوار کی بنیادی وجہ منگلا پلانٹ سے پانی کی محدود مقدار میں دستیابی تھی۔

سالانہ دیکھ بھال اور مرمت کا کام محض 36 دنوں میں مکمل کرلیا گیا جبکہ منصوبہ کے مطابق اس کے لیے38 دن درکار تھے، جس سے مسلسل بہتری اور عمدہ آؤٹیج (outage excellence) کا اظہار ہوتا ہے۔لاریب پلانٹ نے اپنے معاہدے کا چھٹا سال (AY)22 مارچ، 2019 کو مکمل کیا جس کے دوران پاور پرچیز ایگریمنٹ (PPA) میں طے شدہ 470GWh کے ہدف کے مقابلہ میں 470 GWh کے مقابلے میں صرف331GWh بجلی پیدا کی جاسکی۔ چھٹے سال کے دوران بجلی کی پیداوار میں کمی کی بنیادی وجہ منگلا پاور ہاؤس سے پانی کی کم مقدار میں دستیابی تھی۔

چھٹے سال کے دوران، 27 نومبر، 2018ء کو ڈیمانسٹریٹڈ کمپلیکس انرجی ٹیسٹ (DCET) تسلی بخش انداز میں انجام پایا جس کے دوران2,079GWH انرجی پیدا کی گئی جب کہ پاور پرچیزا ایگریمنٹ (PPA) کے تحت مقرر کردہ ہدف 2,016MWh تھا۔

کارکردگی میں اضافے اور بہتری کے لیے پیشگی (PEPI) حل

پیش گوئی کے مطابق حل کی فراہمی کے پروجیکٹ کو، حب پلانٹ پر، آپریشنل کیا جا چکا ہے اور سال 2018-19ء کے دوران اس سے مطلوبہ نتائج حاصل ہوئے ہیں۔ یونٹ نمبر3 اور 4 میں اعلیٰ کارکردگی کے حامل نئے جنرل الیکٹرک (GE) اسٹیم ٹربائن تبدیل کیے جاچکے ہیں۔آزمائش کے دوران ان نئی مشینوں کی کارکردگی نہایت اعلیٰ رہی۔ یونٹ نمبر 4 پر ہیٹ ریٹ میں 3.5 فیصد بہتری حاصل ہوئی جبکہ یونٹ نمبر 3 پر 4 فیصد بہتری حاصل ہوئی۔

مالی کارکردگی

زیرجائزہ سال کے دوران گروپ کی مالی جھلکیاں درج ذیل ہیں:

ملین روپوں میں

انضمام شدہ	سال مختتم 30 جون، 2019ء	30 جون، 2018ء
کاروبار	58,129	99,999
آپریٹنگ لاگت	36,640	81,700
خالص منافع*	11,241	11,057
فی حصص آمدنی (روپے)	9.37	9.23

*ہولڈنگ کمپنی کے مالکان سے منسوب

زیرجائزہ سال کے دوران انضمام شدہ خالص منافع 11,241 ملین روپے حاصل ہوا جس کے باعث فی حصص آمدنی 9.37 روپے رہی جبکہ گزشتہ سال خالص منافع 11,057 ملین روپے تھا اور فی حصص آمدنی 9.23 روپے تھی۔منافع میں اضافہ کی بنیادی وجہ امریکی ڈالر کے مقابلے میں روپے کی قدر میں کمی تھی جس بلند مالی اخراجات میں جزوی طور پر کمی واقع ہوئی۔

ملین روپوں میں

انضمام شدہ	سال مختتم 30 جون، 2019ء	30 جون، 2018ء
کاروبار	36,029	76,676
آپریٹنگ لاگت	24,295	66,873
خالص منافع*	8,037	8,565
فی حصص آمدنی (روپے)	6.70	7.15

زیرجائزہ سال کے دوران کمپنی کا غیرانضمام شدہ خالص منافع 8,037 ملین روپے رہا جس کے باعث فی حصص آمدنی 6.70 روپے رہی جبکہ گزشتہ سال 8,565 ملین روپے کا خالص منافع حاصل ہوا تھا اور فی حصص آمدنی 7.15 روپے تھی۔غیرانضمام شدہ منافع میں کمی کی بنیادی وجہ بلند مالی اخراجات تھے جنھیں جزوی طور پر امریکی ڈالر کے مقابلے میں روپے کی قدر میں کمی اور دیگر انتظامی اخراجات میں کمی کے ذریعے پورا کیا گیا۔

مختلف مدات میں منافع کے تخصیص (appropriations) اور حرکت کو سالانہ رپورٹ کے صفحہ نمبر 104 پر Statement of Changes in Equity میں ظاہر کیا گیا ہے۔

خطرات سے نمٹنے اور انہیں کم کرنیکے لیے حکمت عملی

ایسے تمام خطرات اور بے یقینی کے خاتمہ کے لیے جن کا ہر کاروباری ادارے کو سامنا رہتا ہے، کمپنی دانشمندی اور احتیاط کے اُصول پر عمل پیرا ہے۔ کمپنی تمام طویل المیعاد اور قلیل المیعاد خطرات کی نشاندہی، ان پر قابو پانے اور ان کے خاتمہ پر زور دیتی ہے۔

ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرزنہایت مسرت کے ساتھ،30جون،2019ء کوختم ہونے والے مالی سال کے لیے،کمپنی کی سالانہ رپورٹ مع آڈٹ شدہ مالی گوشوارے پیش کرتے ہیں۔

کمپنی کے بارے میں

حب پاور کمپنی لمٹیڈ(HUBCO)پاکستان میں بجلی پیدا کرنے والی سب سے پہلی ،بڑی اورخودمختار (Independent Power Producer)کمپنی ہے جس کی بجلی پیدا کرنے کی کل صلاحیت2,920MWہے۔بلوچستان کے علاقے حب،موضع کنڈ(Village Kund)میں قائم ہمارا پلانٹ،پاکستان میں انتہائی اعلیٰ کارکردگی کا حامل پلانٹ ہے جوریزیڈول فیول آئل(RFO)سے چلتا ہے اورحرارتی بجلی پیدا کرتا ہےاورنیشنل گرڈکوقابل بھروسہ اورکسی تعطل کے بغیربجلی فراہم کرتا ہے۔ہمارا نارووال پلانٹ بھی ریزیڈول فیول آئل(RFO)سے چلتا ہےاورحرارتی بجلی پیدا کرتا ہے۔فی الحقیقت یہ ایک کمبائنڈ سائیکل پاوراسٹیشن ہےاورپنجاب کے موضع پونگ(Mouza Poong)میں قائم ہے۔کمپنی لاریب انرجی لمٹیڈ میں بھی75فیصد کنٹرولنگ حصص کی مالک ہے۔یہ پلانٹ آزاد جموں وکشمیر میں منگلا ڈیم سے 8 کلومیٹر کے فاصلے پر،نشیب میں،نیو بونگ کی جانب اخراج(New Bong Escape)پر قائم ہے۔ہمارا میسرز چائنا پاورانٹرنیشنل ہولڈنگز(CPIH)کے ساتھ بھی اشتراک ہےجس کے تحت چائنا پاورحب جنریشن کمپنی (پرائیویٹ)لمٹیڈ(CPHGC)قائم کی گئی ہے۔اس کمپنی کی ملکیت میں1,320MWکا کوئلے سے چلنے والا پلانٹ اورکوئلے کی منسلکہ جیٹی(jetty)ہے۔اس پلانٹ نے تجارتی بنیادوں پربجلی کی پیداوارشروع کر دی ہےاور4ملین گھروں کوباکفایت اوربلاتعطل بجلی فراہم کررہا ہے۔

زیرجائزہ سال کے دوران کمپنی نے رائٹ شیئرز جاری کیےاوراس طرح پاکستان اسٹاک ایکسچینج(PSX)سے 7ارب روپے حاصل کیے۔کمپنی نے50روپے فی رائٹ شیئر کے حساب سے140ملین حصص جاری کیے۔ان رائٹ شیئرز کے اجراء کا مقصدحبکو(HUBCO)کے انرجی پورٹ فولیوکومزید مستحکم بنانے کے لیے فنڈز حاصل کرنا اور چائنا پاور حب جنریشن کمپنی (پرائیویٹ) لمٹیڈ (CPHGC) میں اپنے حصص کا تناسب26.0فیصد سے بڑھا کر47.5فیصد کرنا تھا۔

مستقبل میں نئے اقدامات پرعمل درآمد کے لیے کمپنی نے کل ملکیتی ذیلی ادارے قائم کیے ہیں۔ان ذیلی اداروں میں سے حب پاورہولڈنگزلمٹیڈ (HPHL) مستقبل میں پروجیکٹس کی ترقی میں سرمایہ کاری کے لیے قائم کی گئی ہے جب کہ حب پاورسروسزلمٹیڈ(HPSL)کے قیام کا مقصد اندرون ملک اور بیرون ملک کاروباری مواقع تلاش کرنا اور ہمارے موجودہ اثاثوں کا انتظام وانصرام (Operations & Maintenance) کرنا ہے۔حب پاورسروسزلمٹیڈ اس وقت کمپنی کے حب،لاریب اورنارووال پلانٹس چلارہی ہے۔کمپنی کا کل ملکیتی ادارہ نارووال انرجی لمٹیڈ(NEL)225MWکے نارووال پاور پلانٹ کا مالک ہے۔

کمپنی نے تھرانرجی لمٹیڈ(Thar Energy Limited)بھی قائم کی ہےجس کا مقصدتھرکول بلاکII، سندھ میں کان کے دہانے (mine mouth) پر 330MW کا پلانٹ قائم کرنا ہے۔کمپنی نے فوجی فرٹیلائزرکمپنی لمٹیڈ(FFCL)اورCMECٹیل پاورانویسٹمنٹ لمٹیڈ(CMEC Dubai)کے ساتھ شیئرہولڈرزاگریمنٹ پردستخط کیے ہیں جس کے تحت یہ کمپنیاں اس پروجیکٹ میں بالترتیب30فیصداور10 فیصدسرمایہ کاری کریں گی جبکہ حبکو(HUBCO)کے پاس60فیصد حصص ہوں گے۔

کمپنی نے330MWکے تھل نوواپاورتھر(پرائیویٹ)لمٹیڈ(TNPTL)کے اکثریتی حصص بھی حاصل کیے ہیں جوکان کے دھانے پربھورے کوئلے سے چلنے والا(Lighnite-fired)پاور پلانٹ ہے۔یہ بھی تھر انرجی لمٹیڈ کی طرح کا پروجیکٹ ہےجس میں مطابقت کی بہت گنجائش موجود ہے۔

کمپنی سندھ اینگروکول مائننگ کمپنی لمٹیڈ(SECMC)میں بھی8فیصد حصص کی مالک ہے جوخوداس کمپنی، اینگرو،تھل لمٹیڈ،حبیب بینک لمٹیڈ،چائنا مشینری انجنیئر نگ کمپنی(CMEC)اورحکومت پاکستان کامشترکہ پروجیکٹ ہے۔اس پروجیکٹ کا مقصدتھر کے مقام پرکوئلے کی ایک کان کوترقی دینا ہے۔تھرمیں پایا جانے والا کوئلے کا ذخیرہ دنیا میں کوئلے کا ساتواں بڑا ذخیرہ ہے۔مؤرخہ10جولائی،2019ء سے سندھ اینگروکول مائننگ کمپنی لمٹیڈ نے بھی،اپنے پہلے مرحلے میں،تجارتی آپریشنزشروع کردیئے ہیں۔

صحت،تحفظ اورماحول(HSE)

سنہ2018-19ءکے دوران کمپنی نے انسانی محنت(man-hour)کے4.3ملین گھنٹےمکمل کیے۔یہ تینوں آپریشنل پاوراسٹیشنوں کی مجموعی کارکردگی ہے۔اس دوران حادثات کی مجموعی قابل ریکارڈ شرح (Total Recordable Injury Rate;TRIR) 0.05 فیصد رہی۔عملے،پلانٹ،اورمختلف پروسیسز کے تحفظ کی غرض سے کمپنی ڈیوپونٹ سیفٹی مینجمنٹ سسٹم (DuPont Management Safety System)کے نفاذ کے لیے کام کررہی ہے۔ڈیوپونٹ سیفٹی مینجمنٹ سسٹم دنیا کا بہترین سیفٹی مینجمنٹ سسٹم (PSM)ہے۔یہ اقدام نہ صرف صحت،تحفظ اورماحول کے نظام پرمؤثرعمل درآمداورتعمیل یقینی بناتا ہے بلکہ عالمی سطح پراپنے معیارات کوبھی مسلسل بہتر بناتا رہتا ہے۔ہماری تینوں آپریشنل سائٹس پرڈیوپونٹ سسٹم پرعمل درآمداورتربیتی پروگراموں پرعمل جاری ہےجس کا حالیہ اسٹیٹس جاننے کے لیے آڈٹ بھی کیا جارہا ہے۔

آپریشنل جھلکیاں

زیرجائزہ سال کے دوران تینوں پلانٹس کی آپریشنل جھلکیاں درج ذیل ہیں:

حب پلانٹ

حب پاور پلانٹ نے نیشنل گرڈ کو قابل بھروسہ اور بلاتعطل بجلی فراہم کی۔سال کے دوران پلانٹ نے 827GWhبجلی پیدا کی(2017-18: 5,201GWh)جس کا لوڈ فیکٹر7.8%(2017-18: 48%) تھا۔لوڈ فیکٹر میں کمی کی بڑی وجہ بجلی کے خریدارادارے کی جانب سے بجلی کی طلب میں کمی تھی۔حب کمپلیکس نے 29 دسمبر، 2018 کو ہونے والے'کمپلیکس ڈیپنڈ ایبل کپیسٹی (Complex Dependable Capacity)ٹیسٹ کامیابی سے پاس کیا۔اوسطاً مسلسل چھ گھنٹے کام کرنے پرنیٹ کمپلیکس کپیسٹی (net complex capacity) 1,208MWرہی۔ ٹیسٹ نہایت کامیاب رہااو

BOARD AUDIT
COMMITTEE'S REPORT

Role of the Committee

Based on applicable laws, Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Terms of Reference of the Committee, the BAC deals primarily with questions of accounting and financial reporting. Other responsibilities include:

- Monitor the integrity of the financial statements
- Review the effectiveness of risk management, compliance management and internal control systems and provide assurance to the Board
- Monitor and review the effectiveness of the internal audit function
- Manage the appointment, independence, effectiveness and remuneration of the external auditor
- Approve the remuneration and terms of engagement of the external auditor and make recommendations to the Board regarding their re-appointment

Composition of the Committee

BAC comprises of five directors and all of them are non-executives. Four of the BAC members including the Chairman are independent directors. All members have knowledge of finance and accounting.

Reporting to the Board

Key issues discussed by the Committee are reported to the Board by Chairman BAC after each scheduled meeting, thus ensuring any significant matters are considered and addressed appropriately.

Principal Matters Considered During the Year

The principal matters reviewed and considered were as follows:

- Tax cases update
- Legal cases update
- Internal audit reports and proposed 2020 plan
- Irregularities filed during the year
- Outstanding audit observations and updated response from line management
- Update and way forward for WPPF
- Adoption of IFRS-9 effective from current year

Where matters relate to the financial statements, the Committee reviews the approach, the estimates and judgments applied, the recommendations of management and the findings of the external auditors, where applicable. Further, the Committee also reviewed half yearly and quarterly financial information of the Company, prior to their approval by the Board of Directors.

Frequency of Meetings

The BAC met six times during the year. The heads of departments were also present for the appropriate items of the agenda, as and when required. The Committee also at least once in the year met with:

- The external auditors in absence of the CFO and Head of Internal Audit; and
- The Head of Internal Audit and other members of internal audit function without the CFO and external auditors being present.

Internal Auditors

The Head of Internal Audit attends all Committee meetings during which his reports are considered and discussed in detail. The Head of Internal Audit has direct access to the Chairman BAC and the Committee has ensured that the function has all necessary access to management and the right to seek information and explanations. The Internal Audit function has carried out its duties under the Charter approved by BAC.

The Audit Committee monitored the effectiveness of the Internal Audit function through discussions with the Head of Internal Audit along with review of matters arising from the Internal Audit reports. Audit findings along with agreed management actions were reported to the Committee, thus enabling progress to be monitored and any trends to be identified. These findings were carefully considered by the Committee, with management given direction to ensure the necessary steps were taken to mitigate any issues. Reports on the work carried out by Internal Audit were delivered to the Committee throughout the course of the year. Accordingly, as and when necessary the Committee escalated matters to the Board for their review and action.

Internal Audit continued to assist in the assessment of allegations raised from the confidential Speak Up line and triaging them to the appropriate teams for investigation.

External Auditors

A. F. Ferguson & Co, Chartered Accountants were appointed as external auditor following completion of a formal tender process in 2018. The Company was satisfied with PwC's work, its independence, and its objectivity, and therefore recommended the re-appointment of PwC (which has indicated its willingness to continue in office) as the Company's external auditor for 2020 for Shareholders' approval at the 2019 AGM.

The Committee considers the effectiveness of the external auditor on an ongoing basis, considering its independence, expertise, performance, culture, and objectivity. Through its own observations, as well as the interactions with executive management throughout the year, the Committee remains satisfied with the independence and objectivity of the external auditor and the effectiveness of the audit process. In making this assessment, the Committee gave due consideration to the information and content of reports and the advice provided, the execution of the audit plan, and the robustness of PwC's understanding and challenge to management on key accounting matters.

The Committee has a constructive and open relationship with the management and we thank them for their assistance during the year.

Manzoor Ahmed
Chairman, Board Audit Committee

Karachi, September 11, 2019

A·F·FERGUSON&Co.

INDEPENDENT AUDITOR'S **REVIEW REPORT**

To the members of The Hub Power Company Limited

Review report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of The Hub Power Company Limited (the Company) for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

A. F. Ferguson & Co
Chartered Accountants

Place: Karachi
Date: Spetember 4, 2019

A.F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State life Building. No. 1-C, 1.1. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
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STATEMENT OF **COMPLIANCE**

with Listed Companies (Code of Corporate Governance) Regulations, 2017

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are eleven (n) as per the following:
   - Male: Ten (10)
   - Female: One (1)
2. The composition of Board is as follows:

Category	Name
Non-executive Directors	Mr. M. Habibullah Khan (Chairman) Ms. Aleeya Khan Mr. Aly Khan Mr. Eiaz Sanjrani
Independent Directors	Mr. Javed Akbar Dr. Nadeem Inayat Mr. Manzoor Ahmed Mr. Owais Shahid Mr. Muhammad Ali Mr. Saad Iqbal
Executive Director	Mr. Khalid Mansoor (Chief Executive Officer - CEO)

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries oflisted holding companies where applicable) excluding Mr. Manzoor Ahmed who holds directorship in more than five listed companies. However, SECP has given dispensation in this regard.

4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

5. The Board has developed a vision/mission statement, 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.

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and these Regulations.

7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.

8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board remained fully complaint with the provision with regard to their directors' training program. Out of eleven directors, one (1) director is exempt from training program as mentioned in regulation no 20, sub-regulation 2 of the Regulations. More than 50% of the directors on the Board have attended the Directors' Training program in prior years.

10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and onditions of employment and complied with relevant requirements of the Regulations.

11. CEO and CFO duly endorsed the financial statements before approval of the Board.

12. The Board has formed committees comprising of members given below:

Board Audit Committee	Board Compensation Committee
Manzoor Ahmed (Chairman)	Javed Akbar (Chairman)
Dr. Nadeem Inayat Aly Khan Owais Shahid Saad Iqbal	Manzoor Ahmed Muhammad Ali Aleeya Khan Alv Khan

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings of the committee were as per following:

    a) Board Audit Committee: Six meetings have been convened during the financial year ended June 30,2019.

    b) Board Compensation Committee: Two meetings have been convened during the financial year ended June 30, 2019.

15. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board 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 the ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

18. We confirm that all other requirements of the Regulations have been complied with.

M. HABIBULLAH KHAN
Chairman

Karachi
Date: September 12, 2019

AWARDS & **ACHIEVEMENTS**

Following its core-value of winning, Hubco has a strong tradition of excelling in all aspects of its businesses. Our achievements demonstrate the values that make us a successful Company and a strong corporate citizen.

Corporate Excellence Award by MAP

During the year, Hubco won the Corporate Excellence Award conferred by Management Association of Pakistan (MAP). The award recognized and honored the Hubco's outstanding performance and demonstrating progress and enlightened management practices. This year 200 public and private companies contested the award and were assessed on their management practices, operations, policies and best practices in the areas of Corporate Governance, Strategic Planning, Human Resource Management and Information Technology and Communication. Chief Guest Dr. Abdul Bari Khan, Chief Executive Indus Health Network awarded Hubco as the Top Company in the Power Generation and Distribution Sector.

Thar Energy Limited showcased at Asset Asian Award 2019

During the year, our Thar Energy Limited project has been showcased as Power Deal of the Year at Asset Asian Award 2019 where HBL, one of the main financier of the project, received the award for its financing in the Thar Energy Limited project. The Asset awards are Asia's preeminent recognition for those that have excelled in their respective industries.

world hydropower congress

Laraib Energy Limited featured at World Hydro Power Congress

Our hydro project in Azad Jammu and Kashmir and first hydro-IPP of Pakistan, Laraib Energy Limited (LEL), was selected as a case-study for the preparation of guidance note by World Bank and presented at the 7th World Hydropower Congress held recently in Paris. World Hydropower Congress brings together industry, government, finance, civil society and academia to set priorities for the future of the sector. The theme for this year's World Congress was 'The Power of Water in a Sustainable, Interconnected World'

The Company's Headoffice is awarded with Green Office Certification by WWF – Pakistan. WWF Green Office is a practical environmental management system for offices which helps to reduce the ecological footprint and greenhouse gas emissions of offices.

CALENDAR OF **CORPORATE EVENTS**

Tentative Dates for the Financial Year 2019-20

Board Approval of Financial Statement for First Quarter ended September 30, 2019	**Last week October, 2019**
Board Approval of Financial Statement for Second Quarter ended December 31, 2019	**Third week of February, 2020**
Board Approval of Financial Statement for Third Quarter ended March 31, 2020	**Fourth week of April, 2020**
Board Approval of Financial Statement for Fourth Quarter and year ended June 30, 2020	**Third week of August, 2020**

Actual dates for the Financial Year 2018-19

Board Approval of Financial Statement for First Quarter ended September 30, 2018	**October 26, 2018**
Board Approval of Financial Statement for Second Quarter ended December 31, 2018	**February 21, 2019**
Board Approval of Financial Statement for Third Quarter ended March 31, 2019	**April 30, 2019**
Board Approval of Financial Statement for Fourth Quarter and year ended June 30, 2019	**September 12, 2019**

CALENDAR OF **MAJOR EVENTS**

01, 2019
April

Board approved to Issue 12 Right Shares for every 100 Shares held i.e 12% Premium of Rs 40 per Share.

SOCIAL VALUES

CORPORATE SOCIAL **RESPONSIBILITY**

Sustainable development is one of the main aims of responsible corporate citizenship to bring a positive impact on the society and is a crucial aspect of businesses all over the globe. Hubco's core values foster a culture of improving and empowering lives of every Pakistani at large and specially the local communities around our plants. Our CSR program strives to provide quality education and health facilities around our plants. The Company has also been a frontline player in developing infrastructure and livelihood for the local populace.

Our goal is to put together initiatives that can lead the social development of the communities of Hub, Gidani and Lasbella in Balochistan, Narowal in Punjab and Mirpur in Azad Jammu and Kashmir. In doing so, Hubco engages with the local community and partners with top-of-the-line development organization such as The Citizens Foundation, Indus Hospital, Al-Baseer Foundation, WWF and various Government departments to launch, operate and sustain the development initiatives. The Company reserves one-percent of its profit after tax for its CSR initiatives.

Health

This year, Hubco has established three health centers in three surrounding villages of Hub which are managed by Lady Health Visitors (LHV). The Company has also donated a mobile medical unit which provides free medical services to twenty-five distant villages near Kund and Gadani.

As a regular feature of its health program, Hubco organizes various general medical and special care camps in the Districts of Hub and Lasbela. Hubco collaborates with Al-Baseer Eye Hospital to set up annual Eye Camps at Jam Ghulam Qadir Hospital where team of specialized doctors and technicians from Al-Baseer Eye Hospital attend to the patients. This year's eye camp treated one-thousand and twenty-five OPD patients and performed eighty-nine surgeries. Around five-hundred free eye-glasses and medicines were distributed amongst patients from the local villages.

Furthermore, the Company in association with Al-Baseer Eye Hospital also facilitates children and youth of the local community by providing free eye screening in schools every year. The local students are also provided with free medicines and glasses. Students with serious eyes infections are referred with their attendants to Al-Baseer Eye Hospital in Karachi for necessary free treatment.

Hubco maintains its position of assisting the surrounding communities and the Balochistan province at large, in times of health, medical and natural emergencies. This year Hubco provided free lifesaving drugs and medicines to hospitals in Mastung and Quetta after the bomb blasts in Mastung.

Similarly, Narowal Energy Limited (NEL) is ensuring swift operations of Basic Health Units under the committee formed by the area residents. Providing quality medical facilities at the BH, NEL is providing all the operational expenses of the unit and including free medicines. The health unit is visited by approximately thirty-five patients daily.

Moreover, Laraib Energy Limited (LEL) organized health awareness sessions in three local community girl's schools to educate them about various issues regarding personal hygiene and care.

Education

Hubco has an enduring commitment for providing standard education to the communities around its plants. The Company has garnered a long relationship with the local communities around its plants and The Citizen Foundation for spreading the light of education and hope for a better future for the generations to come.

Hubco now operates six primary and one secondary school in the Hub and Lasbella District including three recently adopted government schools. These schools impart quality education to over 1500 children from the local villages. All students are provided free school bags, uniforms, shoes, books and stationary. The students are also provided with free transportation from their respective villages. A Reverse Osmosis (RO) treatment plant was installed by Hubco at the Main School Campus to ensure the provision of safe drinking water for students.

Continuing its tradition of supporting the local Government Schools, the Company distributed more than two thousand school bags this year to eighteen local government schools of Hub & Lasbella and Gadani Districts.

Narowal Energy Limited (NEL) significantly increasing its footprint in the education sector has funded around PKR Twenty million for the construction of a new TCF NEL campus at Arod Afghana Village in Narowal. The two acre land worth PKR three million is handed over to TCF which will run the operations of the school. The construction will be spread over three phases; in phase one primary school will be operational by April 2020 followed by the second primary campus. The operation cost of the school is estimated to be around PKR 2.8 million. NEL will also provide quality uniforms and books to all the students of the school. The Company also distributed six hundred and fifty bags for the students of local government schools.

Committed to the education and skill development in the Mirpur District of Azad Jammu and Kashmir, Laraib Energy Ltd. upgraded the IT lab of Afzalpur Degree College for Women by providing twenty computers and one multimedia projector. Moreover, two Community schools were provided with two hundred and twenty-five chairs for their classrooms. LEL also conducted the campaign for Traffic Safety Awareness in three community schools.

LEL CSR team also supervised renovation of existing infrastructure in the Mirpur District including construction and repairing of school walls, roofs, replacement of windows and door glasses and plastering of walls.

University Level Scholarships And Sponsorships

Hubco places special emphasis for the education of Women in Balochistan. The Company regularly funds scholarships of thirty female students of Sardar Bahadur Khan Women University (SBKWU) in Quetta. The scholarship covers semester fee, stipend and hostel charges of the students.

Hubco also signed an MoU with Ihsan Trust, a subsidiary of Meezan Bank, under which ten students of Lasbela University of Agriculture, Water and Marine Sciences would be provided Qarz-e-Hasna Loans every year.

Laraib Energy Ltd. is in process of awarding scholarships to fourteen deserving students of MUST (Mirpur University of Science and Technology). Moreover, prizes have been awarded to the students of three different community schools for outstanding performance in their annual exams. The Company also sponsored two Seminars organized by Environment Protection Agency (EPA) on the topics of 'HSE awareness of local industry workers' and 'Climate change impact on economy and environment'.

Apprenticeship Training Scheme

Hubco believes that skill development is not only necessary for social welfare but also fundamental to the economic development of Pakistan. Enhanced industrial productivity depends on how effectively we train our people and for this the Company runs a regular apprenticeship training program at its flagship plant in Hub, Balochistan.

The program covers a wide range of expenses including boarding and lodging, on-site housing and transportation along with monthly stipend to cover their miscellaneous expenses. The apprentices receive training in various technical disciplines like electrical, mechanical, instrumentation, plant operations, heating, ventilation and air conditioning (HVAC) and social skills.

The apprenticeship program has trained and developed hundred and eighty graduates from local community up till June 2019. All the alumnus of our apprenticeship program have been successfully employed in different countries with 86% working in the industrial sector in Pakistan and Middle East (14% in Middle East/GCC countries; 29% in other industries including government organizations; 43% are working at Hub Plant either directly or with various services contractors).

Infrastructure

Hubco is committed to improving the living standards of the communities around its plants and strives to provide them with basic amenities of life in the villages of Hub, Narowal and Mirpur (AJK).

The Company facilitates basic infrastructure in the local communities through various contributions such as installment of a 9 KW solar system at Jam Ghulam Qadir Hospital at Hub to provide continuous power supply to its OPD, operation theatre and laboratory. Alongside this, Hubco also provides the hospital with an uninterrupted water supply.

In order to take care of the scarcity of clean drinking water in the villages of Hub and Lasbella, Hubco supplies clean

water to three neighboring villages of Hub Plant with 38,500 gallons daily. The contract is awarded to the local contractor and district management including Deputy Commissioner and area Tehsildar are assigned to ensure proper distribution and smooth service. Hubco also organized a plantation drive this year in which 700 plants were planted at five TCF campuses and 300 plants were donated to the Balochistan's Environmental Protection Agency.

Ensuring safe travelling facilities in the local area, the Narowal Energy Limited repaired the main road that leads to Narowal plant.

Laraib Energy Limited (LEL) remained committed to develop basic infrastructure of the local villages of Mirpur, Azad Jammu and Kashmir (AJK) by providing clean drinking water to the local community. Pursuing this cause, the Company has constructed multiple water filtration plants in the local villages. This year, the plant was constructed in the Lehri village adjacent to LEL Plant. The Company also repaired the incinerator installed in Divisional Hospital, Mirpur (AJK).

Livelihood

The Company's vision of Fueling lives through Energy is followed through on several levels of business operations one of which is to ensure the growth of the economy through employment creation, especially of the localities in which the Hubco's plants are situated. Hence, the Company's business partners and contractors are encouraged to hire local population. In line with this aim, the Company runs various successful programs to help improve the skills of the workers in those areas.

To enhance skill development of the local Baloch youth, the Company and its joint-venture partner China Power Hub Generation Company selected and sent a batch of Engineers and Technical Training Diploma holders to attend vocational training program in China in the coal power technology.

The program included extensive learning about thermal equipment, coal power plants and safety techniques. The trainees also engaged in the Chinese cultural games, competitions and several other entertaining activities. On return to Pakistan, the batch has been inducted at the CPHGC Plant, Hub.

Hubco and CPHGC also facilitated 30 students from District Lasbela for skill development training at Hunar Foundation's Rashidabad Campus. Around twenty-seven graduates are now working with different contractors at CPHGC after successful completion of training.

The Laraib Energy Limited is also engaged in imparting vocational training and sponsoring of a six-month plumbing and electrician training course approved by TEVTA at Mirpur Institute of Technology. Currently, twenty local youth are under training at the institute.

Rahnuma Employee Volunteers

As a part of its core-values, the Company launched Rahnuma, its employee volunteer program. Under this initiative employees planted 5000 mangrove trees at WWF Wetlands Center, Karachi and distributed Iftar during the Ramadan at all its sites.

Community Projects (Narowal)

Various community projects were carried out by Narowal Energy Ltd including maintenance work at village Anaerobic Baffled Reactor (ABR) in Waste Water Treatment Plant donated by Hubco. In the Holy Month of Ramadan, NEL conducted an Iftar drive in which iftar boxes were distributed to the needy individuals at different hospitals. Currently, a plantation drive is in progress in Narowal under which 3,700 plants were donated to the local community and government departments.

Recreation (LEL)

To promote sports activities, Laraib Energy Limited sponsored Mirpur District Zonal championship in which thirty-four club teams of district Mirpur and Bhimber participated. Additionally, a recreational park located in Mirpur has been renovated by LEL including installation of new benches, plantation of new trees, curation of grass and renovation of play-areas. LEL has also developed a fruit orchard near village Lehri in coordination with the local administration.

Other Donations (LEL)

Laraib Energy Limited conducted community awareness campaign to educate the local villagers about the preventive measures required during the flash-flood situations. The campaign covered eleven downstream villages comprising a total population of approximately eighteen to twenty thousand people who reside on the banks of the Jhelum river, within the reach of spillway-releases from Mangla Dam.

Health, Safety & Environment (HSE)

Hubco is committed to protecting the health, safety, and welfare of not only our employees but also others who may be affected by our business and the environment in which we operate. Hubco understands the responsibility it bears in this regard. This means we ensure that all stakeholders are protected from direct harm due to our operations and that we effectively mitigate any risk of injury or health that could arise at the workplace.

Hubco places special emphasis on HSE and all our sites strive to ensure strict compliance of our HSE policies. During the year 2018-19, Company completed 4,380,449 man-hours across it 3 operational power stations. The Total Recordable Injury Rate (TRIR) of the Company remained 0.05.

Workplace Safety

Hubco regularly trains and equips its employees on workplace safety and health issues at all sites. The employees are informed about best HSE practices through regular internal communication channels such as regular staff safety meetings, transformation forums, electronic display units and internal safety workshops and trainings. Each employee is also trained to follow site safety rules and to exercise caution in all work activities. We regularly conduct risk assessments that address all hazards that may cause harm at the workplace. We train all our employees about the risks in the workplace and how to deal with those risks. Effective Management Safety Audits and Tool Box Talks are regularly carried out at all our sites to ensure a proactive approach towards HSE.

DuPont Process Safety Management (PSM) System

To ensure the safety of personnel, plant and processes, the Company is undergoing implementation of DuPont Safety Management System – one of the world's best process safety management (PSM) systems. The initiative is a testament to our commitment to not only ensure effective implementation of and compliance to the HSE systems but also continually improve it to world class level. DuPont implementation is in progress at our three operational sites. Audits are being carried out to assess status of implementation and staff is being trained on DuPont PSM.

Reduction in Carbon Footprint

Hubco is an environmentally responsible company and is aware of it obligation towards minimizing impact of its operations on the environment. Our 84 MW New Bong Escape Hydropower Project, Laraib Energy (LEL), is registered under Clean Development Mechanism (CDM) project under the United Nations Framework Convention on Climate Change (UNFCCC) and the Company continues to ensure compliance to ESMP (Environment & Social Management Plan). As an environment conscious organization, the Company strictly conforms to National Environmental Quality Standards (NEQS) with regards to Air Emissions from our all our sites.

Waste Water Effluent and Air Emissions Management

Waste water effluent from our sites strictly conforms to National Environmental Quality Standards (NEQS). We regularly report our effluent and emission results to Provincial Governments on Self-Monitoring and Reporting Technique (SMART).

Green Office Certification

Environment sustainability is not limited to our operations, but all our facilities are in constant pursuance of this objective. A reflection of our success is that Hubco Head Office was certified as Green Office by World Wildlife Federation (WWF). For achieving and maintaining this globally renowned certificate our HSE team inspected and scrutinized three indicators during the year: paper, energy and waste.

This inspection also gave us a baseline for further reduction during the upcoming year and achieve our targets. Further weaving sustainability in our culture, the Company regularly distributes environment conscious souvenirs like Jade Plants and solar-lights to each employee . Other measures include installation of duplex printers to save paper, replacement of conventional bulbs with LEDs, installation of motion sensors to switch lights on and off, using films on glass windows to check ingress of sunlight reducing indoor ambient temperature and installation of water-saving faucets in the washrooms.

HSE Initiatives for the New Coal Projects

Our 2 x 660 MW Coal-based Power Plant and the associated jetty received NOC from Balochistan Environment Protection Agency. Similarly, our 330 MW Coal Project based in Thar, had its Environment and Social Impact Assessment (ESIA) study conducted by Haigler Bailly, following which it received the NOC from Sindh Environment Protection Agency.

Some Highlights from our Power Stations

Hub

- Completed 2.84 million safe man-hours since last lost work injury.
- Station achieved TRIR of .05 against the target of .17
- The turbine replacements on units 4 and 3 under PEPI project were completed without any injury.
- Process safety training session for engineers and supervisory staff were conducted at site.
- 2 sessions of IOSH Managing Safely were conducted
- Safe Contractor award were given to outage contractors with best safety performance.

LEL

- Complete 3 million safe man-hours since last lost work injury with awards distribution to staff.
- Station achieved TRIR of 0.0 against the target of 0.46.
- A housekeeping competition was carried out at the station.
- HSE awareness and motivational event was arranged to acknowledge the efforts of the team.
- A station-side Safety Week was organized with various activities.

NEL

- Complete 1 million safe man-hours since last lost work injury with awards distribution to staff.
- Station achieved TRIR of 00 against the target of 0.35.
- 1200 plus hours of on job and HSE trainings were carried out.
- A training program for all staff on 22 elements of DuPont PSM was carried out.

- As HSE promotional program, Children Colouring and Exercise books along with other Safety souvenirs for the employees were distributed

TEL and ThalNova

- Completed 1.7 million man-hours without a lost workday injury at TEL construction Site.
- Environment, and Social Impact Assessment (ESIA) study for TEL & ThalNova have been conducted and NOC received from Sindh Environment Protection Agency (SEPA).
- Applicable requirements of DuPont PSMs are being implement during construction phase of the project.
- Tree plantation drives were organized twice in the year
- The HSE & Environment weeks were celebrated to promote the awareness level of workers towards HSE.
- HSE Training were held on weekly basis with own and contractor employees on Construction related topics. A total of 10, 000 hours have been spent on training sessions.

Key Stats of Operational Power Stations

Parameter	Hub	NEL	LEL	Overall
TRIR	0.05	0	0	0.05
Target TRIR	0.17	.35	.46	
Total Man-hours 2018-19	3,784,449	596,000	432,153	4,380,449
Recordable injuries	01	0	0	01

HUMAN RESOURCES

We have a strong commitment towards our people, which is demonstrated through our progressive employee practices. We recruit, develop and reward people according to a strategy that aims to enable them to successfully deliver on the organizational vision and to sustain business performance over the long term. We accelerate development of our people; strengthen our leadership capabilities; and enhance employee performance through intensive engagement. Our aspiration is to be an employer of choice in the Energy sector, and to build the capability of our people to sustain the base business and support our growth projects.

Employee Engagement

Strong employee engagement is especially important in maintaining robust business delivery in times of change. The annual Employee Engagement Survey is one of the key indicators used to measure employees' engagement, motivation, affiliation and commitment to Hubco. Employee Engagement Survey 2018 was successfully completed in a timely manner for Hubco Corp. and all its subsidiaries with a 99% response rate. In order to enhance employee engagement, a comprehensive analysis for the diagnostic report of last year's results was conducted. To further probe and acquire key insights, focus groups were conducted with the employees and subsequently Action Plans were developed by HR in conjunction with Line and accordingly initiatives were rolled out. The Group-level Employee Engagement score observed 19 percent improvement as compared to last year.

Potential Assessment & Leadership Development

Hubco believes that, an effective succession pipeline is critical to realize the vision of the organization. In this context a comprehensive Potential Assessment framework was developed based on the globally renowned model of Work of Leaders™. A detailed Potential Assessment exercise was conducted across the Group to identify the right talent and a Succession Plan was strategized for key leadership positions. A robust development plan will prepare the succession pipeline to effectively take on future leadership roles.

Vision & Values

As our business takes the stride of transformation, our vision and values provide us with a fixed point of reference and shape the tone of how we work. They redirect our people's spirit of purpose and provide them with the guiding principles to successfully achieve the organizational vision. This year, Hubco's Leadership Team came together to build a strong narrative to communicate the powerful Vision 2025

and elaborate the expectations from employees, thereby further embedding the Vision & Values into the DNA of the organization. The campaign was enthusiastically received by employees at all locations. Currently our Values are being incorporated in HR processes to further align and strengthen our existing systems.

Learning & Development

Hubco's learning and development philosophy focuses on developing business & functional leaders to ensure optimum talent density in the organization. The learning mix consisted of experiential learning opportunities including special projects/assignments, collaborative learning initiatives under Learning Hub and formal training platforms. Moreover, a centralized group for technical trainings was established at Hub Site for supporting the base business and developing skills required for growth projects. Subsequently, a Capability Development Plan was finalized to ensure trained manpower is developed as per growth projects' requirements. Furthermore, Hubco's flagship Internal Faculty programs of Situational Leadership II and Project Management were conducted across multiple sites. A total of 1,539 man-days of training were conducted across all Sites and Head Offices, under social and formal learning platforms during the year. This has proved to be of great value in terms of knowledge transfer and cost optimization. The average rating for these trainings was 4.4/5.

Cost Optimization & Organizational Restructuring

Considering the evolving power sector dynamics and low load factor scenario, Hubco's Compensation Strategy was reviewed and aligned to ensure SWB cost remains within business affordability without compromising on quality, retention & engagement of employees. Moreover, a comprehensive exercise was carried out for organizational restructuring in the plant management teams to align the organizational structure and SWB cost with the evolving business situation and the same is in process for support functions.

CORPORATE **GOVERNANCE**

Issues Raised At Last Agm

The 27th Annual General Meeting of the Company was held on October 5, 2018. The meeting included business matters (both ordinary and special) and general clarifications on the Company's published financial statements which were duly sought by the shareholders.

Stakeholders' Engagement

The Company upholds the loyalty and positive perception of its stakeholders and engages with its stakeholders through transparent and continued relationships. The Company also safeguards fair dealings with banks and lenders, improved risk management, compliance with laws and regulations, enhanced corporate recognition, improved commitment and participation of valued and competent human resource and places great emphasis on building excellent image in front of public at large.

Frequency Of Engagements

The occurrence of engagements is based on business and corporate requirements as specified by the Code of Corporate Governance, contractual obligations or on requirement basis, with the following stakeholders:

- Investors / Shareholders
- WAPDA and Suppliers
- Banks and other lenders
- Media
- Regulators
- Employees
- Local community and General Public

Code Of Business Ethics

As we strive to improve our performance in a fast-changing, competitive world, we endeavor to always remain true to our Code of Business Ethics. They are a bedrock of our success, in tough times and good times, governing how the Company conducts its affairs. The code of ethics describes the behavior Hubco expects of its employees and what our employees can expect from the Company.

The code is more than a set of rules. It underlines the core principles that the Company expects it employees to live by, such as honesty, integrity and respect for people. The conduct of employees is evaluated on how our employees continue to live by these core principles both in intention and spirit.

The key task for every employee of the Company is to ensure sustainability and reliability of our business, strengthening the relationship with the customer and building on the Company's image of a good corporate citizen. We ensure that we maintain a stellar reputation amongst our shareholders, customers, the Government and suppliers alike – as a Company that observes the highest standards of personal and corporate integrity.
Company's Code of Business Ethics sets out the minimum standards expected of the entire team. This ensures that the Company maintains good reputation by dealing and being seen to deal with all our business contacts in a professional and acceptable way. Unethical practices of any sort are not allowed to find their way into the business.
We believe that employees have a duty to themselves and to the Company to raise any matters of business conduct or ethics which causes concern. Employees are not allowed to commit an illegal or unethical act, nor instruct and or encourage another employee to do so. The known laws and regulations of the country should always be followed.

Business Ethics followed by the Company help to protect both the employees and the Company from unfounded accusations of deception and fraud and ensures that where corruption and fraud have or might have taken place, it is properly investigated and dealt with in a timely manner.

As a general rule, we treat our employees as Company's ambassadors to all our stakeholders and, therefore, employees are expected to promote the Company's best interests whilst maintaining the highest standards of personal integrity and business practice in all their dealings.

Employees must at all times act in the interest of the Company's shareholders and must abide by the Company's stated standards of environmental, safety and management practices. The application of these principles is underpinned by a comprehensive set of assurance procedures, which are designed to make sure that our employees understand the principles and confirm that they act in accordance with them. We believe that the code of business ethics has been fundamental in the manner we have conducted our business and ourselves with respect to the environment in which we operate and living by them remains crucial to our continued success.

Anti-Corruption Measures

The Company severely rejects corrupt business practices and does not give or receive bribes in any manner, shape or form in order to retain or bestow business or financial advantages. All employees of the Company are directed that any demand for or offer of such bribe must be immediately rejected and reported to the management.

Business Continuity Planning

Despite our rapid expansion and the complexity of risk that it accompanies, Hubco endures rigorous crisis management planning for all its plants and site facilities. Our BCP ensures endurance of our business operations in face of a natural calamity or an incident.

Our action plan formulated in advance with the aim to prevent the stoppage of important and crucial Company operations or restore and restart them in as little time as possible. To mitigate the risks associated with such an event or occurrence we have formulated BCPs for different types of crisis such as natural disasters, plant breakdown, political problems, etc.

Hubco is fully equipped to immediately initiate its BCP protocols based on these categories and work to ensure the continuity of its operations.

Ceo's Performance Review

The CEO was re-appointed by the Board of Directors for a term of three years from October 15, 2018. Each year, the Board reviews the performance of the CEO against pre-determined operational and strategic goals. CEO is to manage the Company, implement strategic decisions and policies of the Board and align the Company's direction with the vision and objectives set by the Board.

Role Of Chairman

The Chairman's primary role is to ensure that the Board is effective in its tasks of setting and implementing the Company's vision and strategy.

The Chairman of the Board ensures effective operations of the Board and its committees in conformity with the highest standards of corporate governance and ensures that all Board committees are properly established, composed and operated. He is also responsible for setting the agenda, style and tone of the Board discussions to promote constructive debate and effective decision-making.
The Chairman also plays an integral role in promoting effective relationships and communications between nonexecutive directors.

Role Of Chief Executive

The Company is run by its Board of Directors and its affairs are managed on a day to day basis by the Chief Executive under the direction and control of the Board.

In performing his task, the Chief Executive is required to protect and improve the shareholders' value and the long-term health of the Company.

The Chief Executive is responsible for implementing the Company's long and short-term plans. He acts as a direct liaison between the Board and management of the Company and communicates to the Board on behalf of management and is also the focal point for the liaison with Government offices and their agencies, press environmental and other interest groups.

Speak Up Policy

The Company believes in the conduct of the affairs of its constituents in a fair and transparent manner by adopting the highest standards of professionalism, honesty, integrity and ethical behavior. This has always been our core strength and is reinforced through voluntary reporting of irregularities and implementation of ethics related policies.
The Company is committed to developing a culture where it is safe for all employees, customers and vendors to raise concerns about any poor or unacceptable practice and any event of misconduct.

The purpose of our Speak Up Policy is to provide a framework to promote a responsible and secure manner to speak up. It protects employees, customers and vendors wishing to raise any concern they have regarding business ethics, safety, environmental performance, harassment and other possible breaches of compliance. The policy neither releases employees from their duty of confidentiality in the course of their work, nor is it a route for taking up a grievance about a personal situation.

IT Policy

Our IT policy outlines the responsibilities of all the users at the Company. The policy safeguards the information security when it is stored and transmitted and guards the data from unauthorized or accidental modification or destruction, and disclosure. The purpose of our IT Governance Policy is also to guarantee the continuity of IT operations and electronic communication. Under this policy, the Company keeps the IT infrastructure abreast with relevant updates and system upgrades and enhances the system security to minimize risk of malicious attacks. The policy also provides an outline for effective and efficient data and infrastructure backup system as part of Disaster Recovery Management.

HR Policy And Succession Planning

Our HR policy is designed to develop a performance culture based on excellence, providing association between an employee's performance and company's goals. The policy also provides for our desired organizational culture. The Company has formed a vigorous Succession Plan for the positions of CEO, CEO Direct Reports and Business Critical Roles, in order to ensure the continued business excellence.

The plan is approved & managed by the Board Compensation Committee (BCC) whereby the successors are categorized into the following categories:

- Immediate: Candidates ready to take the leadership positions;
- Medium Term: Candidates ready in 1 to 2 Years; and
- Long Term: Candidates ready in 3 to 5 years.

FINANCIAL PERFORMANCE

FINANCIAL **RATIOS**

		2019	2018	2017	2016	2015	2014
Profitability Ratios							
Gross Profit margin	%	32.57	12.78	11.86	17.11	10.94	7.25
Net Profit margin	%	22.31	11.17	10.50	13.40	7.49	4.05
Operating cost to turnover	%	67.43	87.22	88.14	82.89	89.06	92.75
Fuel cost to turnover	%	49.91	79.22	89.24	73.27	81.97	86.60
EBITDA Margin to Sales	%	42.15	16.91	15.41	20.47	13.16	8.57
Operating Leverage Ratio	Times	(0.38)	(3.39)	3.46	(0.06)	(1.63)	12.28
Return on Equity	%	30.86	43.57	35.08	39.10	31.44	20.58
Return on Capital Employed	%	29.42	35.71	26.82	28.85	26.76	19.73
Liquidity Ratios							
Current Ratio	Times	0.92	0.96	0.96	1.03	1.08	1.06
Quick / Acid Test Ratio	Times	0.85	0.89	0.90	0.97	1.01	1.01
Cash to Current Liabilities	Times	0.073	0.004	0.014	0.037	0.006	0.032
Cash Flow from Operations to Sales	%	0.32	9.05	4.22	14.93	10.24	(9.83)
Working Capital	Rs. in million	(7,905)	(3,666)	(3,697)	2,352	6,296	5,086
Activity / Turnover Ratios							
No. of Days in Inventory	Days	77	23	14	15	9	8
Inventory Turnover	Times	4.73	15.78	25.90	23.75	39.98	45.23
No. of Days in Receivables	Days	756	372	352	318	212	118
Receivables Turnover	Times	0.48	0.98	1.04	1.15	1.72	3.09
No. of Days in Payables	Days	1,392	403	328	351	196	122
Payables Turnover	Times	0.26	0.91	1.11	1.04	1.86	3.00
Operating Cycle	Days	(559)	(8)	38	(18)	25	4
Total Asset Turnover	Times	0.23	0.56	0.68	0.64	1.04	1.19
Fixed Assets Turnover	Times	2.64	4.98	4.55	2.36	3.39	3.93
Working Capital Turnover	Times	(4.56)	(20.92)	(21.26)	36.74	20.88	31.81
Investment / Market Ratios							
Earnings Per Share	Rs.	6.70	7.15	8.29	10.00	8.51	5.66
Weighted Average No. of Ordinary Shares	No. in million	1,199	1,198	1,157	1,157	1,157	1,157
Price Earning Ratio	Times	11.75	12.89	14.17	12.01	11.00	10.28
Price to Book Ratio	Times	2.93	5.57	6.97	5.04	3.42	2.17
Dividend Yield	%	0.00	8.03	6.39	9.16	10.15	11.18
Dividend Payout Ratio	Times	0.00	1.03	0.90	1.10	1.12	1.15
Dividend Cover Ratio	Times	0.00	0.97	1.11	0.91	0.90	0.87
Cash Dividend Per Share - Interims	Rs.	0.00	4.60	5.00	8.00	4.00	2.50
Cash Dividend per Share - Final	Rs.	0.00	2.80	2.50	3.00	5.50	4.00
Cash Dividend per Share - Total	Rs.	0.00	7.40	7.50	11.00	9.50	6.50
Market Value Per Share							
Year end	Rs.	78.75	92.16	117.43	120.06	93.57	58.16
High	Rs.	98.13	125.88	145.43	122.88	97.84	59.05
Low	Rs.	68.84	89.90	103.15	96.03	57.60	57.77
Breakup Value /(Net assets/share)	Rs.	26.90	16.55	16.84	23.83	27.34	26.83
Capital Structure Ratios							
Financial Leverage Ratio	Times	0.72	0.74	0.40	0.76	0.71	0.76
Weighted Average Cost of Debt	%	9.85	6.99	5.45	8.74	11.77	12.50
Debt to Equity Ratio	Ratio	42:58	42:58	29:71	43:57	42:58	43:57
Interest Cover Ratio	Times	2.67	4.90	5.71	4.77	3.21	2.42
No. of Ordinary Shares	No. in million	1,297	1,157	1,157	1,157	1,157	1,157

DUPONT **ANALYSIS**

Ratios	2019	2018	Comments
Tax Burden/Efficiency (Net Income/PBT)	97.11	97.62	Declined mainly due to taxes on higher dividend income.
Interest Burden/Efficiency (PBT/EBIT)	62.52	79.60	Declined mainly due to increase in finance cost due to higher long term and short term borrowings during the year.
Operating Income Margin (EBIT/Sales)	36.74	14.37	Increased mainly due to lower turnover and higher dividend income.
Asset Turnover (Sales/Assets)	0.23	0.56	Declined mainly due to lower generation during the year.
Leverage Ratio (Assets/Equity)	4.76	6.89	Decreased mainly due to increase in equity due to issuance of right shares.
Return on Equity (Net Income/Equity)	30.86	43.57	Decreased mainly due to higher finance cost and issuance of right shares.

HORIZONTAL AND VERTICAL ANALYSIS OF **STATEMENT OF PROFIT OR LOSS**

Horizontal Analysis	2019 (Rs. Million)	19 Vs 18 %	2018 (Rs. Million)	18 Vs 17 %	2017 (Rs. Million)	17 Vs 16 %
Turnover	36,029	(53.01)	76,676	(2.44)	78,590	(9.06)
Operating costs	(24,295)	(63.67)	(66,873)	(3.46)	(69,273)	(3.29)
Gross Profit	11,734	19.70	9,803	5.22	9,317	(37.00)
General and administration expenses	(872)	(3.11)	(900)	46.34	(615)	(33.51)
Other income	2,508	12.52	2,229	43.16	1,557	7.83
Other operating expenses	(133)	20.91	(110)	43.32	(77)	(83.77)
Profit from operations	13,237	20.10	11,022	8.25	10,182	(31.36)
Finance costs	(4,961)	120.69	(2,248)	26.01	(1,784)	(42.62)
Profit before taxation	8,276	(5.68)	8,774	4.47	8,398	(28.37)
Taxation	(239)	14.35	(209)	46.77	(142)	(4.43)
Profit after tax from continuing operations	8,037	(6.16)	8,565	3.74	8,256	(28.68)
Profit after tax from discontinued operations	–	–	–	(100.00)	1,344	100.00
Profit for the year	8,037	(6.16)	8,565	(10.78)	9,600	(17.07)

Vertical Analysis	2019		2018		2017	
	(Rs.Million)	% of turnover	(Rs. Million)	% of turnover	(Rs. Million)	% of turnover
Turnover	36,029	100.00	76,676	100.00	78,590	100.00
Operating costs	(24,295)	(67.43)	(66,873)	(87.22)	(69,273)	(88.14)
Gross Profit	11,734	32.57	9,803	12.78	9,317	11.86
General and administration expenses	(872)	(2.42)	(900)	(1.17)	(615)	(0.78)
Other income	2,508	6.96	2,229	2.91	1,557	1.98
Other operating expenses	(133)	(0.37)	(110)	(0.14)	(77)	(0.10)
Profit from Operations	13,237	36.74	11,022	14.37	10,182	12.96
Finance costs	(4,961)	(13.77)	(2,248)	(2.93)	(1,784)	(2.27)
Profit before taxation	8,276	22.97	8,774	11.44	8,398	10.69
Taxation	(239)	(0.66)	(209)	(0.27)	(142)	(0.18)
Profit after tax from continuing operations	8,037	22.31	8,565	11.17	8,256	10.50
Profit after tax from discontinued operations	–	–	–	–	1,344	1.71
Profit for the year	8,037	22.31	8,565	11.17	9,600	12.22

2016 (Rs. Million)	16 Vs 15 %	2015 (Rs. Million)	15 Vs 14 %	2014 (Rs. Million)	14 Vs 13 %	2013 (Rs. Million)
86,415	(34.28)	131,484	(18.74)	161,807	(2.44)	165,862
(71,627)	(38.83)	(117,093)	(21.97)	(150,071)	0.35	(149,544)
14,788	2.76	14,391	22.62	11,736	(28.08)	16,318
(925)	0.43	(921)	39.33	(661)	59.28	(415)
1,444	(5.74)	1,532	1,745.78	83	144.12	34
(473)	4.88	(451)	100.00	–	–	–
14,834	1.94	14,551	30.41	11,158	(29.99)	15,937
(3,109)	(31.49)	(4,538)	(1.45)	(4,605)	(29.66)	(6,547)
11,725	17.10	10,013	52.80	6,553	(30.21)	9,390
(149)	(6.88)	(160)	3,900.00	(4)	(100.00)	(2)
11,576	17.49	9,853	50.45	6,549	(30.24)	9,388
–	–	–	–	–	–	–
11,576	17.49	9,853	50.45	6,549	(30.24)	9,388

2016		2015		2014		2013	
(Rs. Million)	% of turnover	(Rs. Million)	% of turnover	(Rs. Million)	% of turnover	(Rs. Million)	% of turnover
86,415	100.00	131,484	100.00	161,807	100.00	165,862	100.00
(71,627)	(82.89)	(117,093)	(89.05)	(150,071)	(92.75)	(149,544)	(90.16)
14,788	17.11	14,391	10.95	11,736	7.25	16,318	9.84
(925)	(1.07)	(921)	(0.70)	(661)	(0.41)	(415)	(0.25)
1,444	1.67	1,532	1.17	83	0.05	34	0.02
(473)	(0.55)	(451)	(0.34)	–	–	–	–
14,834	17.17	14,551	11.07	11,158	6.90	15,937	9.61
(3,109)	(3.60)	(4,538)	(3.45)	(4,605)	(2.85)	(6,547)	(3.95)
11,725	13.57	10,013	7.62	6,553	4.05	9,390	5.66
(149)	(0.17)	(160)	(0.12)	(4)	(0.00)	(2)	(0.00)
11,576	13.40	9,853	7.49	6,549	4.05	9,388	5.66
–	–	–	–	–	–	–	–
11,576	13.40	9,853	7.49	6,549	4.05	9,388	5.66

HORIZONTAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION

	2019 (Rs. Million)	19 Vs 18 %	2018 (Rs. Million)	18 Vs 17 %	2017 (Rs. Million)	17 Vs 16 %
ASSETS						
NON-CURRENT ASSETS						
Fixed Assets						
Property, plant and equipment	13,667	(11.26)	15,401	(10.78)	17,262	(52.82)
Intangibles	52	(5.45)	55	22.22	45	2.27
Long term investments	48,355	133.84	20,679	85.06	11,174	90.16
Long term loan and advance	-	-	-	-	-	-
Long term deposits and prepayments	22	4.76	21	(84.21)	133	533.33
	62,096	71.74	36,156	26.36	28,614	(32.72)
CURRENT ASSETS						
Stores, spares and consumables	1,851	(5.32)	1,955	(0.26)	1,960	(20.33)
Stock-in-trade	4,576	(19.55)	5,688	104.16	2,786	8.70
Trade debts	66,629	(19.42)	82,683	12.24	73,663	(5.25)
Loans and advances	732	713.33	90	(37.06)	143	(42.11)
Prepayments and other receivables	10,532	9.50	9,618	45.93	6,591	27.21
Cash and bank balances	7,312	1,612.41	427	(65.09)	1,223	(62.71)
	91,632	(8.79)	100,461	16.32	86,366	(5.59)
Non-current asset held for sale	-	-	-	(100.00)	4	100.00
TOTAL ASSETS	153,728	12.52	136,617	18.81	114,984	(14.19)
EQUITY AND LIABILITIES						
SHARE CAPTIAL AND RESERVES						
Share Capital						
Authorised	17,000	-	17,000	41.67	12,000	-
Issued, subscribed and paid-up	12,972	12.10	11,572	-	11,572	-
Capital Reserve						
Share Premium	5,600	-	-	-	-	-
Revenue Reserve						
Unappropriated profit	13,691	65.83	8,256	4.32	7,914	(50.56)
TOTAL EQUITY	32,263	62.71	19,828	1.76	19,486	(29.34)
NON-CURRENT LIABILITIES						
Long term loans	21,927	73.17	12,662	133.10	5,432	(68.60)
CURRENT LIABILITIES						
Trade and other payables	56,273	(29.50)	79,821	20.54	66,222	0.34
Unclaimed dividend	190	35.71	140	8.53	129	4.88
Unpaid dividend	80	(67.61)	247	(75.83)	1,022	(52.92)
Interest / mark-up accrued	568	259.49	158	(38.52)	257	(50.10)
Short term borrowings	41,112	88.80	21,776	8.39	20,091	21.47
Current maturity of long term loans	1,315	(33.75)	1,985	(15.35)	2,345	(37.96)
	99,538	(4.41)	104,127	15.61	90,066	1.05
TOTAL EQUITY AND LIABILITIES	153,728	12.52	136,617	18.81	114,984	(14.19)

2016 (Rs. Million)	16 Vs 15 %	2015 (Rs. Million)	15 Vs 14 %	2014 (Rs. Million)	14 Vs 13 %	2013 (Rs. Million)
36,587	(5.75)	38,818	(5.83)	41,223	(5.15)	43,463
44	1,366.67	3	(75.00)	12	(55.56)	27
5,876	19.48	4,918	5.22	4,674	-	4,674
-	-	-	(100.00)	63	(27.59)	87
21	10.53	19	(9.52)	21	162.50	8
42,528	(2.81)	43,758	(4.86)	45,993	(4.70)	48,259
2,460	16.53	2,111	32.02	1,599	1.59	1,574
2,563	(26.14)	3,470	45.25	2,389	(43.76)	4,248
77,747	6.97	72,683	(9.01)	79,879	222.11	24,799
247	128.70	108	38.46	78	(27.78)	108
5,181	55.35	3,335	18.35	2,818	(13.45)	3,256
3,280	577.69	484	(81.91)	2,676	(84.32)	17,069
91,478	11.30	82,191	(8.10)	89,439	75.19	51,054
-	-	-	-	-	-	-
134,006	6.40	125,949	(7.00)	135,432	36.37	99,313
12,000	-	12,000	-	12,000	-	12,000
11,572	-	11,572	-	11,572	-	11,572
-	-	-	-	-	-	-
16,007	(20.22)	20,063	3.03	19,473	(7.44)	21,038
27,579	(12.82)	31,635	1.90	31,045	(4.80)	32,610
17,301	(6.07)	18,419	(8.06)	20,034	(14.93)	23,551
65,997	10.19	59,895	(4.40)	62,654	80.47	34,718
123	19.42	103	15.73	89	20.27	74
2,171	3,847.27	55	7.84	51	10.87	46
515	(32.50)	763	(34.11)	1,158	(18.57)	1,422
16,540	50.87	10,963	(35.05)	16,878	272.83	4,527
3,780	(8.16)	4,116	16.83	3,523	48.96	2,365
89,126	17.43	75,895	(10.03)	84,353	95.48	43,152
134,006	6.40	125,949	(7.00)	135,432	36.37	99,313

VERTICAL ANALYSIS OF STATEMENT OF FINANCIAL POSITION

	2019		2018		2017	
	(Rs. Million)	%	(Rs. Million)	%	(Rs. Million)	%
ASSETS						
NON-CURRENT ASSETS						
Fixed Assets						
Property, plant and equipment	13,667	8.89	15,401	11.27	17,262	15.01
Intangibles	52	0.03	55	0.04	45	0.04
Long term investments	48,355	31.45	20,679	15.14	11,174	9.72
Long term loan and advance	-	-	-	-	-	-
Long term deposits and prepayments	22	0.01	21	0.02	133	0.12
	62,096	40.39	36,156	26.47	28,614	24.89
CURRENT ASSETS						
Stores, spares and consumables	1,851	1.20	1,955	1.43	1,960	1.70
Stock-in-trade	4,576	2.98	5,688	4.16	2,786	2.42
Trade debts	66,629	43.34	82,683	60.52	73,663	64.06
Loans and advances	732	0.48	90	0.07	143	0.12
Prepayments and other receivables	10,532	6.85	9,618	7.04	6,591	5.73
Cash and bank balances	7,312	4.76	427	0.31	1,223	1.06
	91,632	59.61	100,461	73.53	86,366	75.11
Non-current asset held for sale	-	-	-	-	4	-
TOTAL ASSETS	153,728	100.00	136,617	100.00	114,984	100.00
EQUITY AND LIABILITIES						
SHARE CAPTIAL AND RESERVES						
Share Capital						
Authorised	17,000	-	17,000	-	12,000	-
Issued, subscribed and paid-up	12,972	8.44	11,572	8.47	11,572	10.06
Capital Reserve						
Share Premium	5,600	-	-	-	-	-
Revenue Reserve						
Unappropriated profit	13,691	8.91	8,256	6.04	7,914	6.88
TOTAL EQUITY	32,263	20.99	19,828	14.51	19,486	16.95
NON-CURRENT LIABILITIES						
Long term loans	21,927	14.26	12,662	9.27	5,432	4.72
CURRENT LIABILITIES						
Trade and other payables	56,273	36.61	79,821	58.43	66,222	57.59
Unclaimed dividend	190	0.12	140	0.10	129	0.11
Unpaid dividend	80	0.05	247	0.18	1,022	0.89
Interest / mark-up accrued	568	0.37	158	0.12	257	0.22
Short term borrowings	41,112	26.74	21,776	15.94	20,091	17.47
Current maturity of long term loans	1,315	0.86	1,985	1.45	2,345	2.04
	99,538	64.75	104,127	76.22	90,066	78.33
TOTAL EQUITY AND LIABILITIES	153,728	100.00	136,617	100.00	114,984	100.00

2016		2015		2014		2013
(Rs. Million)	%	(Rs. Million)	%	(Rs. Million)	%	(Rs. Million)
36,587	27.30	38,818	30.82	41,223	30.44	43,463
44	0.03	3	0.00	12	0.01	27
5,876	4.38	4,918	3.90	4,674	3.45	4,674
-	-	-	-	63	0.05	87
21	0.02	19	0.02	21	0.02	8
42,528	31.74	43,758	34.74	45,993	33.96	48,259
2,460	1.84	2,111	1.68	1,599	1.18	1,574
2,563	1.91	3,470	2.76	2,389	1.76	4,248
77,747	58.02	72,683	57.71	79,879	58.98	24,799
247	0.18	108	0.09	78	0.06	108
5,181	3.87	3,335	2.65	2,818	2.08	3,256
3,280	2.45	484	0.38	2,676	1.98	17,069
91,478	68.26	82,191	65.26	89,439	66.04	51,054
-	-	-	-	-	-	-
134,006	100.00	125,949	100.00	135,432	100.00	99,313
12,000	-	12,000	-	12,000	-	12,000
11,572	8.64	11,572	9.19	11,572	8.54	11,572
-	-	-	-	-	-	-
16,007	11.94	20,063	15.93	19,473	14.38	21,038
27,579	20.58	31,635	25.12	31,045	22.92	32,610
17,301	12.91	18,419	14.62	20,034	14.79	23,551
65,997	49.25	59,895	47.55	62,654	46.26	34,718
123	0.09	103	0.08	89	0.07	74
2,171	1.62	55	0.04	51	0.04	46
515	0.38	763	0.61	1,158	0.86	1,422
16,540	12.34	10,963	8.70	16,878	12.46	4,527
3,780	2.82	4,116	3.27	3,523	2.60	2,365
89,126	66.51	75,895	60.26	84,353	62.28	43,152
134,006	100.00	125,949	100.00	135,432	100.00	99,313

SIX YEARS STATEMENT OF PROFIT OR LOSS AT A GLANCE

	2019	2018	2017	2016	2015	2014
			(Rs. Millions)			
Turnover	36,029	76,676	78,590	86,415	131,484	161,807
Operating costs	(24,295)	(66,873)	(69,273)	(71,627)	(117,093)	(150,070)
Gross Profit	11,734	9,803	9,317	14,788	14,391	11,737
General and administration expenses	(872)	(900)	(615)	(925)	(921)	(661)
Other income	2,508	2,229	1,557	1,444	1,532	83
Other operating expenses	(133)	(110)	(77)	(473)	(451)	-
Finance costs	(4,961)	(2,248)	(1,784)	(3,109)	(4,538)	(4,605)
Taxation	(239)	(209)	(142)	(149)	(160)	(4)
Profit after tax from continuing operations	8,037	8,565	8,256	11,576	9,853	6,550
Profit after tax from discontinued operations	-	-	1,344	-	-	-
Profit for the year	8,037	8,565	9,600	11,576	9,853	6,550
Basic and diluted earnings per share (Rupees)						
- Continued Operations	6.70	7.15	7.13	10.00	8.51	5.66
- Discontinued Operations	-	-	1.16	-	-	-
	6.70	7.15	8.29	10.00	8.51	5.66

	2019	2018	2017	2016	2015	2014
			(Rs. Millions)			
EBITDA						
Profit after tax for the year (from continuing operations)	8,037	8,565	8,256	11,576	9,853	6,550
Finance costs	4,961	2,248	1,784	3,109	4,538	4,605
Depreciation	1,914	1,910	1,903	2,837	2,741	2,694
Amortization	35	37	26	20	8	15
Taxation	239	209	142	149	160	4
EBITDA	15,186	12,969	12,111	17,691	17,300	13,868

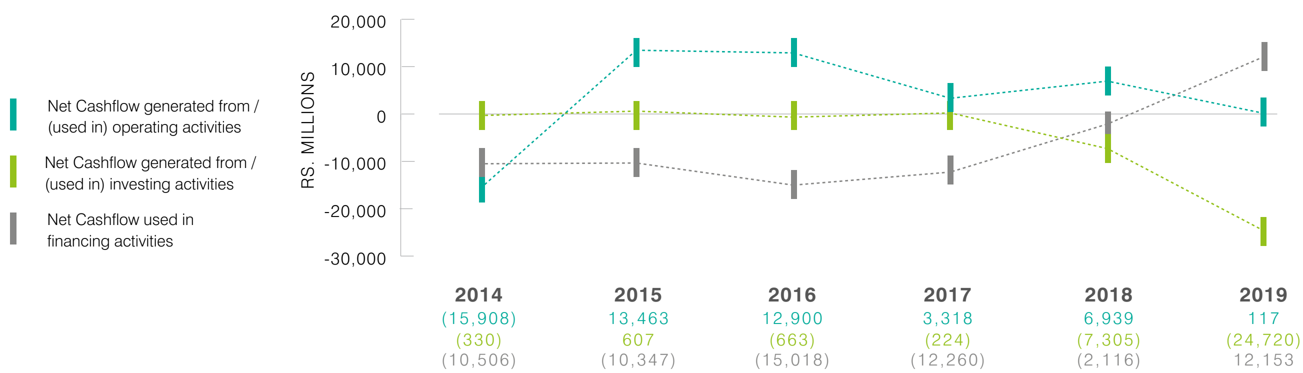
	2019	2018	2017	2016	2015	2014
			(Rs. Millions)			
EBIT						
Profit after tax for the year (from continuing operations)	8,037	8,565	8,256	11,576	9,853	6,550
Finance costs	4,961	2,248	1,784	3,109	4,538	4,605
Taxation	239	209	142	149	160	4
EBIT	13,237	11,022	10,182	14,834	14,551	11,159

SIX YEARS STATEMENT OF FINANCIAL POSITION AT A GLANCE

	2019	2018	2017	2016	2015	2014
			(Rs. Millions)			
ASSETS						
NON-CURRENT ASSETS						
Fixed Assets						
Property, plant and equipment	13,667	15,401	17,262	36,587	38,818	41,223
Intangibles	52	55	45	44	3	12
Long term investments	48,355	20,679	11,174	5,876	4,918	4,674
Long term loan and advance	-	-	-	-	-	63
Long term deposits and prepayments	22	21	133	21	19	21
	62,096	36,156	28,614	42,528	43,758	45,993
CURRENT ASSETS						
Stores, spares and consumables	1,851	1,955	1,960	2,460	2,111	1,599
Stock-in-trade	4,576	5,688	2,786	2,563	3,470	2,389
Trade debts	66,629	82,683	73,663	77,747	72,683	79,879
Loans and advances	732	90	143	247	108	78
Prepayments and other receivables	10,532	9,618	6,591	5,181	3,335	2,818
Cash and bank balances	7,312	427	1,223	3,280	484	2,676
	91,632	100,461	86,366	91,478	82,191	89,439
Non-current asset held for sale	-	-	4	-	-	-
TOTAL ASSETS	153,728	136,617	114,984	134,006	125,949	135,432
EQUITY AND LIABILITIES						
SHARE CAPTIAL AND RESERVES						
Share Capital						
Authorised	17,000	17,000	12,000	12,000	12,000	12,000
Issued, subscribed and paid-up	12,972	11,572	11,572	11,572	11,572	11,572
Capital Reserve						
Share Premium	5,600	-	-	-	-	-
Revenue Reserve						
Unappropriated profit	13,691	8,256	7,914	16,007	20,063	19,473
TOTAL EQUITY	32,263	19,828	19,486	27,579	31,635	31,045
NON-CURRENT LIABILITIES						
Long term loans	21,927	12,662	5,432	17,301	18,419	20,034
CURRENT LIABILITIES						
Trade and other payables	56,273	79,821	66,222	65,997	59,895	62,654
Unclaimed dividend	190	140	129	123	103	89
Unpaid dividend	80	247	1,022	2,171	55	51
Interest/mark-up accrued	568	158	257	515	763	1,158
Short term borrowings	41,112	21,776	20,091	16,540	10,963	16,878
Current maturity of long term loans	1,315	1,985	2,345	3,780	4,116	3,523
	99,538	104,127	90,066	89,126	75,895	84,353
TOTAL EQUITY AND LIABILITIES	153,728	136,617	114,984	134,006	125,949	135,432

SUMMARY OF SIX YEARS
CASH FLOW AT A GLANCE

	2019	2018	2017	2016	2015	2014
			(Rs. Millions)			
Opening	(21,349)	(18,867)	(13,260)	(10,479)	(14,202)	12,542
Net Cashflow generated from / (used in) operating activities	117	6,939	3,318	12,900	13,463	(15,908)
Net Cashflow generated from / (used in) investing activities	(24,720)	(7,305)	(224)	(663)	607	(330)
Net Cashflow generated from / (used in) financing activities	12,153	(2,116)	(12,260)	(15,018)	(10,347)	(10,506)
Cash and cash equivalents transferred to NEL	-	-	3,558	-	-	-
Closing	(33,799)	(21,349)	(18,867)	(13,260)	(10,479)	(14,202)



Comments on Unconsolidated Statement of Profit or Loss

The decrease in turnover by 53% compared to the last year is mainly due to the lower Net Electrical Output on account of low load demanded by CPPA(G).

The decrease in operating cost by 64% compared to the last year is mainly due to lower fuel cost due to lower generation.

The increase in other income was mainly attributable to higher dividends from subsidairies.

The increase in finance cost was mainly due to higher utlization of short term borrowings because of delay in payment from CPPA(G), Furthermore, additional long term borrowing obtained during the year for investment in growth projects have also contributed to the increase in finance cost.

The current year net profit decreased by 6% compared to the last year resulting in decrease in earnings per share from Rs. 7.15 to Rs. 6.70 mainly due to higher financing costs, higher repair and maintenance expenditures partly offset by depreciation of Rupee against USD and lower administrative expenses.

Comments on Unconsolidated Statement of Financial Position

During the year, the Company has made additional investments in HPHL of Rs. 23,562 million, TEL Rs. 3,012 million and SECMC of Rs. 378 million.

During the year, the Company issued a total of 140 million as right shares amounting to Rs. 7,000 million, including premium of Rs. 5,600 million.

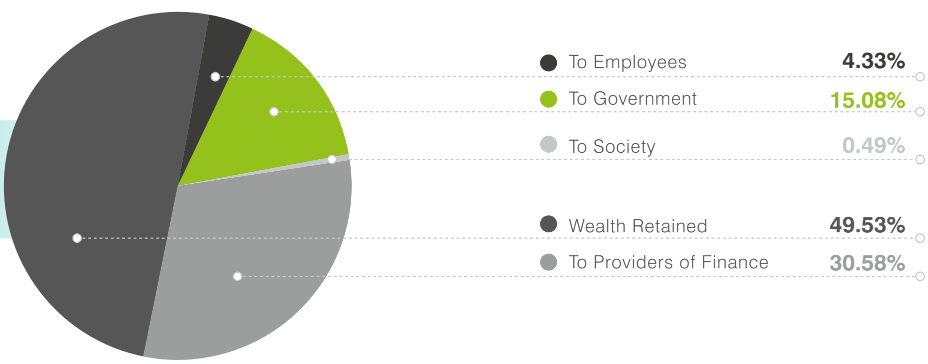
To finance investments in growth projects, the Company has obtained additional long term loan amounting to Rs. 10,569 million and short term borrowing amounting to Rs. 16,899 million.

Due to delayed payments by CPPA(G), the Company has delayed payments to PSO. The Company maintains working capital facilities to meet is short term funding requirements.

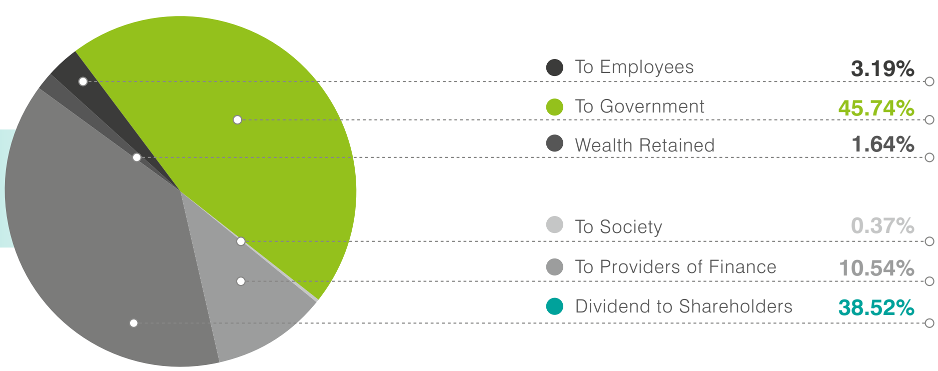
STATEMENT OF VALUE ADDITION

	2019 (Rs. Million)	2019 %	2018 (Rs. Million)	2018 %
Wealth Created				
Total Revenue inclusive of sales tax and other income	40,924	252.23	88,587	415.37
Less: Operating cost & other general expenses	(24,699)	(152.23)	(67,260)	(315.37)
	16,225	100.00	21,327	100.00
Wealth Distributed				
To employees				
Salaries, wages and other benefits	702	4.33	680	3.19
To government				
Sales tax	2,208	13.61	9,545	44.76
Income tax	239	1.47	209	0.98
To society				
Donation / Corporate Social Responsibility	80	0.49	79	0.37
To providers of finance as financial charges	4,961	30.58	2,248	10.54
Dividend to Shareholders	-	-	8,216	38.52
Wealth Retained	8,036	49.53	349	1.64
	16,225	100.00	21,327	100.00

Wealth Distribution
2019

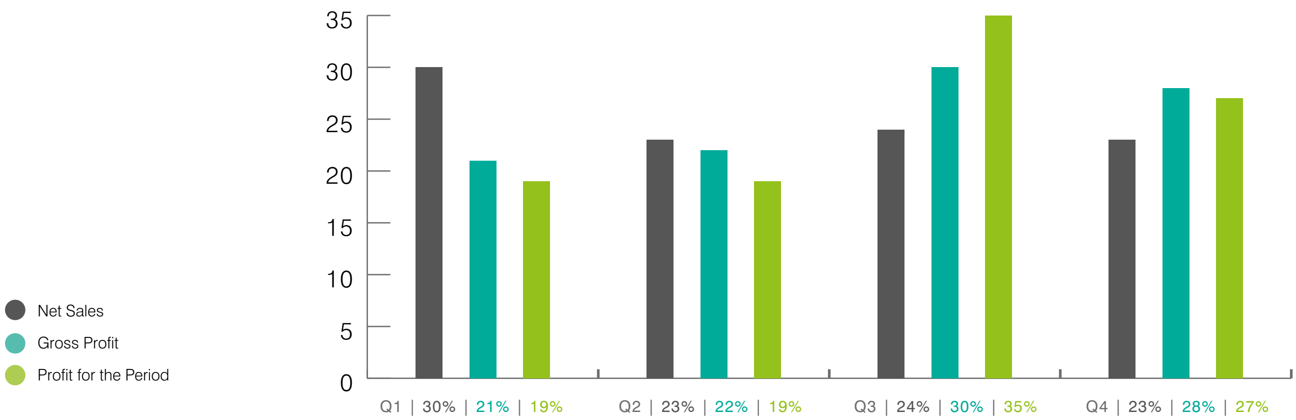


Wealth Distribution
2018



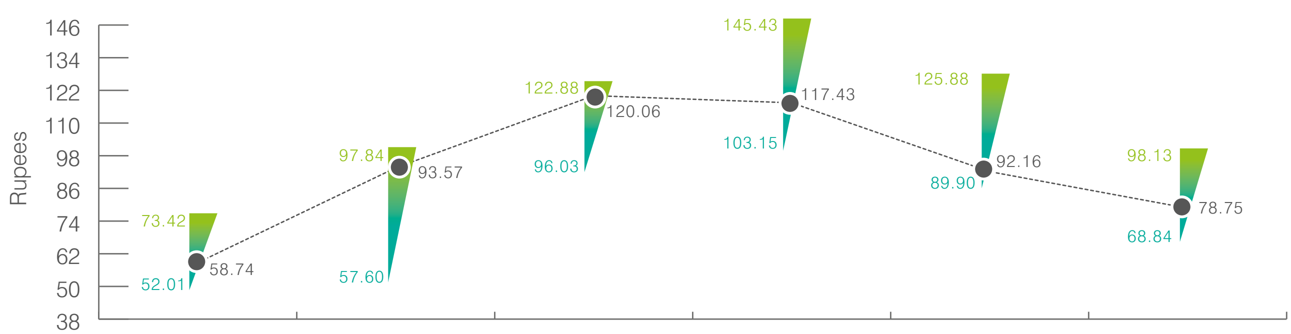
QUARTERLY
FINANCIAL ANALYSIS

	Jul - Sep 2018 Q1		Oct - Dec 2018 Q2		Jan - Mar 2019 Q3		Apr - Jun 2019 Q4		Jul - Jun 2019 FY	
	PKR in '000	%	PKR in '000	%	PKR in '000	%	PKR in '000	%	PKR in '000	%
Net Sales	10,690,053	30%	8,281,995	23%	8,799,067	24%	8,257,526	23%	36,028,641	100%
Gross Profit	2,408,047	21%	2,548,300	22%	3,481,497	30%	3,295,609	28%	11,733,453	100%
Profit for the period	1,493,127	19%	1,536,707	19%	2,811,621	35%	2,195,526	27%	8,036,981	100%



Share Price Sensitivity Analysis

Share price in the stock market moves due to various factors such as company performance, general market sentiments, economic events and interest rates, etc. Being a responsible and law-compliant company, HUBCO circulates price sensitive information to the stock exchange in accordance with the requirements of listing regulations on timely manner. During the year 2018-19, Company's share price has touched the peak of Rs. 98.13 while the lowest recorded price was Rs. 68.84 with a closing price of Rs. 78.75 at the end of the year.



	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Highest	73.42	97.84	122.88	145.43	125.88	98.13
Closing	58.74	93.57	120.06	117.43	92.16	78.75
Lowest	52.01	57.60	96.03	103.15	89.90	68.84

STATEMENT OF CASH FLOW - DIRECT METHOD

For the Year Ended June 30, 2019

	2019	2018
	(PKR in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	54,098,000	76,999,000
Paid to suppliers / service provider - net	(49,101,743)	(67,152,133)
Paid to employees	(490,950)	(476,480)
Interest income received	23,438	16,295
Interest / mark-up paid	(4,298,936)	(2,154,017)
Staff gratuity paid	(22,000)	(33,659)
Taxes paid	(91,139)	(259,867)
Net cash inflow from operating activities	116,670	6,939,139
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(256,192)	(102,933)
Sale proceeds from disposal of Fixed Assets	84,521	15,647
Long term investment made	(26,952,504)	(9,505,195)
Dividend received from subsidiaries	2,405,015	2,175,665
Long-term deposits and prepayments	(1,087)	112,056
Net cash outflow from investing activities	(24,720,247)	(7,304,760)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(3,358,478)	(8,979,582)
Proceeds from issuance of shares	7,000,000	-
Share issuance cost	(71,098)	-
Proceeds from long term loans	10,568,876	9,215,368
Repayment of long term loans	(1,986,471)	(2,351,730)
Net cash inflow / (outflow) from financing activities	12,152,829	(2,115,944)
Net decrease in cash and cash equivalents	(12,450,748)	(2,481,565)
Cash and cash equivalents at the beginning of the year	(21,349,226)	(18,867,661)
Cash and cash equivalents at the end of the year	(33,799,974)	(21,349,226)

Materiality Approach Adopted by the Management

Determination of materiality levels, other than those provided under the regulations, is judgmental and varies between organizations. In general, matters are considered to be material if, individually or in aggregate, they are expected to significantly affect the performance and profitability of the Company. Materiality levels are reviewed periodically and are appropriately updated.

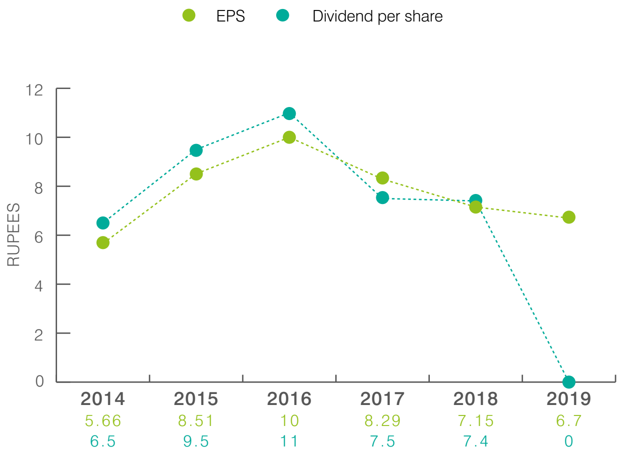
Powers of the Board of Directors and the Management of the Company have been defined with special reference to, and in compliance with the Companies Act 2017, the Code of Corporate Governance, the Articles of Association of the Company, guidelines and frameworks issued by professional bodies and best practices.

The Board powers include approvals for capital expenditure, disposal of fixed assets, annual business plans, policy formulation, risk management, human resource management, donations, matters relating to health, safety and the environment and other matters required by law or internal policies.

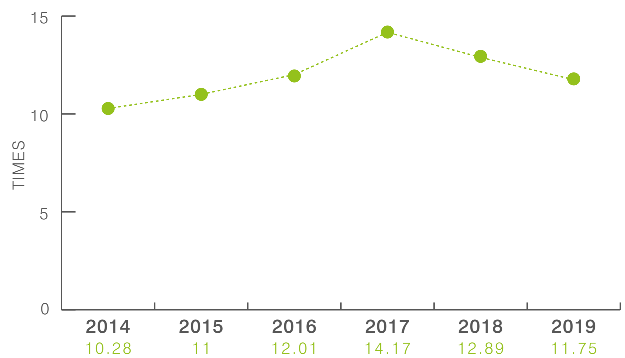
Authorizations for transactions and delegation of powers have also been defined clearly and carried out through formalized processes keeping in view defined materiality levels.

GRAPHICAL
PRESENTATION

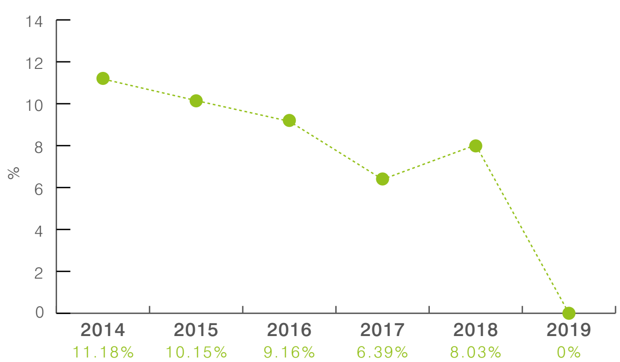
EPS VS DIVIDEND PER SHARE



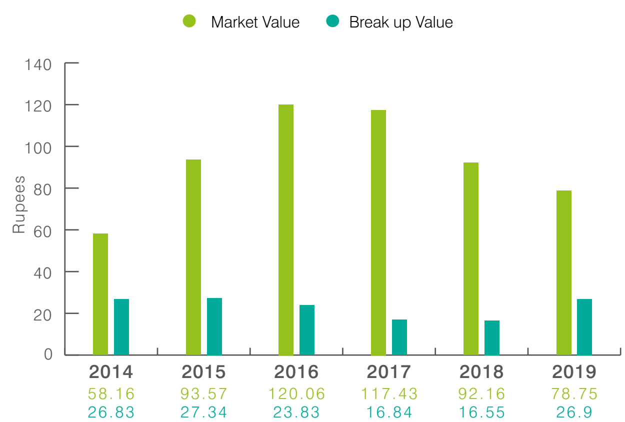
PE RATIO



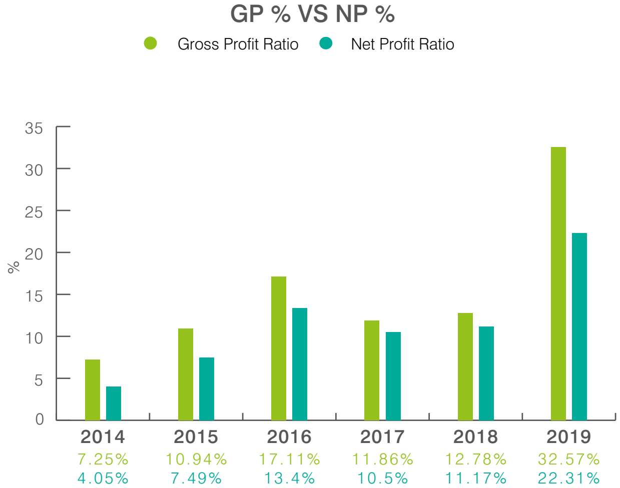
DIVIDEND YIELD



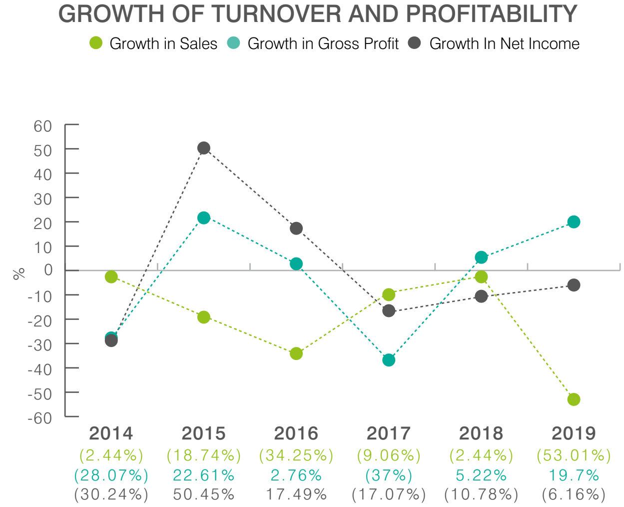
MARKET VALUE VS BREAK UP VALUE



GP % VS NP %

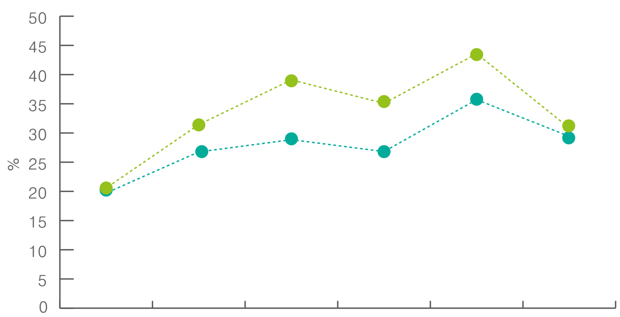


GROWTH OF TURNOVER AND PROFITABILITY



PROFITABILITY RATIO

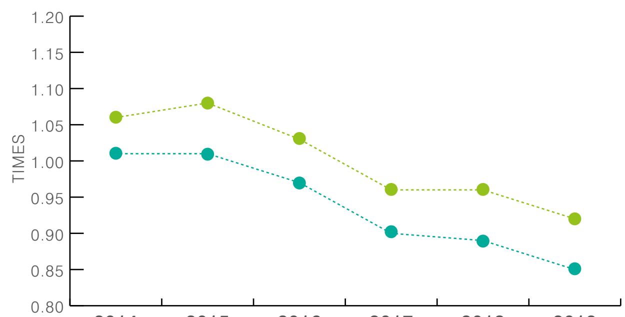
● Return On Equity ● Return on Capital Employed



	2014	2015	2016	2017	2018	2019
Return On Equity	20.58%	31.44%	39.1%	35.08%	43.57%	30.86%
Return on Capital Employed	19.72%	26.76%	28.85%	26.82%	35.71%	29.42%

CURRENT RATIO VS QUICK / ACID TEST RATIO

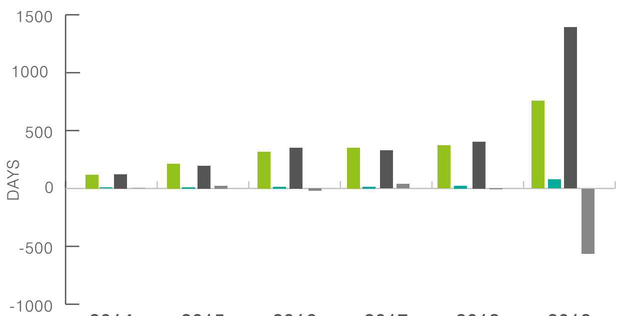
● Current Ratio ● Quick / Acid Test Ratio



	2014	2015	2016	2017	2018	2019
Current Ratio	1.06	1.08	1.03	0.96	0.96	0.92
Quick / Acid Test Ratio	1.01	1.01	0.97	0.9	0.89	0.85

OPERATING CYCLE

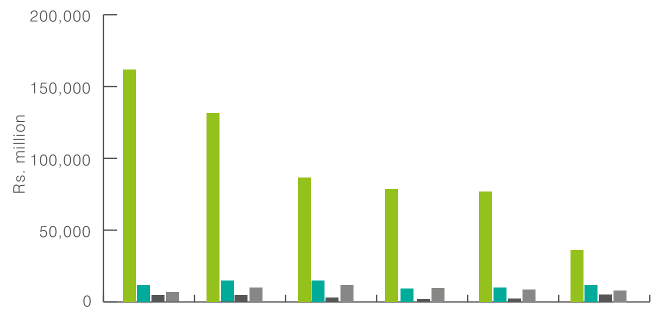
● No. of Days in Receivables ● No. of Days in Inventory
● No. of Days in Payables ● Operating Cycle



	2014	2015	2016	2017	2018	2019
No. of Days in Receivables	118	212	318	352	372	756
No. of Days in Inventory	8	9	15	14	23	77
No. of Days in Payables	122	196	351	328	403	1392
Operating Cycle	4	25	(18)	38	(8)	(559)

TURNOVER & PROFITABILITY

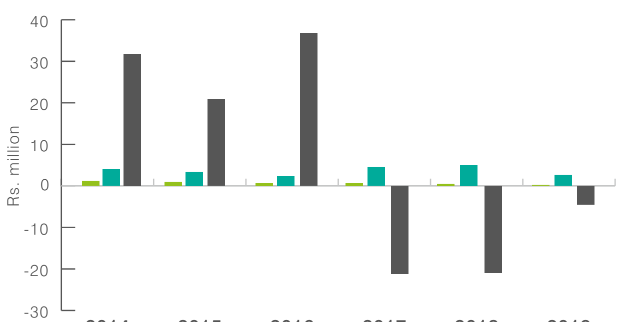
● Turnover ● Gross Profit
● Finance costs ● Profit for the year



	2014	2015	2016	2017	2018	2019
Turnover	161,807	131,484	86,415	78,590	76,676	36,029
Gross Profit	11,737	14,391	14,788	9,317	9,803	11,733
Finance costs	4,605	4,538	3,109	1,784	2,248	4,961
Profit for the year	6,549	9,853	11,576	9,600	8,565	8,037

TURNOVER RATIO

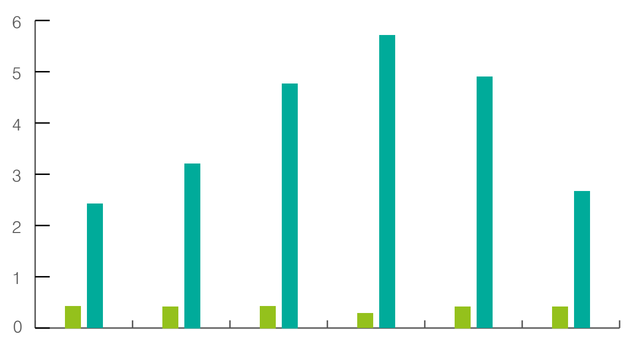
● Total Assets Turnover ● Fixed Assets Turnover ● Working Capital turnover



	2014	2015	2016	2017	2018	2019
Total Assets Turnover	1.19	1.04	0.64	0.68	0.56	0.23
Fixed Assets Turnover	3.93	3.39	2.36	4.55	4.98	2.64
Working Capital turnover	31.81	20.88	36.75	(21.26)	(20.92)	(4.56)

DEBT MANAGEMENT

● Debt to Equity Ratio (Ratio) ● Interest Cover Ratio (Times)



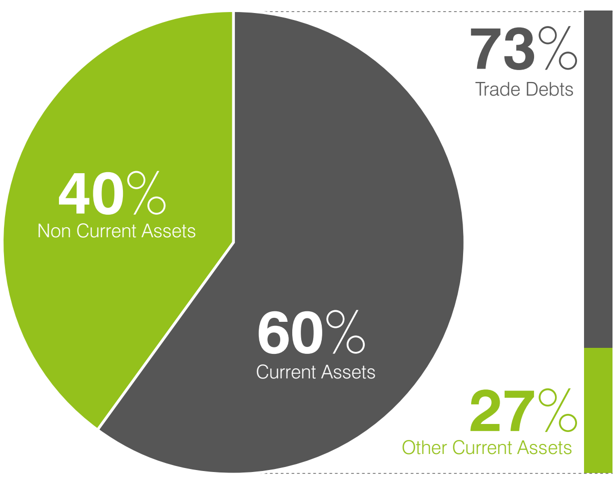
	2014	2015	2016	2017	2018	2019
Debt to Equity Ratio (Ratio)	0.43	0.42	0.43	0.29	0.42	0.42
Interest Cover Ratio (Times)	2.42	3.21	4.77	5.71	4.90	2.67

GRAPHICAL **PRESENTATION**

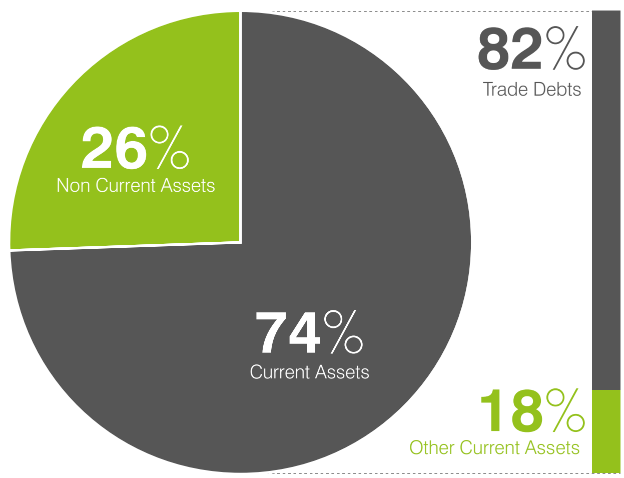
COMPOSITION OF TOTAL ASSETS

- Current Assets
- Non current Assets

2019



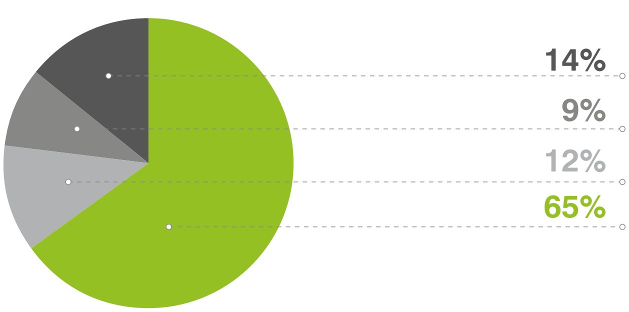
2018



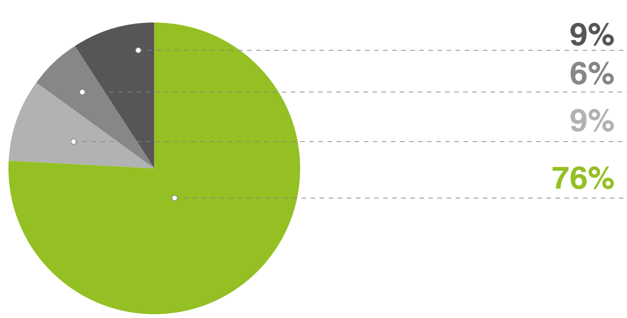
CAPITAL STRUCTURE

- Paid up Share Capital
- Retained Earning
- Non Current Liabilities
- Current Liabilities

2019



2018



UNCONSOLIDATED **FINANCIAL STATEMENTS**

for the year ended June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of The Hub Power Company Limited
Report on the Audit of Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of The Hub Power Company Limited (the Company), which comprise the unconsolidated statement of financial position as at June 30, 2019, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
(i)	***Application of IFRS 9 'Financial Instruments'***	
	[Refer note 2.2 and 14 to the unconsolidated financial statements] IFRS 9 "Financial Instruments" become effective for the Company for the first time for the current year and replaces IAS 39 'Financial Instruments: Recognition and Measurement'. Due to application of IFRS 9, the Company as at June 30, 2019 reclassified its equity investment in Sindh Engro Coal Mining Company Limited (SECMC) from Available for Sale (carried at cost) to Fair value through Other Comprehensive Income (FVOCI). Accordingly, certain key judgments and estimates were used to determine the fair value of investment in SECMC; being an unquoted company, which has been measured at fair value of Rs. 2,045 million as at June 30, 2019.	Our audit procedures, amongst others, included: (i) Understanding and evaluating the accounting interpretations for compliance with the requirements of IFRS 9 as applicable on the Company; (ii) Tested and reviewed the inputs, estimates and formulas used for the fair value calculations and assessed the reasonableness of assumptions used in the fair value model with the support of our internal experts; and (iii) Assessed the adequacy and appropriateness of disclosures for compliance with the requirements of applicable financial reporting framework of the Company.

A.F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State life Building. No. 1-C, 1.1. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6 / 32426711-5; Fax: +92 (21) 32415007 / 32427938 / 32424740; <www.pwc.com/pk>

KARACHI LAHORE ISLAMABAD

	Key audit matters	How the matter was addressed in our audit
	We have considered this as key audit matter due to first time application of IFRS 9, resulting in use of significant judgements and estimates by the management in this respect.	
(ii)	***Contingent Liabilities***	
	[Refer notes 27.4 to 27.6 and 27.9 to the unconsolidated financial statements] The Company has contingent liabilities in respect of Income Tax, Sales Tax, Federal Excise Duty (FED), Workers Profit Participation Fund (WPPF) and First Fill claim matters, which are pending adjudication at various appellate forums. These are based on a range of issues such as disallowance of certain expenses for income tax purposes, apportionment of input sales tax claims, applicability of FED on services, applicability of WPPF on the operations of the Company and demand / claim by Central Power Purchasing Agency Guarantee Limited (CPPA-G). Contingencies require management to make judgments and estimates in relation to the interpretation of laws, statutory rules, regulations and the probability of outcome and financial impact, if any, on the Company for disclosure and recognition and measurement of any provision that may be required against such contingencies. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of the matters and use of significant management judgments and estimates to assess the same including related financial impacts, we considered contingent liabilities as a key audit matter.	Our audit procedures, amongst others, included: i) obtained an understanding of the Company's process and controls over litigations through meetings with management and review of minutes of the meetings of Board of Directors and Board Audit Committee; ii) obtained and reviewed details of the pending tax, FED, WPPF and First Fill claim matters and discussed the same with the Company's management; iii) circularized confirmations to the Company's external legal and tax counsels for their views on legal position of the Company in relation to these pending matters; iv) involved internal tax professionals to assess management's conclusion on contingent tax, FED and WPPF matters and evaluated consistency of such conclusions with the views of management and external tax and legal counsels engaged by the Company; v) reviewed correspondence of the Company with the relevant authorities including judgments or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved; and vi) reviewed adequacy of disclosures made in the unconsolidated financial statements in this respect are in accordance with applicable accounting and reporting standards.
(iii)	***Receivable from Central Power Purchasing Agency Guarantee Limited (CPPA-G)***	
	[Refer note 18 to the unconsolidated financial statements] The Company under the Power Purchase Agreement (PPA) is required to sell the electricity to the sole customer i.e. CPPA-G, and recognises revenue based on the output delivered and capacity available. Continuous delays by CPPA-G in settlement of invoices raised by the Company under the PPA, have resulted in buildup of trade debts aggregating to Rs. 66,629 million as at June 30, 2019 including overdue trade debts of Rs. 59,178 million. Due to delays in recovery, the Company has financed its operations through short term financing arrangements and by delaying the settlement of trade and other payables.	Our audit procedures, amongst others, included: i) assessed whether the revenue and related trade debt has been recognised in accordance with the accounting policies of the Company; ii) verified that the invoices raised by the Company during the year are in accordance with the requirements of PPA; iii) obtained direct confirmations of trade debts from CPPA-G; iv) made inquiries with the management of the Company and read minutes of the meetings of the Board of Directors and committees formed thereunder to ascertain actions taken and planned for remediation and management of trade debts;

	Key audit matters	How the matter was addressed in our audit
	In view of the significant delay in settlement, materiality of the trade debts, the various financing arrangements there against and the consequential impact on the operations / financial strength of the Company, we have considered this as a key audit matter.	v) reviewed Implementation Agreement and assessed whether trade debts are secured against guarantee from the Government of Pakistan and whether any impairment is required to be recognised thereagainst; and vi) assessed adequacy of the related disclosures made in the unconsolidated financial statements, with regards to applicable accounting and reporting standards.
(iv)	***Investment in Thar Energy Limited***	
	[Refer note 14.5 to the unconsolidated financial statements] As part of the Company's expansion plans, the Company is in the process of setting up a coal fired power plant (the Project) at Thar Block II, Sindh. Due to delays in achieving the financial close of the Project and the regulatory timelines which are required to be adhered to in this regard as prescribed by the Private Power and Infrastructure Board (PPIB), the investment in TEL is exposed to risk of impairment and loss on account of encashment of performance guarantee provided to PPIB. As the impairment assessment involves significant management judgement we have considered this to be a key audit matter.	Our audit procedures, amongst others, included: i) considered management's plans and assumptions in relation to the Project and the status of the lending arrangements required to complete and implement the Project; ii) reviewed correspondence with PPIB in relation to the extensions allowed and requested by the Company in respect of the financial close date, agreements with the strategic shareholders to inject equity for the Project, and the status of commercial agreements including tariff determination, Power Purchase Agreement and Coal Supply Agreement; iii) reviewed the minutes of the meetings of the Board of Directors in relation to the implementation of the Project and the potential challenges and action plans; and iv) assessed the adequacy of disclosures made in the unconsolidated financial statements to explain the factual position of the Project and impairment risks in respect of this investment.

Information other than the Financial Statements and Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the unconsolidated and consolidated financial statements and our auditor's reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

(a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

(b) the unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

(d) 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.

Other Matter

The unconsolidated financial statements of the Company for the year ended June 30, 2018, were audited by EY Ford Rhodes - Chartered Accountants, who through their report dated August 20, 2018, expressed an unmodified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is Waqas Aftab Sheikh.

Chartered Accountants
Karachi
Date: September 19, 2019

UNCONSOLIDATED STATEMENT OF
PROFIT OR LOSS

For the year ended June 30, 2019

	Note	2019	2018
		(PKR in '000)	
Turnover	5	36,028,641	76,675,715
Operating costs	6	(24,295,188)	(66,872,606)
GROSS PROFIT		11,733,453	9,803,109
General and administration expenses	7	(872,136)	(900,198)
Other income	8	2,508,008	2,229,190
Other operating expenses	9	(132,712)	(109,941)
PROFIT FROM OPERATIONS		13,236,613	11,022,160
Finance costs	10	(4,961,109)	(2,247,940)
PROFIT BEFORE TAXATION		8,275,504	8,774,220
Taxation	11	(238,523)	(209,208)
PROFIT FOR THE YEAR		8,036,981	8,565,012
			Restated
Basic and diluted earnings per share (Rupees)	35	6.70	7.15

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

For the year ended June 30, 2019

	Note	2019	2018
		(PKR in '000)	
Profit for the year		8,036,981	8,565,012
Other comprehensive income / (loss) for the year:			
Items that will not be reclassified to Profit or Loss in subsequent periods			
Loss on remeasurement of post employment benefit obligation	24.4	(13,116)	(7,619)
Gain on revaluation of equity investment at fair value through other comprehensive income	37	723,447	–
		710,331	(7,619)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8,747,312	8,557,393

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

As at June 30, 2019

	Note	2019	2018
		(PKR in '000)	
ASSETS			
NON–CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	12	13,666,909	15,400,857
Intangibles	13	52,318	54,818
Long term investments	14	48,355,239	20,679,288
Long term deposits and prepayments	15	21,970	20,883
		62,096,436	36,155,846
CURRENT ASSETS			
Stores, spares and consumables	16	1,850,864	1,954,808
Stock–in–trade	17	4,575,810	5,687,922
Trade debts	18	66,628,533	82,286,713
Loans and advances	19	732,469	90,485
Prepayments and other receivables	20	10,531,600	10,014,800
Cash and bank balances	21	7,312,080	426,885
		91,631,356	100,461,613
TOTAL ASSETS		153,727,792	136,617,459
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised	22	17,000,000	17,000,000
Issued, subscribed and paid–up		12,971,544	11,571,544
Capital Reserve			
Share premium	22.3	5,600,000	–
Revenue Reserve			
Unappropriated profit		13,691,777	8,255,595
		32,263,321	19,827,139
NON–CURRENT LIABILITIES			
Long term loans	23	21,926,752	12,662,033
CURRENT LIABILITIES			
Trade and other payables	24	56,272,876	79,821,494
Unclaimed dividend		189,516	140,286
Unpaid dividend		79,605	247,281
Interest / mark–up accrued	25	567,840	157,647
Short term borrowings	26	41,112,054	21,776,111
Current maturity of long term loans	23	1,315,828	1,985,468
		99,537,719	104,128,287
TOTAL EQUITY AND LIABILITIES		153,727,792	136,617,459
COMMITMENTS AND CONTINGENCIES	27		

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF **CASH FLOWS**

For the year ended June 30, 2019

	Note	2019	2018
		(PKR in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		8,275,504	8,774,220
Adjustments for:			
Depreciation		1,913,531	1,909,621
Amortisation		35,441	36,555
Dividend income from subsidiaries		(2,405,015)	(2,175,665)
Gain on disposal of fixed assets		(40,853)	(3,575)
Provision against slow moving stores, spares and consumables		123,281	34,262
Staff gratuity		34,089	24,727
Interest income		(23,344)	(16,618)
Interest / mark–up expense		4,709,129	2,054,273
Amortisation of transaction costs		12,674	7,208
Operating profit before working capital changes		12,634,437	10,645,008
Working capital changes	33	(8,129,130)	(1,274,621)
Cash generated from operations		4,505,307	9,370,387
Interest income received		23,438	16,295
Interest / mark–up paid		(4,298,936)	(2,154,017)
Staff gratuity paid		(22,000)	(33,659)
Taxes paid		(91,139)	(259,867)
Net cash generated from operating activities		116,670	6,939,139
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend received from subsidiaries		2,405,015	2,175,665
Fixed capital expenditure		(256,192)	(102,933)
Proceeds from disposal of fixed assets		84,521	15,647
Long term investments made		(26,952,504)	(9,505,195)
Long term deposits and prepayments		(1,087)	112,056
Net cash used in investing activities		(24,720,247)	(7,304,760)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(3,358,478)	(8,979,582)
Proceeds from issuance of shares		7,000,000	–
Share issuance cost		(71,098)	–
Proceeds from long term loans		10,568,876	9,215,368
Repayment of long term loans		(1,986,471)	(2,351,730)
Net cash generated from / (used in) financing activities		12,152,829	(2,115,944)
Net decrease in cash and cash equivalents		(12,450,748)	(2,481,565)
Cash and cash equivalents at the beginning of the year		(21,349,226)	(18,867,661)
Cash and cash equivalents at the end of the year	34	(33,799,974)	(21,349,226)

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

UNCONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

For the year ended June 30, 2019

	Note	2019	2018
		(PKR in '000)	
ISSUED CAPITAL			
Balance at the beginning of the year		11,571,544	11,571,544
Issued 140,000,000 (2018: Nil) ordinary shares of Rs. 10 each	22	1,400,000	–
Balance at the end of the year	22	12,971,544	11,571,544
SHARE PREMIUM			
On issuance of 140,000,000 (2018: Nil) ordinary shares		5,600,000	–
Balance at the end of the year		5,600,000	–
UNAPPROPRIATED PROFIT			
Balance at the beginning of the year		8,255,595	7,913,999
Profit for the year		8,036,981	8,565,012
Other comprehensive income / (loss) for the year		710,331	(7,619)
Total comprehensive income for the year		8,747,312	8,557,393
Transactions with owners in their capacity as owners			
Final dividend for the fiscal year 2017–2018 @ Rs. 2.80 (2016–2017 @ Rs. 2.50) per share		(3,240,032)	(2,892,886)
First interim dividend for the fiscal year 2018–2019 @ Rs. Nil (2017–2018 @ Rs. 1.50) per share		–	(1,735,732)
Second interim dividend for the fiscal year 2018–2019 @ Rs. Nil (2017–2018 @ Rs. 1.50) per share		–	(1,735,732)
Third interim dividend for the fiscal year 2018–2019 @ Rs. Nil (2017–2018 @ Rs. 1.60) per share		–	(1,851,447)
		(3,240,032)	(8,215,797)
Share issuance cost		(71,098)	–
Balance at the end of the year		13,691,777	8,255,595
TOTAL EQUITY		32,263,321	19,827,139

The annexed notes from 1 to 43 form an integral part of these unconsolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

NOTES TO THE UNCONSOLIDATED **FINANCIAL STATEMENTS**

For the year ended June 30, 2019

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. The shares of the Company are listed on the Pakistan Stock Exchange (PSX). 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).

Head Office:

The Company's registered office is situated at 11th Floor, Ocean Tower, G–3, Block–9, Main Clifton Road, Karachi.

Hub Plant:

Hub Plant is situated at Mouza Kund, Post Office Gaddani, District Lasbela, Balochistan.

The Company has the following subsidiaries and associates:

Subsidiaries

- Laraib Energy Limited (LEL) – Holding of 74.95%;
- Hub Power Services Limited (HPSL) – Holding of 100%;
- Hub Power Holdings Limited (HPHL) – Holding of 100%;
- Narowal Energy Limited (NEL) – Holding of 100%; and
- Thar Energy Limited (TEL) – Holding of 60%.

Associates

- China Power Hub Generation Company (Private) Limited (CPHGC) – Holding of 26%; and
- ThalNova Power Thar (Private) Limited (TNPTL) – Holding of 38.3%.

Further information of subsidiaries and associates is disclosed in note 14 to these unconsolidated financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These unconsolidated financial statements are separate financial statements of the Company and have been prepared in accordance with the accounting and reporting standards applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Changes in accounting standards and interpretations

Standards, interpretations and amendments to published approved accounting and reporting standards which became effective during the year:

The Company has adopted the following accounting standards which became effective for the current year:

- IFRS 9 'Financial instruments'
- IFRS 15 'Revenue from contracts with customers'

The adoption of the above accounting standards did not have any material effect on these unconsolidated financial statements, except for IFRS 9 'Financial Instruments'.

Following the adoption of IFRS–9, financial assets of the Company, which were classified as loans and receivables under IAS–39 are now classified as financial assets at amortised cost and financial asset classified as available–for–sale under IAS–39 are now classified as financial asset at fair value through other comprehensive income. Consequently, the fair value of investment in Sindh Engro Coal Mining Company Limited of Rs. 2,044 million has been determined and recorded in the unconsolidated statement of financial position resulting in a gain of Rs. 723 million recognised in the unconsolidated statement of comprehensive income.

The Securities and Exchange Commission of Pakistan (SECP) through its S.R.O 1007 (I) / 2017 dated October 04, 2017 superseded the requirements of IAS – 39 'Financial Instruments: Recognition and Measurement' and required the adoption of IFRS – 9 'Financial Instruments' from 'Annual reporting periods beginning on or after July 01, 2018', which was subsequently modified during the year through S.R.O. 229(I) / 2019 dated February 14, 2019 to 'Reporting period / Year ending on or after June 30, 2019'. However, subsequent to the year end, SECP exempted the application of Expected Credit Loss model under IFRS – 9 in respect of debts due from Government of Pakistan, through S.R.O. 985(I) / 2019 dated September 2, 2019, for a limited period of three years upto June 30, 2021. Accordingly, the Company has applied the requirements of IAS – 39 for the preparation of these unconsolidated financial statements.

2.3 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policy notes.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

3.1.1 Operating fixed assets and depreciation

These are stated at cost less accumulated depreciation and impairment losses, if any, 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 12.1 to these unconsolidated financial statements. Depreciation on additions is charged for the full month in which an asset is available for use and on disposals up to the month immediately preceding the disposals. Gains and losses on disposals are taken to the statement of profit or loss.

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

Spare parts and servicing equipment are classified as operating fixed assets under plant and machinery rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Available for use capital spares and servicing equipment are depreciated over their useful lives, or the remaining life of principal asset, whichever is lower.

The residual value, depreciation method and the useful lives of the significant items of operating fixed assets are reviewed and adjusted if required, at each reporting date.

3.1.2 Capital work–in–progress

Capital work–in–progress is stated at cost less impairment losses, if any. Items are transferred to operating fixed assets as and when they are available for use.

3.2 Intangible assets and amortisation

These are stated at cost less accumulated amortisation and impairment losses, if any. Amortisation is computed using the straight–line method over the estimated useful lives of the assets at the rate shown in note 13 to these unconsolidated financial statements.

3.3 Investments

Subsidiaries

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

Others

On initial recognition, the Company designate investments in equity instruments as at Fair Value Through Other Comprehensive Income (FVTOCI) if the equity investment is not held for trading or if it is contingent consideration recognised in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in retained earnings.

3.4 Impairment of non–current assets

The carrying amounts of non–current assets are reviewed at each reporting 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 statement of profit or loss. 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.

3.5 Stores, spares and consumables

These are valued at moving average cost except for the items in transit which are stated at cost. Cost of stock–in–transit represents the invoice value plus other charges incurred thereon till the reporting date. Provision is made for slow moving and obsolete items, if any.

3.6 Stock–in–trade

These are 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.

3.7 Share capital

Ordinary shares are classified as equity and recognised at their face value. Discount or premium on issuance of shares is separately reported in statement of changes in equity. Transaction costs directly attributable to the issuance of shares are shown in equity as a deduction, net of tax.

3.8 Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

3.9 Staff retirement benefits

Defined benefit plan

The Company operates a funded defined benefit gratuity plan covering eligible employees whose period of service with the Company is at least five years. The liabilities relating to defined benefit plans are determined through actuarial valuation using the Projected Unit Credit Method. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long–term nature of these benefits, such estimates are subject to certain uncertainties.

Defined contribution plan

The Company operates a recognised contributory provident fund covering all its employees who are eligible for the plan. Equal monthly contributions are made by the Company and the employees in accordance with fund's rules.

3.10 Revenue recognition

3.10.1 Sale of electricity

Revenue from the sale of electricity to the Central Power Purchasing Agency (Guarantee) Limited [CPPA(G)], 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) with CPPA(G), as amended from time to time. PPA with CPPA(G) is a contract over a period of 30 years starting from 1997. Late payment interest, as per the PPA, on receivables from CPPA(G) is recorded on accrual basis.

3.10.2 Dividend income

Dividend income is recognised when the Company's right to receive payment has been established.

3.10.3 Management services income

Revenue for management services is recognised to the extent it is probable that the economic benefits will flow to the Company and amount of revenue can be measured reliably.

3.10.4 Interest income

Interest income is recorded on accrual basis.

3.11 Functional and presentation currency

Items included in these unconsolidated financial statements are measured using the currency of the primary economic environment in which the Company operates. These unconsolidated financial statements are presented in Pak Rupees which is the Company's functional and presentation currency, unless otherwise stated.

3.12 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees equivalents using reporting 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 transactions and translation are included in statement of profit or loss.

3.13 Taxation

Income of the Company is not liable to taxation in Pakistan, to the extent, provided in the Implementation Agreement signed with the Government of Pakistan (GOP) and the Income Tax Ordinance, 2001 (ITO 2001). Accordingly, provision for taxation, if any, is made only on the income liable to tax at the applicable rates of tax after taking into account tax credits, rebates etc. allowable under the ITO 2001.

3.14 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which it is approved.

3.15 Financial instruments

3.15.1 Trade debts and other receivables

Trade debts 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.

3.15.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, payorders in hand, cash with banks on savings, call and term deposit accounts and short term borrowings. Short term borrowings are shown in current liabilities.

3.15.3 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 statement of profit or loss over the period of the borrowings using the effective interest rate method.

3.15.4 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.

3.16 Impairment of financial assets

Trade debts are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. These are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

For financial assets other than trade debts, lifetime expected credit losses (ECL) is used when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

3.17 Borrowing costs

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

3.18 Off–setting

Financial assets and liabilities are offset and net amount is reported in the unconsolidated financial statements only when there is a legally enforceable right to set–off the recognised amount and the Company intends either to settle on net basis, or to realise the assets and to settle the liabilities simultaneously.

4. 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. Significant estimates, assumptions and judgements are disclosed in the relevant accounting policies and notes to these unconsolidated financial statements.

Following are some significant areas where management used estimates and judgements other than those which have been disclosed elsewhere in these unconsolidated financial statements.

- **a)** Determining the residual values and useful lives of property, plant and equipment and intangibles;
- **b)** Distinguishing between capital spares, servicing equipment and stores and spares;
- **c)** Provisions;
- **d)** Disclosures related to IFRIC 4;
- **e)** Recognition of taxation;
- **f)** Recognition of provision for staff retirement benefits;
- **g)** Impairment of trade debts and other receivables;
- **h)** Commitments and contingencies; and
- **i)** Determining the fair value of equity instruments designated as FVTOCI.

		Note	2019	2018
			(PKR in '000)	
5.	**TURNOVER**			
	Capacity Purchase Price (CPP)		17,026,066	14,720,042
	Energy Purchase Price (EPP)		14,824,800	65,476,840
	Late Payment Interest (LPI)		5,634,932	4,932,622
	Startup Charges (SC)		131,611	304,665
	Part Load Adjustment Charges (PLAC)		567,208	755,275
			38,184,617	86,189,444
	Less: Sales tax on EPP		(2,155,976)	(9,513,729)
			36,028,641	76,675,715
6.	**OPERATING COSTS**			
	Fuel cost		13,572,291	56,384,862
	Late Payment Interest to fuel supplier		4,411,145	4,358,417
	Stores and spares		458,451	536,401
	Operations and maintenance	6.1	1,660,200	1,858,500
	Insurance		622,688	508,447
	Depreciation	12.4	1,879,229	1,870,719
	Amortisation	13.1	31,998	30,617
	Repairs, maintenance and other costs		1,659,186	1,324,643
			24,295,188	66,872,606

6.1 This represents fee for O&M services rendered by HPSL (a subsidiary company).

		Note	2019	2018
			(PKR in '000)	
7.	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries, benefits and other allowances	7.1 & 7.2	521,958	543,481
	Travel and transportation		25,478	17,395
	Fuel and power		9,046	8,705
	Property, vehicles and equipment rentals		26,975	25,025
	Repairs and maintenance		24,606	26,598
	Legal and professional charges		64,549	58,693
	Office running costs		13,912	11,748
	Insurance		6,851	10,176
	Fee and subscription		15,329	16,748
	Training and development		8,390	16,214
	Auditors' remuneration	7.3	5,515	9,095
	Donations	7.4 & 7.5	36,236	32,401
	Corporate social responsibility		43,276	46,461
	Printing and stationery		6,835	10,111
	Depreciation	12.4	29,300	35,109
	Amortisation	13.1	3,339	5,938
	Miscellaneous		30,541	26,300
		7.6	872,136	900,198

7.1 This includes a sum of Rs. 32 million (2018: Rs. 30 million) in respect of staff retirement benefits.

7.2 Number of persons employed as at year end were 137 (2018: 87) and the average number of persons employed during the year were 114 (2018: 92).

		2019	2018
		(PKR in '000)	
7.3	**Auditors' remuneration**		
	Statutory audit	2,818	2,818
	Half yearly review	870	870
	Tax and other services	1,503	4,993
	Out–of–pocket expenses	324	414
		5,515	9,095

7.4 Donations include the following in which a director or their spouse was interested:

Name of Director	***Name / Address of Donee***	***Interest in Donee***		
Mr. Hussain Dawood / Mr. Shahzada Dawood / Mr. Abdul Samad Dawood	The Dawood Foundation / 10th Floor, Dawood Centre, MT. Khan Road, Karachi	Chairman / Trustee	–	1000

7.5 During the year, the Company made donation to The Citizens Foundation amounting to Rs. 34 million (2018: Rs. 27 million).

7.6 This includes net effect of cost of Rs. 59 million (2018: Rs. 50 million) allocated to subsidiary companies / associate and cost of Rs. 25 million (2018: Rs. Nil) allocated by a subsidary company.

		Note	2019	2018
			(PKR in '000)	
8.	**OTHER INCOME**			
	Financial assets			
	Interest income		23,344	16,618
	Non–financial assets			
	Gain on disposal of fixed assets – net		40,853	3,575
	Dividend income from LEL		1,338,638	1,356,023
	Dividend income from HPSL		282,000	400,000
	Dividend income from NEL		784,377	419,642
	Income from management services	8.1	38,796	23,143
	Exchange gain		–	10,189
			2,484,664	2,212,572
			2,508,008	2,229,190
8.1	**Income from management services**			
	Services income		399,116	243,394
	Cost of services	8.1.1	(360,320)	(220,251)
			38,796	23,143

The Company has entered into services agreements with TEL (a subsidiary company) and TNPTL (an associate company). In accordance with the terms of the agreements, the Company provides assistance to TEL and TNPTL in performance of their obligations under relevant project agreements including Power Purchase Agreements, Coal Supply Agreements, Water Use Agreements, Implementation Agreements, EPC Contracts and O&M Agreements.

8.1.1 This includes a sum of Rs. 32 million (2018: Rs. 30 million) in respect of staff retirement benefits.

		Note	2019	2018
			(PKR in '000)	
9.	**OTHER OPERATING EXPENSES**			
	Workers' profit participation fund	9.1	122,191	109,941
	Exchange loss		10,521	–
			132,712	109,941
9.1	**Workers' profit participation fund**			
	Provision for Workers' profit participation fund	27.4	419,885	444,206
	Workers' profit participation fund recoverable from CPPA(G)		(297,694)	(334,265)
			122,191	109,941

		Note	2019	2018
			(PKR in '000)	
10.	**FINANCE COSTS**			
	Interest / mark–up on long term loans		1,737,836	634,328
	Mark–up on short term borrowings		2,971,293	1,419,945
	Amortisation of transaction costs		12,674	7,208
	Other finance costs		239,306	186,459
			4,961,109	2,247,940
11.	**TAXATION**			
	Current			
	– For the year	11.1	238,523	209,208
11.1	**Relationship between tax expense and accounting profit**			
	Profit before taxation		8,275,504	8,774,220
	Tax calculated at the rate of 29% (2018: 30%)		2,399,896	2,632,266
	Effect of reduced rate of tax on dividend income		(538,228)	(519,524)
	Effect of exempt income		(1,702,442)	(1,979,567)
	Effect of minimum tax		36,080	22,763
	Impact of super tax		43,217	53,270
			238,523	209,208

11.2 During the year 2017, the Company opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001. For this purpose, the Group consists of:

– The Hub Power Company Limited (the holding company); and
– Hub Power Services Limited (HPSL) – 100% owned subsidiary.

		Note	2019	2018
			(PKR in '000)	
12.	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating fixed assets	12.1	13,489,316	15,292,482
	Capital work–in–progress (CWIP)	12.5	177,593	108,375
			13,666,909	15,400,857

12.1 Operating fixed assets

	Freehold land	Building on freehold land	Leasehold property	Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Total
				(PKR in '000)				
Cost:								
As at July 1, 2017	15,225	413,184	862	50,586,775	103,282	244,373	32,577	51,396,278
Additions / transfers from CWIP	–	17,003	–	73,006	892	66,974	3,152	161,027
Adjustment	(177)	–	–	–	–	–	–	(177)
Disposals	–	–	–	(10,624)	(7,897)	(29,739)	(3,902)	(52,162)
As at June 30, 2018	15,048	430,187	862	50,649,157	96,277	281,608	31,827	51,504,966
Additions / transfers from CWIP	–	1,536	–	136,227	–	16,270	–	154,033
Disposals	–	–	–	(164,102)	–	(49,930)	–	(214,032)
As at June 30, 2019	15,048	431,723	862	50,621,282	96,277	247,948	31,827	51,444,967
Accumulated depreciation:								
As at July 1, 2017	–	224,273	654	33,931,270	61,327	118,664	10,607	34,346,795
Charge for the year	–	31,904	29	1,800,284	15,363	56,922	5,119	1,909,621
Disposals	–	–	–	(8,997)	(7,683)	(23,557)	(3,695)	(43,932)
As at June 30, 2018	–	256,177	683	35,722,557	69,007	152,029	12,031	36,212,484
Charge for the year	–	31,348	29	1,808,042	15,227	53,676	5,209	1,913,531
Disposals	–	–	–	(125,012)	–	(45,352)	–	(170,364)
As at June 30, 2019	–	287,525	712	37,405,587	84,234	160,353	17,240	37,955,651
Net book value as at June 30, 2019	15,048	144,198	150	13,215,695	12,043	87,595	14,587	13,489,316
Net book value as at June 30, 2018	15,048	174,010	179	14,926,600	27,270	129,579	19,796	15,292,482
Depreciation rate % per annum	–	3.33 to 25	3.33	3.33 to 33.33	20	25	20	
Cost of fully depreciated assets as at June 30, 2019	–	29,493	–	537,498	20,286	40,961	2,455	630,693
Cost of fully depreciated assets as at June 30, 2018	–	23,190	–	499,467	20,286	50,726	2,455	596,124

12.2 Details of disposal of operating fixed assets:

Assets	Cost	Accumulated depreciation	Net book value	Sale price	Gain	Mode of disposal	Particulars of buyer/ Relationship
			(PKR in '000')				
Plant & machinery	154,362	115,343	39,019	40,100	1,081	Tender	Mr. Muhammad Rafiq
Vehicle	2,313	914	1,399	1,409	10	Company policy	Mr.Faheem Arsal / employee
Vehicle	4,087	3,235	852	3,460	2,608	Tender	M/s. Afzal Limousine Services
Items having a net book value not exceeding Rs. 500,000 each							
Plant & machinery	9,740	9,669	71	226	155	Various	Various
Vehicles	43,530	41,203	2,327	39,326	36,999	Various	Various
Total – June 30, 2019	214,032	170,364	43,668	84,521	40,853		
Total – June 30, 2018	52,162	43,932	8,230	15,647	7,417		

12.3 Details of the Company's immovable fixed assets:

Particulars	Area	Location
Freehold land and building	1,143 Acres	Hub Plant – District Lasbela, Balochistan
Freehold land	2.5 Acres	Mauza Maira Bagwal Tehsil and District, Islamabad
Leasehold property	94.88 square yards	Marine Corner, Clifton, Karachi

	Note	2019	2018
		(PKR in '000')	
12.4 Depreciation charge for the year has been allocated as follows:			
Operating costs	6	1,879,229	1,870,719
General and administration expenses	7	29,300	35,109
Other income – Management services		5,002	3,793
		1,913,531	1,909,621
12.5 Capital work–in–progress			
Opening balance		108,375	212,509
Additions during the year		222,139	75,125
Transfers during the year		(152,921)	(179,259)
		177,593	108,375

		Note	2019	2018
			(PKR in '000)	
13.	**INTANGIBLES – Computer software**			
	Cost			
	Opening balance		179,230	133,280
	Additions at cost / transfer from CWIP		32,941	46,040
	Write–off		–	(90)
			212,171	179,230
	Accumulated amortisation			
	Opening balance		(124,412)	(87,947)
	Charge for the year	13.1	(35,441)	(36,555)
	Write–off		–	90
			(159,853)	(124,412)
	Net book value		52,318	54,818
	Amortisation rate % per annum		33.33	33.33
	Cost of fully amortised intangibles		107,026	45,317
13.1	**Amortisation charge for the year has been allocated as follows:**			
	Operating costs	6	31,998	30,617
	General and administration expenses	7	3,339	5,938
	Other income – Management services		104	–
			35,441	36,555
14.	**LONG TERM INVESTMENTS**			
	Investment in subsidiaries – unquoted			
	Laraib Energy Limited (LEL)	14.1	4,674,189	4,674,189
	Hub Power Services Limited (HPSL)	14.2	100	100
	Hub Power Holdings Limited (HPHL)	14.3	32,135,034	8,572,590
	Narowal Energy Limited (NEL)	14.4	3,921,883	3,921,883
	Thar Energy Limited (TEL)	14.5	5,579,436	2,567,600
			46,310,642	19,736,362
	Others – unquoted			
	Equity investment at fair value through other comprehensive income			
	– Sindh Engro Coal Mining Company Limited (SECMC)	14.6	2,044,597	942,926
			48,355,239	20,679,288

14.1 Laraib Energy Limited (LEL)

14.1.1 The Company has 74.95% controlling interest in LEL, which was incorporated in Pakistan on August 9, 1995 as a public limited company. 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. The plant commenced operations on March 23, 2013.

14.1.2 In connection with investment in the LEL, the Company entered into an Sponsor Support Agreement (SSA). In accordance with the terms of the SSA, the Company entered into a Sponsor Charge and Assignment Deed with LEL'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 LEL; and

(b) all its rights, title and interest from time to time (whether present or future) in the Assigned Subordinated Loans 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.

Accordingly, all the present and future shares which the Company holds or owns in LEL and the loans, if any, to be provided to LEL are subject to Security Interest created by Sponsor Charge and Assignment Deed above.

14.1.3 Pursuant to the SSA in connection with the investment in LEL, the Company entered into a facility agreement with a bank and provided an LC of USD 23 million to LEL's lenders for cost overruns and debt repayment. During the year 2017, after meeting certain conditions by the subsidiary, the LC amount was reduced to USD 10.875 million which the Company is committed to continue to maintain till the last repayment of debt (expected in 2024). Any default in payment by the Company is subject to a mark–up of six month 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 plant; (ii) Commercial Facility Disbursement Account; (iii) any shares of NEL; and (iv) present and future shares acquired in LEL including bonus shares and right shares.

14.2 Hub Power Services Limited (HPSL)

HPSL, a wholly owned subsidiary, was incorporated in Pakistan on March 26, 2015 as a public limited company. The principal activities of the subsidiary are to manage operations & maintenance of the power plants.

14.3 Hub Power Holdings Limited (HPHL)

HPHL, a wholly owned subsidiary, was incorporated in Pakistan on March 10, 2015 as a public limited company. The principal activities of the subsidiary are to invest in new business opportunities.

14.3.1 China Power Hub Generation Company (Private) Limited (CPHGC)

As at June 30, 2019, HPHL had 26% ownership interest in China Power Hub Generation Company (Private) Limited (CPHGC), the principal business of which is to construct, finance, own and operate two coal–fired power generation units of 660 MW each with ancillary Jetty in the province of Balochistan. The project achieved its Commercial Operation Date (COD) on August 17, 2019.

During the year, HPHL exercised the call option under Amended and Restated Shareholders' Agreement to increase its shareholding in CPHGC from 26% to 47.5%. HPHL has injected USD 248.8 million (Rs. 33,165 million) in CPHGC to date which is the full equity commitment for 47.5% stake. This includes payment to China Power International (Pakistan) Investment Limited (CPIPI) for transfer of shares amounting to USD 19.5 million (Rs. 3,097 million) which was made subsequent to the year end. Remaining process for increasing the HPHL's equity to 47.5% is in process.

Further, pursuant to Memorandum of Understanding (MOU) dated December 23, 2016 with Government of Balochistan (GOB), HPHL and CPIPI are committed to transfer 3% equity shareholding in CPHGC (1.5% each by HPHL and CPIPI) to GOB.

Sponsors' support for CPHGC

Pursuant to Sponsor Support Agreement entered into with the lenders of CPHGC, the Company is committed to arrange for working capital financing through HPHL amounting to USD 90.25 million in case CPHGC fails to arrange for working capital facility for its operations. This commitment is valid till the full repayment of project loans of CPHGC.

In order to secure HPHL's obligations under the finance documents of CPHGC, shares held by HPHL in CPHGC are pledged in favour of the Security Trustee.

14.3.2 ThalNova Power Thar (Private) Limited (TNPTL)

TNPTL is a private limited company, incorporated in Pakistan on April 18, 2016. The principal activities of TNPTL are to develop, own, operate and maintain a 1 x 330 MW mine–mouth coal fired power plant (the Project) which is under construction at Thar Block II, Thar Coal Mine, Sindh.

During the year, the Company, through HPHL, acquired 38.3% equity interest in TNPTL pursuant to Share Subscription Agreement (SSA) / Shareholders Agreement (SHA) entered between HPHL, TNPTL and its sponsors (Thal SPV and Nova SPV). As at June 30, 2019, the Company, through HPHL, has injected USD 34.9 million (Rs. 5,251 million) in TNPTL out of total equity commitment of USD 50.5 million based on the current estimated cost of the Project. The issuance of shares for USD 28.4 million (Rs. 4,339 million) is in process while 91 million ordinary shares for USD 6.5 million (Rs. 912 million) have been issued.

Project status and financial close of TNPTL

Private Power & Infrastructure Board (PPIB) issued the Letter of Support (LOS) to TNPTL on December 08, 2016. As per the terms of the LOS, TNPTL was required to (i) achieve the Financial Close of the Project not later than nine months from the date of LOS and (ii) enter into the Implementation Agreement (IA), Power Purchase Agreement (PPA) and Water Use Agreement (WUA) not later than three months prior to the financial closing date. The required COD of the Project is March 31, 2021.

TNPTL was required to achieve the financial close by June 30, 2019 as per the revised LOS of PPIB issued on November 23, 2018. On June 17, 2019, TNPTL requested PPIB to further extend its deadline for Financial Close (FC) till December 31, 2019. TNPTL has also issued performance guarantee amounting to USD 3.30 million to PPIB which is valid till October 10, 2019. PPIB has extended the LOS till December 31, 2019.

PPIB is entitled to encash the performance guarantee in case TNPTL is not able to meet the conditions or TNPTL decides to exercise termination option, as defined in the LOS. Further, the Project agreements as well as the Project will automatically terminate on the expiration or termination of the LOS.

TNPTL has also submitted the proposed amendments of PPA to CPPA(G) for signing and execution. The proposed amendments obligates TNPTL to pay CPPA(G), the Liquidated Damages (LDs), equivalent to the payment of proportionate Transmission Service Charges (TSC) payable by National Transmission and Despatch Company Limited (NTDC) to Pak Matiari–Lahore Transmission Company Limited, in case there is delay in COD of March 31, 2021. On March 12, 2019, TNPTL issued Limited Notice to Proceed (LNTP) to the EPC Contractor and work has commenced on the site. Based on the contractual construction period of 34 months, COD is expected in January 2022, which will result in LDs amounting to USD 2.68 million for each month of delay.

TNPTL has signed its financing agreements with foreign and local lenders on July 22, 2019.

Further, TNPTL has also executed its Land Lease Deed with SECMC for the purchase of 244 acres of land for the Project on June 26, 2019.

Company's commitment to TNPTL

Under the SSA and SHA the Company has following commitments:

- till the Financial Close of the Project, Thal SPV and Nova SPV shall not be required to inject further equity in TNPTL. Any additional contribution required by TNPTL for the purpose of achieving Financial Close of the Project will be provided by the Company, and the same will be treated as advance against equity or subordinate debt to TNPTL;

- for the purpose of extension of LOS, the Company is required to provide the performance guarantee on the basis of its shareholding in TNPTL as envisaged in SSA ; and

- subject to the term of financing documents, the Company is restricted to transfer or otherwise dispose the shares held in TNPTL or create encumbrance till the 6th anniversary of the Commercial Operations Date of TNPTL.

In connection with the development of TNPTL's project and pursuant to Shareholders' Agreement dated March 25, 2019, the Company has obtained following approvals from shareholders in general meeting on April 16, 2019 and is committed to:

(i) arrange and provide a Standby Letter of Credit to the Lenders of TNPTL or to TNPTL, directly or through its subsidiary HPHL, to cover for the equity investment of (and up to an amount not exceeding) USD 50.5 million (or PKR equivalent) to guarantee the subscription of equity. Such investment shall be for a period up till July 31, 2026 or such period until the liabilities/obligations of Sponsors remain undischarged, whichever is later;

(ii) undertake to the Lenders of TNPTL or to arrange and/or provide working capital financing to TNPTL, directly or through its subsidiary HPHL, equivalent to an aggregate amount of USD 23 million. Such investment shall be for a period up till August 31, 2033 or such period until the liabilities/obligations remain undischarged, whichever is later;

(iii) to assign its rights, benefits and interests in respect of any investment made in TNPTL by way of Subordinated loan (which loan is to be treated as subordinated to the debt of the Lenders of TNPTL) including the benefits of any indemnities, warranties and guarantees, in favour of the lenders of TNPTL, directly or through its subsidiary HPHL. Such investment shall be for a period up till August 31, 2033 or such period until the liabilities/obligations remain undischarged, whichever is later;

(iv) pledge its shares (if any) in TNPTL held by it from time to time, in favour of the Lenders of TNPTL, whether such shares are acquired directly by way of subscription or otherwise. Such investment shall be for a period up till August 31, 2033 or such period until the liabilities/obligations remain undischarged, whichever is later;

(v) provide a guarantee (in the form of standby letter of credit) for the benefit of TNPTL and Intercreditor Agent for an aggregate amount of USD 20 million (or PKR equivalent) to guarantee an investment in the form of equity or subordinated debt to cover (a) cost overrun, (b) any obligation under financing documents prior to Project Completion Date ("PCD"), and (c) Commercial Operation Date ("COD") undertakings. Such investment shall be for a period up till the earlier of Project Completion Date or July 31, 2026;

(vi) issue a sponsor standby letter of credit to cover for the Initial Debt Service Reserve Account Shortfall, of an amount estimated not to exceed USD 14 million (or PKR equivalent), but which could be higher as detailed in EOGM notice dated March 14, 2019. Such SBLC shall be for a period up till the earlier of first payment of the installment of the loan or January 31, 2024;

(vii) issue a sponsor standby letter of credit to cover for the Debt Service Reserve Account, of an amount estimated not to exceed USD 14 million (or PKR equivalent), but which could be higher as detailed in EOGM notice dated March 14, 2019. Such sponsor obligation shall be for a period earlier of the tenure of the project loan or August 31, 2033;

(viii) participate in the Put Option / Commercial Risk Guarantee ("Put Option / CRG") to be provided by local banks and financial institutions (including Habib Bank Limited) ("Put Option / CRG Financiers") in favour of the foreign lenders and contributing payment up to USD 10 million (or PKR equivalent) ("Put Option / CRG Contribution Amount") under the same as primary obligor in accordance with the terms of the Agreement Regarding Procedures Following Event of Default. Such sponsor obligation shall be valid till August 31, 2033;

(ix) provide sponsor support to the Put Option / CRG Financiers for various exposures being assumed by the Put Option / CRG Financiers in respect of the Put Option / CRG to cover any shortfall that TNPTL is unable to provide to the Put Option / CRG Financiers (which includes any foreign exchange risk and mark–up / interest up to the extent of USD 7 million), or such other amount as may be agreed with the Put Option / CRG Financiers from time to time ("Put Option / CRG Support Amount"). Such Sponsor obligation shall be valid till August 31, 2033;

(x) provide security in form and substance acceptable to the Put Option / CRG Financiers or such other alternate/ additional security as the Put Option / CRG Financiers may require from time to time up to the Put Option / CRG Support Amount and Put Option / CRG Contribution Amount with such margin and on such terms as may be deemed appropriate by the Authorized Persons;

(xi) provide (if required) a contractual commitment and a parent company guarantee to TNPTL guaranteeing the due and punctual performance of obligations by HPSL pursuant to the terms of the O&M Agreement. Such sponsor obligation shall be for a period the earlier of the tenure of the project loan or the expiry of the O&M Agreement.

14.4 Narowal Energy Limited (NEL)

NEL, a wholly owned subsidiary, was incorporated in Pakistan on November 03, 2015 as a public limited company. The principal activities of the subsidiary is to own, operate and maintain power plant. The subsidiary owns 214 MW (net) oil–fired power station in Punjab.

During the year, NEL obtained a long–term loan amounting to Rs. 2,500 million from a commercial bank which carries mark–up at the rate of three months KIBOR plus 0.75% per annum starting from the date of disbursement i.e. April 23, 2019 and is payable on quarterly basis in arrears. The loan is repayable in 12 equal installments on quarterly basis commencing from July 23, 2021. Any late payment by NEL is subject to an additional payment of 2% per annum above the normal mark–up rate. The loan is secured by way of second ranking / subordinated charge over fixed assets (excluding land & building) of the Company.

14.5 Thar Energy Limited (TEL)

The Company has 60% controlling interest in TEL, Fauji Fertilizer Company Limited (FFCL) has 30% interest and CMEC TEL Power Investments Limited has 10% interest. TEL was incorporated in Pakistan on May 17, 2016 as a public limited company. The principal activities of TEL are to develop, own, operate and maintain a 1 x 330 MW mine–mouth coal fired power plant to be established at Thar Block II, Thar Coal Mine, Sindh.

Project status and financial close

PPIB issued the Letter of Support (LOS) to TEL on December 09, 2016. The LOS required TEL to (i) achieve the Financial Closing (FC) of the Project no later than nine months from the date of LOS and (ii) enter into the Implementation Agreement (IA), Power Purchase Agreement (PPA) and Water Use Agreement (WUA) not later than three months prior to the Financial Closing date. Subsequently, the LOS was amended on TEL's request to extend the deadline for FC. As per amended LOS, TEL is required to achieve FC by September 8, 2019. Subsequent to year end, on August 06, 2019 TEL has requested PPIB to further extend the deadline for FC till March 8, 2020, for which approval is awaited.

As per the terms of the LOS, the Company provided performance guarantee amounting to USD 1.98 million in favour of PPIB valid till December 31, 2019. PPIB is entitled to encash the performance guarantee in case TEL is not able to meet the conditions or TEL decides to exercise termination option, as defined in the LOS. Further, the project agreements as well as the project will automatically terminate on the expiration or termination of the LOS.

Under the TEL's PPA, TEL is liable to pay Liquidated Damages (LDs) to the Power Purchaser if there is a delay in COD beyond the required COD of March 31, 2021. Expected LDs for each month of delay amount to USD 2.68 million.

TEL has signed its financing agreements with foreign and local lenders on December 20, 2018.

Further, TEL has also executed its Land Lease Deed with SECMC for the purchase of 244 acres of land for the project on June 26, 2019.

Company's commitments for TEL – Sponsors' support

In connection with the development of TEL's project and pursuant to Share Holder's Agreement dated March 15, 2018, the Company has obtained following approvals from shareholders in general meeting and is committed to:

(i) make investments in TEL up to an amount not exceeding USD 78 million (or PKR equivalent) by way of a subscription of shares. Such investment shall be made within a period up till December 2022;

(ii) arrange and provide a Standby Letter of Credit to the Lenders of TEL or TEL to cover for the equity investment of (and up to an amount not exceeding) USD 78 million (or PKR equivalent) to guarantee the subscription of equity. Such SBLC shall be for a period up till December 2022;

(iii) undertake to the Lenders of TEL and to arrange and/or provide working capital financing to TEL equivalent to an aggregate amount of USD 36 million. Such investment shall be for a period up till December 2032;

(iv) assign its rights in respect of any investment made in TEL by way of Subordinated loan (which loan is to be treated as subordinated to the debt of the Lenders of TEL), in favour of the Lenders of TEL. Such investment shall be for a period up till December 2032;

(v) execute the Share Pledge Agreement including all necessary documentation related thereto and for the said purpose do or cause to do all acts, deeds and things that may be necessary or required in connection therewith, as may be deemed appropriate and as mutually agreed with the Lenders of TEL including any amendments thereto, or as required by law;

(vi) provide a guarantee (in the form of standby letter of credit) for the benefit of TEL and Intercreditor Agent for an aggregate amount of USD 31 million (or PKR equivalent) to guarantee an investment in the form of equity or subordinated debt to cover (a) cost overrun, (b) any obligation under financing documents prior to Project Completion Date ("PCD"), and (c) COD undertakings. Such investment shall be for a period up till the earlier of Project Completion Date or December 2025;

(vii) issue a sponsor standby letter of credit to cover for the Initial Debt Service Reserve Account Shortfall, of an amount estimated not to exceed USD 20 million (or PKR equivalent), but which may be higher. Such SBLC shall be for a period up till the earlier of first payment of the instalment of the loan or December 2023;

(viii) issue a sponsor standby letter of credit to cover for the Debt Service Reserve Account, of an amount estimated not to exceed USD 20 million (or PKR equivalent), but which may be higher. Such SBLC shall be for a period up till the earlier of first payment of the installment of the loan or December 2032;

(ix) provide contractual commitments up to USD 22 million (or PKR equivalent) to Lenders for the purpose of TEL taking excess debt, which is over and above the cost approved by NEPRA. Such sponsor obligation shall be for a period earlier of the tenure of the project loan or December 2032;

(x) participate in the Put Option / Commercial Risk Guarantee ("Put Option / CRG") to be provided by local banks and financial institutions (including Habib Bank Limited) ("Put Option / CRG Financiers") to the foreign lenders and contributing payment of a sum not exceeding USD 15 million, ("Put Option / CG Contribution Amount") under the same as primary obligor and USD 10 Million as mark–up on the forced loan not settled by project company (if any) and any excess exposure on account of USD / PKR devaluation in accordance with the terms of the Put Option / CRG Agreement. Such sponsor obligation shall be valid till December 2032; and

(xi) provide a contractual commitment and a parent company guarantee to TEL guaranteeing the due and punctual performance obligations by HPSL pursuant to the terms of the O&M Agreement. Such sponsor obligation shall be for a period the earlier of the tenure of the project loan or December 2032.

14.6 Sindh Engro Coal Mining Company Limited (SECMC)

SECMC is a public unlisted company, incorporated in Pakistan on October 15, 2009. The principle activity of SECMC is to develop, construct and operate open cast lignite mine in Block II Thar Coal Mine, Sindh.

Pursuant to Share Holder's Agreement, the Company agreed to invest the equivalent of USD 20 million at or soon after Financial Close of SECMC or at such later time or times as required by the Financing Agreements of SECMC at a share price of Rs. 14.82 per share. As at June 30, 2019 the Company has injected USD 11.76 million (Rs. 1,321 million) representing 8% equity stake in SECMC.

Subsequent to the year end, on July 10, 2019, SECMC achieved its Commercial Operations Date (COD) for Phase – I.

In addition to the USD 20 million equity, the Company is committed to:

– Sponsor Support Guarantee to cover cost overruns for an amount not exceeding USD 5 million (in equivalent Pak Rupees), if at any time prior to the Project Completion Date a funding shortfall occurs. Each Sponsor is obligated to pay the cost overrun amount in cash, by way of subscription of SECMC shares or at the option of the Sponsors collectively, by way of a subordinated debt to SECMC. The shareholders during the Extraordinary General Meeting held on January 14, 2016 approved the cost overrun support of USD 4 million and further approved the increase in cost overrun support to USD 5 million in the Extraordinary General Meeting held on June 22, 2018.

– Letter of credit to cover for the Initial Payment Service Reserve Account Shortfall ('PSRA') for an amount estimated not to exceed USD 6 million (which could be higher). If there is an Initial PSRA Shortfall, each sponsor shall procure and issue a PSRA Letter of Credit (LC) in proportion to its shareholding of Ordinary shares in SECMC. Upon a demand being made for payment under the PSRA LC and receiving such payment, the said amount may be treated as equity or at the option of the sponsors collectively, subordinated debt advanced in favor of SECMC in an amount equal to such portion of the PSRA LC that is called upon. During the Extraordinary General Meeting held on January 14, 2016, the PSRA support was approved by the members of the Company.

The investment in SECMC for the purposes of cost overrun and PSRA will only be made in the event there is an overrun or shortfall, respectively. If the entire amount of Sponsor Support Guarantee to cover cost overrun is called and the entirety of the payment under the standby letter of credit for PSRA shortfall is demanded, the maximum investment of the Company in SECMC shall be USD 31 million (in equivalent PKR).

On February 26, 2016, the sponsors, including the Company, entered into a SSA with Habib Bank Limited as a condition precedent for the availability of loan facilities to SECMC in connection with the project to develop, construct, operate and maintain an open pit coal mine in Sindh, Pakistan. Pursuant to the terms and conditions set forth in the SSA, the Company has provided Sponsor Equity Contribution Letter of Credit in the form of an Irrevocable Standby letter of Credit (SBLC) in favour of Habib Bank Limited, dated March 18, 2016 for a total amount not exceeding USD 12.650 million. As at June 30, 2019, the SBLC has been reduced to USD 8.562 million.

Additionally, a Share Pledge Agreement was also executed by the Shareholders of SECMC including the Company on March 09, 2016 in favour of the Security Trustee in accordance with the provisions of the Finance Documents where all shares of SECMC are pledged.

	Note	2019	2018
		(PKR in '000)	
15. LONG TERM DEPOSITS AND PREPAYMENTS			
Deposits – non interest bearing		20,324	19,237
Prepayments		1,646	1,646
		21,970	20,883
16. STORES, SPARES AND CONSUMABLES			
In hand		2,052,208	2,020,669
In–transit		–	12,202
		2,052,208	2,032,871
Provision against slow moving stores, spares and consumables	16.1	(201,344)	(78,063)
		1,850,864	1,954,808
16.1 Movement in provision against slow moving stores, spares and consumables			
Opening balance		78,063	43,801
Provision for the year		123,281	34,262
Closing balance		201,344	78,063
17. STOCK–IN–TRADE			
Furnace oil		4,552,783	5,674,602
Diesel		23,027	13,320
		4,575,810	5,687,922
18. TRADE DEBTS – Secured			
Considered good	18.1 & 18.2	66,628,533	82,286,713

18.1 This includes an amount of Rs. 59,178 million (2018: Rs. 74,073 million) receivable from CPPA(G) which is overdue but not impaired because the trade debts are secured by a guarantee from the GOP under the Implementation Agreement (IA). The delay in payments from CPPA(G) carries mark–up at SBP discount rate plus 2% per annum compounded semi–annually for all overdue amounts except Late Payment Interest overdues.

The aging of these receivables is as follows:

	Note	2019	2018
		(PKR in '000)	
Not yet due	18.1.1	7,450,897	8,213,221
Up to 3 months		6,348,921	20,409,684
3 to 6 months		10,314,028	16,807,348
Over 6 months		42,514,687	36,856,460
		66,628,533	82,286,713

18.1.1 This includes Rs. 3,438 million (2018: Rs. 2,222 million) related to LPI which is not yet billed by the Company.

18.2 This includes an amount of Rs. 373 million (2018: Rs. 373 million) receivable from CPPA(G) on account of following:

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 PPA with CPPA(G), any tax paid by the Company on behalf of construction contractors and sub–contractors was to be reimbursed by CPPA(G).

Under the provisions of the IA between the Company and 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, in 1998, few years after the tax had been paid, the Federal Board of Revenue (FBR) contended that Company was liable to pay tax at the rate of 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 CPPA(G). 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 Company's and other 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 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.

	Note	2019	2018
		(PKR in '000)	
19. LOANS AND ADVANCES			
Considered good – non interest bearing			
Loans – unsecured			
Executives		6,224	1,450
Employees		767	236
		6,991	1,686
Advances – unsecured			
Executives		483	505
Employees		618	573
Suppliers		24,877	87,721
		25,978	88,799
Considered good – interest bearing (unsecured)			
Loan to NEL – a subsidiary company	19.1	699,500	–
		732,469	90,485

19.1 The Company has provided NEL an unsecured short term loan facility for an amount of up to Rs. 3,000 million, to meet its working capital requirements, which carries mark–up at the rate of 0.40% per annum above one month KIBOR. Any late payment is subject to an additional payment of 1.00% per annum above the normal mark–up rate. The maximum aggregate amount receivable at month end during the year was Rs. 1,800 million (2018: Rs. 600 million).

	Note	2019	2018
		(PKR in '000)	

20. PREPAYMENTS AND OTHER RECEIVABLES

	Note	2019	2018
Prepayments			
LC commission and other loan related costs		4,181	4,464
Others		15,150	17,595
		19,331	22,059
Other receivables			
Interest accrued		–	94
Income tax – refundable	20.1	1,912,347	1,912,347
Sales tax		7,170,968	6,795,219
Advance tax		–	147,384
Receivable from LEL	20.2	14,527	6,794
Receivable from HPSL	20.2	–	8,935
Receivable from HPHL	20.2	14,873	41,306
Receivable from NEL	20.2	2,112	1,886
Receivable from TEL	20.2	9,925	64
Receivable from TNPTL	20.2	7,483	–
Workers' profit participation fund recoverable from CPPA(G)	27.4	1,375,934	1,078,240
Miscellaneous		4,100	472
		10,512,269	9,992,741
		10,531,600	10,014,800

20.1 In 1998, the Federal Board of Revenue ("FBR") 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 Rs. 297 million against the above assessments in accordance with the departmental procedures prevalent at that time. Appeals filed by the Company before the Commissioner of Income tax (Appeals) [the "CIT (A)"] and thereafter with the Income Tax Appellate Tribunal ("ITAT") were decided against the Company. Against the decision of the ITAT, the Company filed appeals before the High Court ("HC") which were also decided against the Company in March 2012. Against the decision of the HC, the Company filed further appeals before the Honorable Supreme Court of Pakistan (SCP).

In order to restrict the penal exposure of the Company, in May 2012 the Company availed the scheme offered by the FBR vide SRO 547(I)/2012 dated May 22, 2012 and made payment of Rs. 1,615 million.

In July 2014, the SCP decided the case in favor of the Company. Against the decision of the SCP, FBR filed review petitions which were dismissed by the SCP in June 2015. Consequently, an amount of Rs. 1,912 million is refundable from FBR. The Company is pursuing the FBR and GOP for the refund.

20.2 The amounts receivable from subsidiaries / associate are neither past due nor impaired and are recoverable in ordinary course of business. The maximum aggregate amounts due at the end of any month during the year were as follows:

	2019	2018
	(PKR in '000)	
LEL	14,527	491,251
HPSL	3,932	32,967
HPHL	14,873	47,132
NEL	12,377	156,379
TEL	9,925	4,385
TNPTL	7,483	–

	Note	2019	2018
		(PKR in '000)	
21. CASH AND BANK BALANCES			
At bank			
Savings accounts	21.1 & 21.2	298,510	424,519
Right subscription account	21.3	7,000,000	–
		7,298,510	424,519
In hand			
Cash		165	166
Payorders		13,405	2,200
		13,570	2,366
		7,312,080	426,885

21.1 Savings and deposits accounts carry mark–up rate of 10.25% (2018: 4.50%) per annum.

21.2 This includes Rs. 269 million (2018: Rs. 388 million) restricted for dividend payable.

21.3 This represents amount received against issuance of right shares (refer note 22.3).

22. AUTHORISED, ISSUED, SUBSCRIBED AND PAID–UP CAPITAL

2019	2018		2019	2018
(No of Shares)			(PKR in '000)	
		Authorised :		
1,700,000,000	1,700,000,000	Ordinary shares of Rs.10/– each	17,000,000	17,000,000
		Issued, subscribed and paid–up:		
		Ordinary shares of Rs.10/– each		
958,773,317	818,773,317	For cash	9,587,733	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
1,297,154,387	1,157,154,387		12,971,544	11,571,544

22.1 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 of lenders are satisfied.

22.2 Associated undertakings held 263,267,143 (2018: 437,216,264) shares in the Company as at year end.

22.3 During the year, a right issue was approved by the Board of Directors of the Company at their meeting held on April 01, 2019 in proportion of 12.0986 ordinary shares for every 100 ordinary shares held at a premium of Rs. 40 per share.

On June 26, 2019, a total of 140 million right shares were issued and an amount of Rs. 7,000 million was raised comprising of Rs. 1,400 million and Rs. 5,600 million in respect of ordinary share capital and share premium, respectively.

23. LONG TERM LOANS – Secured

From Banks / Financial Institutions	Note	As at July 01, 2018	Drawn	Repaid	Current portion	Amortisation of transaction costs	As at June 30, 2019
				(PKR in '000)			
Hub plant							
Musharaka finance facility	23.1	937,500	–	(625,000)	(312,500)	–	–
NEL investment							
Commercial facility	23.2	2,456,325	–	(888,190)	(1,011,183)	–	556,952
LEL investment							
Syndicated term finance facility	23.3.1	388,948	–	(388,948)	–	–	–
Islamic finance facility	23.3.2	84,333	–	(84,333)	–	–	–
		473,281	–	(473,281)	–	–	–
TEL / CPHGC / SECMC investment							
Syndicated term finance facility	23.4.1	5,431,124	10,568,876	–	–	–	16,000,000
Islamic finance facility	23.4.2	5,500,000	–	–	–	–	5,500,000
		10,931,124	10,568,876	–	–	–	21,500,000
Transaction costs		(150,729)	–	–	7,855	12,674	(130,200)
Total		14,647,501	10,568,876	(1,986,471)	(1,315,828)	12,674	21,926,752

From Banks / Financial Institutions	Note	As at July 01, 2017	Drawn	Repaid	Current portion	Amortisation of transaction costs	As at June 30, 2018
				(PKR in '000)			
Hub plant							
Musharaka finance facility	23.1	1,562,500	–	(625,000)	(625,000)	–	312,500
NEL investment							
Commercial facility	23.2	3,236,492	–	(780,167)	(888,191)	–	1,568,134
LEL investment							
Syndicated term finance facility	23.3.1	1,166,844	–	(777,896)	(388,948)	–	–
Islamic finance facility	23.3.2	253,000	–	(168,667)	(84,333)	–	–
		1,419,844	–	(946,563)	(473,281)	–	–
TEL / CPHGC / SECMC investment							
Syndicated term finance facility	23.4.1	1,574,929	3,856,195	–	–	–	5,431,124
Islamic finance facility	23.4.2	–	5,500,000	–	–	–	5,500,000
		1,574,929	9,356,195	–	–	–	10,931,124
Transaction costs		(17,110)	(140,827)	–	1,004	7,208	(149,725)
Total		7,776,655	9,215,368	(2,351,730)	(1,985,468)	7,208	12,662,033

23.1 The Company entered into a long term Musharaka arrangement with a bank for an amount of Rs. 2,500 million (2018: Rs. 2,500 million) to finance boiler rehabilitation works at Hub Plant. The facility is repayable in sixteen equal installments on quarterly basis starting from March 30, 2016 at a mark-up rate of 3 month KIBOR plus 0.60% per annum. The mark-up is payable on quarterly basis in arrear. Any late payment by the Company is subject to a mark-up of 14% per annum. This loan is secured by way of second ranking / subordinated charge over all present and future assets of Hub plant.

23.2 In order to finance the equity portion of the project cost of Narowal plant, the Company obtained this loan which is repayable in 40 installments on quarterly basis starting from January 16, 2011 and then on each mark-up payment date at a mark-up rate of three month KIBOR plus 0.25% per annum. The mark-up is payable on quarterly basis in arrear. The loan is secured pari passu by way of fixed charge over each of the following, namely:

(a) **(i)** Company's Tangible Moveable Property;

(ii) Company's Intellectual Property; and

(iii) All goodwill (including all brand names not otherwise subject to a fixed charge or assignment by or pursuant to supplemental Composite Security Agreement) presently belonging to the Hub plant;

(b) a floating charge on the whole of the Hub plant related undertaking and assets, present and future;

(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 the Hub plant only; and

(d) mortgage over the Hub plant land measuring 347 acres.

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.

23.3 In order to meet its investment obligation in LEL:

23.3.1 The Company entered into a long term financing arrangement with various banks / financial institution for an amount of Rs. 3,741 million. The loan was repayable in 9 equal installments on semi-annual basis following the six months after the end of availability period which was 42 months from the facility effective date at a mark-up rate of six month KIBOR plus 0.6% per annum. The facility became effective on October 01, 2010. The mark-up was payable on semi-annual basis in arrear starting from the availability period. Any late payment by the Company was subject to an additional payment of 2% per annum above the normal mark-up rate. The loan was secured by way of second ranking / subordinated charge over all present and future undertaking and assets of Hub Plant. During the year, on October 01, 2018, this loan was fully repaid.

23.3.2 The Company also entered into a long term Islamic financing arrangement with a bank for an amount of Rs. 759 million. The loan was repayable in 9 equal installments on semi-annual basis following the six months after the end of availability period which was 42 months from the facility effective date at a mark-up rate of six month KIBOR plus 0.6% per annum. The facility became effective on November 24, 2010. The mark-up was payable on semi-annual basis in arrear starting from the availability period. Any late payment by the Company was subject to an additional payment of 2% per annum above the normal mark-up rate. The loan was secured by way of securities mentioned in note 23.3.1. During the year, on November 23, 2018, this loan was fully repaid.

23.4 In order to meet investment requirements in TEL / CPHGC / SECMC:

23.4.1 The Company entered into a long term financing arrangement with various banks for an amount of Rs. 21,000 million to finance equity investment in CPHGC (via HPHL), TEL and SECMC. The loan is repayable in 40 installments on quarterly basis after the end of the availability period, which is 54 months from the Facility Effective Date i.e. May 18, 2017. Mark-up is charged at three months KIBOR plus 0.30% per annum. The loan is secured by way of all present and future assets of the Company other than current assets.

On May 10, 2019, the financing facility was amended to incorporate the sub limit facility amounting to Rs. 5,000 million as a short term finance for the period of 90 days (refer note 26.3).

23.4.2 In addition, the Company has also entered into a long term Musharaka arrangement with various banks amounting to Rs. 5,500 million to finance equity investment in CPHGC (via HPHL). The loan is repayable on quarterly basis after the end of the availability period i.e. November 30, 2021. Mark-up is charged at three months KIBOR plus 0.30% per annum. The facility is secured by way of all present and future assets of the Company other than current assets.

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.

		Note	2019	2018
			(PKR in '000)	
24.	**TRADE AND OTHER PAYABLES**			
	Creditors			
	Trade - PSO	24.1	51,766,804	76,943,425
	Other		40,982	21,683
			51,807,786	76,965,108
	Accrued liabilities			
	Finance costs		1,362	1,194
	Miscellaneous		709,704	617,727
			711,066	618,921
	Unearned income	24.2	1,444,435	1,189,081
	Payable to HPSL		3,684	–
	Advance against management services	24.3	38,730	73,386
	Other payables			
	Workers' profit participation fund	27.4	2,202,871	935,191
	Staff gratuity	24.4	41,541	16,336
	Retention money		8,477	4,898
	Sales tax payable		–	7,557
	Withholding tax		14,286	11,016
			2,267,175	974,998
			56,272,876	79,821,494

24.1 This represents payable to Pakistan State Oil Company Limited (PSO), out of which overdue amount is Rs. 47,455 million (2018: Rs. 69,758 million).

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

24.2 This represents Capacity Purchase Price invoiced for the succeeding month under the terms of PPA for Hub plant.

24.3 This represents advance received from TEL against management service agreement.

		2019	2018
		(PKR in '000)	
24.4	**STAFF GRATUITY**	41,541	16,336

Actuarial valuation was carried out as at June 30, 2019. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Actuarial Cost Method. The details of the actuarial valuation are as follows.

	2019	2018
	(PKR in '000)	
Reconciliation of the net liability recognised in the statement of financial position		
Present value of defined benefit obligation	262,337	209,793
Fair value of plan assets	(220,796)	(193,457)
Net liability recognised in the statement of financial position	41,541	16,336
Reconciliation of the movements during the year in the net liability recognised in the statement of financial position		
Opening net liability	16,336	17,649
Expense recognised	34,089	24,727
Remeasurement loss recognised in Other Comprehensive Income (OCI)	13,116	7,619
Contributions to the fund made during the year	(22,000)	(33,659)
Closing net liability	41,541	16,336
Expense recognised		
Current service cost	33,609	24,702
Net Interest	480	25
Expense recognised	34,089	24,727
Re-measurements recognised in OCI during the year		
Remeasurement loss / (gain) on defined benefit obligations	54	(5,699)
Remeasurement loss on plan assets	13,062	13,318
	13,116	7,619
The movement in the defined benefit obligations are as follows		
Present value of defined benefit obligation at opening	209,793	202,661
Current service cost	33,609	24,702
Interest cost	18,881	15,095
Benefits paid	–	(26,966)
Remeasurement loss / (gain) recognised in OCI	54	(5,699)
Present value of defined benefit obligation at closing	262,337	209,793
The movement in fair value of plan assets		
Fair value of plan assets at opening	193,457	185,012
Expected return on plan assets	18,401	15,070
Contributions made	22,000	33,659
Benefits paid	–	(26,966)
Remeasurement loss recognised in OCI	(13,062)	(13,318)
Fair value of plan assets at closing	220,796	193,457
Actual return on plan assets	5,339	1,752

	2019 %	2019 (PKR in '000)	2018 %	2018 (PKR in '000)
Plan assets comprises of following:				
Pakistan Investment Bonds	72.70%	160,521	45.25%	87,543
Mutual funds	13.30%	29,382	33.24%	64,298
Term Finance Certificate	7.69%	16,971	0.00%	–
Treasury Bills	0.00%	–	8.09%	15,653
Quoted shares	0.00%	–	6.92%	13,383
Cash and cash equivalents	6.31%	13,922	6.50%	12,580
	100.00%	220,796	100.00%	193,457

	2019	2018
	(PKR in '000)	
Contribution expected to be paid to the plan during the next year	35,663	24,483

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

	2019	2018
– Valuation discount rate per annum	13.25%	8.75%
– Expected rate of return on plan assets per annum	13.25%	8.75%
– Expected rate of increase in salary level per annum	8.75%	8.75%
– Mortality rates	SLIC 2001-05	SLIC 2001-05

Expected maturity analysis of undiscounted retirement benefit plan:

	Less than 1 year	Between 2–5 years	Between 6–10 years	More than 10 year	Total
			(PKR in '000)		
Retirement benefit plan	10,174	125,289	251,766	659,119	1,046,348

Historical information of retirement benefit plan:

	2019	2018	2017	2016	2015
			(PKR in '000)		
As at June 30					
Present value of defined benefit obligation	262,337	209,793	202,661	214,588	178,847
Fair value of plan assets	(220,796)	(193,457)	(185,012)	(139,149)	(124,165)
Deficit	41,541	16,336	17,649	75,439	54,682

	2019	2018
	(PKR in '000)	
Sensitivity analysis on significant actuarial assumptions		
- Impact on defined benefit obligation - decrease / (increase)		
- Discount rate +1%	19,125	17,474
- Discount rate -1%	(21,511)	(19,838)
- Salary increases +1%	(22,676)	(20,698)
- Salary increases -1%	20,460	18,511

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the Projected Unit Credit Method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

The plan exposes the Company to the actuarial risks such as:

Investment risks:

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risks:

The risk arises when the actual servicing period is longer than expected. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

		Note	2019	2018
			(PKR in '000)	
25.	**INTEREST / MARK-UP ACCRUED**			
	Interest / mark-up accrued on long term loans		43,944	51,040
	Mark-up accrued on short term borrowings		523,896	106,607
			567,840	157,647
26.	**SHORT TERM BORROWINGS**			
	Secured			
	Running finance	26.1 & 26.2	24,213,535	21,776,111
	Short term / sub limit finance	26.3	5,000,000	–
			29,213,535	21,776,111
	Unsecured			
	Privately placed sukuks	26.4 & 26.5	8,500,000	–
	Commercial paper	26.6	3,398,519	–
			11,898,519	–
			41,112,054	21,776,111

26.1 The facilities for running finance available from various banks / financial institutions amounted to Rs. 28,800 million (2018: Rs. 29,600 million) at mark-up ranging between 0.25% to 2.00% per annum above one / three month KIBOR. The mark-up on the facilities is payable on monthly / quarterly basis in arrear. The facilities will expire during the period from August 31, 2019 to June 30, 2020. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. The facilities are secured by way of charge over the trade debts and stocks of the Company for the Hub plant pari passu with the existing charge.

26.2 The Company has also entered into Musharaka agreements amounting to Rs. 1,400 million (2018: Rs. 400 million) at a mark-up of 0.75% 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 31, 2019 and November 30, 2019. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. These facilities are secured by way of securities mentioned in note 26.1.

26.3 On May 10, 2019, to finance the call option in CPHGC via HPHL (refer note 14.3.1), the Company secured a short term finance amounting to Rs. 5,000 million as a sub limit to the financing arrangement for equity investment, (refer note 23.4.1). This amount was repayable within 90 days from the date of drawdown and carried mark-up at the rate of three months KIBOR plus 0.60% per annum. This facility is repaid on August 16, 2019.

26.4 On February 27, 2019, the Company issued privately placed unsecured Sukuk certificates based on Musharaka amounting to Rs. 4,000 million at a mark-up of 1.00% per annum above three-month KIBOR. The mark-up on the Sukuk is payable on quarterly basis in arrear and the principal is payable on November 27, 2019. Any late payment by the Company is subject to mark-up at a rate of 2.00% per annum over three-month KIBOR.

26.5 On April 02, 2019, the Company issued another privately placed unsecured Sukuk certificates based on Musharaka amounting to Rs. 4,500 million at a mark-up of 1.00% per annum above three-month KIBOR. The mark-up on the Sukuk is payable on quarterly basis in arrear and the principal is payable on October 02, 2019. Any late payment by the Company is subject to mark-up at a rate of 2.00% per annum over three-month KIBOR.

26.6 The Company also issued unsecured privately placed short term commercial paper amounting to Rs. 3,500 million. The tenor of the commercial papers is ninety days from the date of draw down i.e. April 23, 2019 which carries mark-up at the rate of three month KIBOR plus 1% per annum. On July 22, 2019, commercial paper was redeemed upon maturity at face value of Rs. 3,500 million.

27. COMMITMENTS AND CONTINGENCIES

27.1 Commitments in respect of capital and revenue expenditures amounted to Rs. 243 million (2018: Rs. 332 million).

27.2 The CPPA(G) was unable to meet its obligation to provide a stand by letter of credit as required under the PPA. Consequently, the Company has been unable to meet its obligation to provide a stand by letter of credit to PSO under the Fuel Supply Agreement (FSA).

27.3 The Company has entered into Predictivity Enhancements and Performance Improvements (PEPI) Agreement with General Electric Global Services GmbH (GE), whereby GE has proposed to the Company PEPI solutions to improve the Facility net efficiency (heat rate) to achieve a guaranteed rate. Under PEPI Agreement, Steam Turbine Retrofits were to be implemented on four units, during the year both parties agreed commercially to restrict it to two units considering estimated low load regime for Hub Plant in years ahead. In relation to this, agreement amendments are in process.

If PEPI Agreement is terminated at any time prior to March 31, 2037, the Company will be liable to pay USD 1.5 million to GE along with residual value of the Steam Turbine Retrofits (proposed solution). However, non-renewal of PPA (which expires in 2027) will result in automatic termination of PEPI Agreement and the Company will have to pay GE USD 1.5 million and the residual value of approximately USD 0.6 million.

27.4 The Company had filed a petition in the Sindh High Court (SHC) on June 28, 2000 challenging the application of the Companies Profits (Workers' Participation) Act, 1968 (the Act) on the grounds, that since its inception, the Company had not employed any person who falls within the definition of the term "Worker" as it has been defined in the Act.

The petition was filed subsequent to the service on the Company of a letter of March 14, 2000 by the Labour, Manpower and Overseas Pakistanis' Division, directing the Company to allocate 5% of its net profit (since its establishment) towards the Workers' Profit Participation Fund. The said notice demanded that the Company 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 PPA and against the CPPA(G) as a pro forma party in the matter.

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 new petition, which incorporated all the available grounds.

Both the Company and CPPA(G) agreed that this petition should proceed and a judgement obtained on merits. During the year ended June 30, 2011, the petition was dismissed by the SHC. Against the decision of the SHC, the Company filed petition for leave to appeal before the Supreme Court of Pakistan (SCP). In December 2011, the SCP set aside the judgement of the SHC and directed it to decide the case afresh. The matter is pending adjudication before the SHC.

As at June 30, 2019, the total financial exposure relating to the above case is Rs. 27,066 million (Rs. 3,136 million being the 5% of the profit and Rs. 23,930 million interest component and penalty on delayed payment). 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 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.

The Supreme Court of Pakistan (SCP) vide its judgement dated November 10, 2016 set aside the amendments made to the Act by Finance Acts of 2006, 2007 and 2008 as ultra vires to the provisions of the Constitution of Pakistan (the Constitution). Accordingly, the provisions of the Act are to be read as if the amendments brought about by the said Finance Acts were never made and the defined term "Worker" reverted to its original definition of prior to Finance Act 2006. However, the Federal Board of Revenue (FBR) has filed a review petition with the SCP in respect of the said decision.

Pursuant to the 18th Amendment to the Constitution (the 18th Amendment), the Sindh Provincial Assembly passed the Sindh Companies Profits (Workers' Participation) Act, 2015 (the Sindh Act).

On February 12, 2018, SHC passed an Order (SHC Order) in respect of the Sindh Act, holding that for trans-provincial companies like the Company, the location of the workers should be considered and an allocation should be made accordingly. The SHC Order further devised a mechanism to compute contributions for trans-provisional companies. In July 2018, the SCP suspended the SHC Order, however, SCP is yet to issue a detailed order on this matter. The interim order passed by SCP only applies inter partes and since the Company was not a party to the case filed in the SCP, it is the SHC Order which is binding on the Company.

In light of SHC Order, the Sindh Act applies insofar as the Company has any "Worker" in Sindh as defined under the Sindh Act, and the Act applies as a fractured provincial legislation to the Company insofar as Balochistan is concerned. Accordingly, the Company is of the view that it does not have any "Worker" as defined in the Act and there is no need to establish a Trust in Balochistan under the Act at this time.

Given that, following the enactment of the 18th Amendment, and amongst other things, labour matters have become a Provincial subject and pursuant to the Sindh Act 2015 and the SHC Order, the 1968 Act has been fractured into provisional legislation, the Fund created by the Company in 2007, became dysfunctional and was unable to carry out its objectives. Therefore, the Company recommended to the Trustees of the Fund that the same be dissolved. The Fund was dissolved on June 27, 2019 and the 5% WPPF allocated by the Company since July 1, 2015 and the interest earned on that allocated amount (Rs. 1,524 million allocated by the Company and Rs. 258 million interest earned by the Fund on the allocated amount) was transferred back to the Company. These funds are being utilized by the Company till a final decision of the Supreme Court or until Balochistan Provincial Assembly enacts its legislation and the Company will then comply with the Balochistan Law. In compliance with the Sindh Act 2015, the Company is in the process of establishing a Trust in Sindh and the amount in proportion to the workers based in Sindh will be transferred to the new fund as per the calculation methodology given by SHC.

This course of action has been taken keeping in mind that the spirit of the law is to provide for welfare of the workers. The Company is entitled to claim a portion of the amount rightfully paid to the WPPF Trust from CPPA(G) as a pass-through item under the PPA.

27.5 **(i)** Under the IA with GOP and under the tax laws, the Company's interest income is exempt from income tax. However, the tax authorities issued a tax demand for the tax years 2006-2010 amounting to Rs. 143 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. The Company's appeal before the Commissioner of Inland Revenue Appeals (CIR-A) and the Appellate Tribunal Inland Revenue (ATIR) were rejected. Against the order of the ATIR the Company filed appeals before the Honorable Islamabad High Court (IHC) which were also decided against the Company. Against the decision of the IHC, the Company filed appeals before the SCP which are pending adjudication. The Company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 339 million.

(ii) FBR also imposed 2% Workers Welfare Fund (WWF) for tax years 2006-2010 and issued a demand for Rs. 191 million which was subsequently reduced to Rs. 8 million by the CIR-A. The Company filed appeals before the ATIR which were rejected. Against the order of the ATIR, the Company filed appeals before the IHC which held that the orders on WWF were void. The IHC also held that WWF would be applicable in accordance with the law prior to the changes made through Finance Act 2006 & 2008. Against the decision of the IHC, the Company filed appeals before the SCP which are pending adjudication. The Company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 16 million. WWF is a pass through under the PPA and is recoverable from the CPPA(G).

(iii) Under the IA with GOP and under the tax laws, the Company's interest income is exempt from income tax. However, during March 2014, the FBR issued tax demand for the tax year 2011 amounting to Rs. 3.2 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. Appeals filed by the Company before the CIR-A and thereafter with the ATIR were decided against the Company. Against the order of the ATIR, the Company filed appeal before the IHC which was also decided against the Company. Against the decision of the IHC, the Company filed appeal before the SCP which is pending adjudication. The Company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 5 million.

(iv) FBR also imposed 2% WWF for the tax year 2011 and issued a demand for Rs. 108.5 million. Appeals filed by the Company before the CIR-A and thereafter with the ATIR were decided against the Company. Against the order of the ATIR the Company filed appeal before the IHC which held that the order on WWF was void. The IHC also held that WWF would be applicable in accordance with the law prior to the changes made through Finance Act 2006 & 2008. Against the decision of the IHC the Company filed appeal before the SCP which is pending adjudication. The Company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 177 million. WWF is a pass through under the PPA and is recoverable from CPPA(G).

(v) Under the IA with GOP and under the tax laws, the Company's interest income is exempt from income tax. However, during March 2015, the FBR issued tax demand for the tax year 2013 amounting to Rs. 4 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. The Company filed appeal before the CIR-A who deleted the tax demand. Against the order of CIR-A, the FBR filed appeal before the ATIR which is pending adjudication. The Company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 6 million.

(vi) FBR also imposed 2% WWF for the tax year 2013 and issued a demand for Rs. 162 million. The Company filed appeal before the CIR-A who remanded back the case to FBR for a fresh assessment. Against the order of CIR-A, the FBR filed appeal before the ATIR which is pending adjudication. The Company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 287 million. WWF is a pass through under the PPA and is recoverable from CPPA(G).

The management, tax and legal advisors are of the opinion that the position of the Company is sound on technical basis and eventual outcome is expected to be in favour of the Company. Pending the resolution of the matters stated above, no provision has been made in these unconsolidated financial statements.

27.6 **(i)** Under the IA with the GOP and under the tax law, the Company is exempt from the levy of minimum tax. However, in June 2012, the FBR issued demand notices amounting to Rs. 443 million relating to the tax years 2006 to 2008, 2010 and 2011. After the Company's appeals were rejected by the CIR-A, Islamabad, further appeals were filed with the ATIR, Islamabad which has decided the appeals in favour of the Company. Against ATIR orders, FBR has filed appeals in the IHC which are pending adjudication. The Company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 872 million.

(ii) In November 2012, the FBR passed an order for the recovery of sales tax amounting to Rs. 8,519 million relating to fiscal years ended June 2008 to 2011. In FBR's view the Company had claimed input tax in excess of what was allowed under the law. After dismissal of the Company's appeal at the CIR-A level, the Company filed appeal with the ATIR which decided the case in favour of the Company. Against the judgment of the ATIR, the FBR filed a case with the IHC which is pending adjudication. The Company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 22,019 million.

(iii) In March 2014, the FBR passed an order for the recovery of sales tax amounting to Rs. 3,442 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. After dismissal of the Company's appeal at the CIR-A level, the Company filed appeal with the ATIR which also decided the case against the Company. Against the decision of the ATIR, the Company filed appeal with IHC which is pending adjudication. The Company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 7,603 million.

(iv) In April 2014, the FBR issued a show cause notice to recover sales tax amounting to Rs. 3,692 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 filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / LHC in other cases. Against this decision, the FBR has filed appeal with IHC which is pending adjudication. The Company's maximum exposure as at June 30, 2019 is approximately Rs. 3,692 million.

(v) In January 2015, the FBR issued a show cause notice to recover sales tax amounting to Rs. 4,130 million relating to fiscal year ended June 2014. In FBR's view, the Company had claimed input tax in excess of what was allowed under the law. The Company filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / LHC in other cases.

Against this decision, the FBR has filed appeal with IHC which is pending adjudication. The Company's maximum exposure as at June 30, 2019 is approximately Rs. 4,130 million.

(vi) In October 2018, the FBR issued a show cause notice to recover sales tax amounting to Rs. 3,483 million relating to fiscal year ended June 2016. In FBR's view, the Company had claimed input tax in excess of what was allowed under the law. The Company filed a Writ Petition in the IHC which asked the FBR not to pass a final order till next hearing. The Company's maximum exposure as at June 30, 2019 is approximately Rs. 3,483 million.

(vii) In November 2018, the FBR issued a show cause notice to recover sales tax amounting to Rs. 2,665 million relating to fiscal year ended June 2017. In FBR's view, the Company had claimed input tax in excess of what was allowed under the law. The Company filed a Writ Petition in the IHC which asked the FBR not to pass a final order till next hearing. The Company's maximum exposure as at June 30, 2019 is approximately Rs. 2,665 million.

(viii) Payment to PSO under the FSA including payment of Late Payment Interest (LPI) are exempt from withholding of income tax under the provisions of the tax law. During 2014, the FBR issued show cause notices to recover tax amounting to Rs. 1,677 million on the pretext that LPI paid to PSO under the FSA is a payment of "profit on debt". The Company filed Writ Petitions before the IHC which were decided against the Company. The Company filed further appeals with IHC which are pending adjudication. The Company's maximum exposure as at June 30, 2019 is approximately Rs. 1,677 million.

(ix) Under the O&M agreement with the ex-operator for the Hub plant, the Company used to pay fixed and variable fees to the operator. On January 17, 2015, the FBR passed an order amounting to Rs. 1,034 million relating to the tax years 2010 to 2013 for the recovery of Federal Excise Duty (FED). The FBR viewed O&M as a franchise agreement and not a service agreement and decided that payments made thereon were in nature of technical fees which were subject to FED. After dismissal of the Company's appeal at the Commissioner Inland Revenue – Appeal and at the ATIR level, the Company filed appeals with the IHC which are pending adjudication. The Company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 2,091 million.

(x) Under the O&M agreement with the ex-operator for the Hub plant, the Company used to pay fixed and variable fees to the operator. In December 2017, the FBR issued a show cause notice for the recovery of Federal Excise Duty (FED) amounting to Rs. 911 million relating to the tax years 2014 to 2017. The FBR viewed O&M as a franchise agreement and not a service agreement and decided that payments made thereon were in nature of technical fees which were subject to FED. The Company filed a Writ Petition in the Islamabad High Court (IHC) which asked the FBR not to issue any demand till next hearing. The Company's maximum exposure as at June 30, 2019 is approximately Rs. 911 million.

(xi) Under the provisions of the Sales Tax Act, 1990 (STA), the Company is entitled to claim from FBR the Provincial Sales Tax (PST) on services paid under the provincial sales tax law. However, after the imposition of Balochistan Sales Tax (BST), the FBR did not allow the adjustment of BST in the Federal Sales Tax return. Against this, the Company filed appeal before the IHC which while allowing the appeal held that the refusal on the part of FBR in deny input tax adjustment against the sales tax on services paid under the Act of 2015 is without any lawful authority. The Company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 270 million.

(xii) In December 2018, the FBR issued a show cause notice for the recovery of sales tax amounting to Rs. 412 million on the ground that the Company has claimed excess input tax during different tax periods. On representation, the FBR reduced the amount and issued demand notice amounting to Rs. 31 million. The Company filed appeal with the Commissioner Inland Revenue Appeal who remanded back the case to FBR for reassessment.

The matters, stated in (ii) to (vii) above in respect of claiming input tax by IPPs has already been decided by the Honorable Lahore High Court, in favor of IPPs. The management is of the opinion that the position of the Company is sound on technical basis and eventual outcome is expected to be in favour of the Company. Pending the resolution of the matters stated above, no provision has been made in these unconsolidated financial statements.

27.7 The Company and its affiliates are committed to assist CPHGC in obtaining the required permits including environmental NOCs and approvals from government agencies. During 2017 two constitution petitions in the Honorable High Court of Balochistan, challenging the establishment of the Coal Power Plant along with an ancillary jetty in Balochistan were dismissed in favor of the Company on the grounds that Honorable High Court Balochistan did not have jurisdiction in view of the constitution of Environment Tribunal. Afterwards, one of the aggrieved parties in the above referred petitions approached the Environmental Protection Tribunal Balochistan praying for an order on environmental grounds to restrain the Company from execution of the Project. The management and their legal advisors are of the view that the position of the Company is sound on technical grounds and ultimate outcome of the case is expected be in favor of the Company.

27.8 In 2016, the Company received letter from the Power Purchaser stating that the Company did not maintain the requisite fuel stock at Hub plant as required under the PPA and has, therefore, incurred lower interest on working capital and, therefore, Power Purchaser is earmarking an estimated amount of Rs. 1,801 million for Hub Plant out of the Late Payment Interest invoices owed by the Power Purchaser. The Company is contesting these claims.

27.9 Pursuant to the FSA dated August 03, 1992 between the Company and Pakistan State Oil Company Limited (PSO), PSO supplied 128,000 Metric Tons (MT) of Residual Furnace Oil (RFO) as “First Fill” at no charge to the Company in 1996. Since 1996, there had been correspondence exchanged amongst PSO, WAPDA and the Company. PSO, in earlier days, sought payment for the cost of the First Fill RFO from WAPDA and the Company. Both WAPDA and the Company refused to make payment, citing that PSO’s obligation under the FSA to supply First Fill RFO to the Company was at no charge.

PSO continued to claim the cost of the First Fill RFO from WAPDA. In fact, such cost was recorded in PSO’s audited accounts as a receivable due from WAPDA. The relevant note in the PSO’s audited accounts explicitly stated that a letter was signed between PSO and WAPDA on August 5, 1992 under which WAPDA undertook to pay PSO the cost of First Fill. Later through the intervention of President of Pakistan, an interest free loan of Rs. 802 million was sanctioned to WAPDA to enable it to settle PSO’s claim for First Fill RFO. Following the payment to PSO, WAPDA started claiming reimbursement of the cost of the First Fill from the Company. The Company denied the same. The Company’s position was that it was under no obligation to pay to PSO under FSA.

In 2015, CPPA(G) through back to back arrangements with WAPDA succeeded all the rights and obligations of WAPDA under the existing Power Purchase Agreements. On November 1, 2017, CPPA(G) wrote to the Company requesting a meeting to discuss the payment of First Fill amounting to Rs. 802 Million, along with late payment interest. On November 10, 2017 the Company wrote to CPPA(G) that the Company is under no obligation for any payment with regards to the First Fill and considered the matter closed. Therefore, there was no point in meeting in relation to the matter. On June 13, 2018, CPPA(G) communicated to the Company that the CPPA(G) had decided to adjust the amount of Rs. 802 Million along with interest of Rs. 10,723 Million against the Company’s outstanding LPI invoices.

Due to the above-mentioned action of CPPA(G), the Company was constrained to file a suit before the Sindh High Court for a declarative injunction against CPPA(G). The Sindh High Court via its Order dated July 9, 2018, directed that status quo be maintained with respect to the amount demanded by CPPA(G) from the Company on account of the First Fill and restrained CPPA(G) from adjusting the First Fill claim amount.

Management along with its legal advisors are of an opinion that the position of the Company is sound on legal basis and eventual outcome is expected to be in favour of the Company. Pending the resolution of the matter stated above, no provision has been made in these unconsolidated financial statements.

28. 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	2019	2018
		(PKR in '000)	
		Chief Executive	
Managerial remuneration	28.1	72,771	64,685
Bonus		56,756	158,148
Other benefits		1,262	1,193
		130,789	224,026
Number of persons		1	1
		Directors	
Fees	28.2	7,900	10,450
Number of persons		10	13
		Executives	
Managerial remuneration		140,827	141,579
Ex-gratia payment		-	460
Bonus		112,158	91,772
House rent		61,174	47,875
Utilities		13,594	10,639
Retirement benefits		31,922	25,273
Other benefits		98,213	52,128
		457,888	369,726
Number of persons		43	41
		Total	
Managerial remuneration / Fees		221,498	216,714
Ex-gratia payment		–	460
Bonus		168,914	249,920
House rent		61,174	47,875
Utilities		13,594	10,639
Retirement benefits		31,922	25,273
Other benefits		99,475	53,321
		596,577	604,202
Number of persons		54	55

28.1 Retirement benefits to the Chief Executive are paid as part of monthly emoluments.

28.2 This represents fee paid to the Directors of the Company for attending meetings.

28.3 The Chief Executive and certain Executives are provided with the use of Company maintained automobiles and certain other benefits.

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

28.5 The above figures do not include cost allocated to subsidiary companies / associate amounting to Rs. 50 million (2018: Rs. 37 million).

29. RELATED PARTY TRANSACTIONS

Related parties comprise of subsidiaries, associates, retirement benefit funds, directors and key management personnel. Significant transactions with related parties during the year, other than those which have been disclosed elsewhere in these unconsolidated financial statements are as follows:

	Note	2019	2018
		(PKR in '000)	
Subsidiaries			
Laraib Energy Limited			
Reimbursable expenses incurred on behalf of subsidiary		33,123	31,448
Receipts against reimbursement of expenses from subsidiary		25,391	29,665
Reimbursable expenses incurred by subsidiary		–	19
Dividend received		1,338,638	1,356,023
Receipt against disposal of an asset		–	1,425
Hub Power Holdings Limited			
Investment in subsidiary		23,562,444	6,902,590
Reimbursable expenses incurred on behalf of subsidiary		23,551	9,312
Receipts against reimbursement of expenses from subsidiary		47,758	10,156
Reimbursable expenses incurred by subsidiary		31,915	–
Payments against reimbursement of expenses to subsidiary		29,689	–
Hub Power Services Limited			
Reimbursable expenses incurred on behalf of subsidiary		17,554	30,942
Receipts against reimbursement of expenses from subsidiary		18,136	75,138
Reimbursable expenses incurred by subsidiary		81,381	11,240
Payments against reimbursement of expenses to subsidiary		81,958	12,888
Amount paid / payable for O&M services rendered		1,921,692	2,121,650
Dividend received		282,000	400,000
Interest expense on loan from subsidiary	29.4	5,938	–
Payment against interest on loan from subsidiary		5,938	–
Narowal Energy Limited			
Reimbursable expenses incurred on behalf of subsidiary		45,856	139,749
Receipts against reimbursement of expenses from subsidiary		43,199	211,473
Reimbursable expenses incurred by subsidiary		5,923	5,807
Payments against reimbursement of expenses to subsidiary		3,471	5,807
Dividend received		784,377	419,642
Interest income on loan to subsidiary	29.5	57,921	7,121
Receipts against interest on loan to subsidiary		57,898	6,890
Thar Energy Limited			
Investment in subsidiary		3,011,836	2,267,600
Reimbursable expenses incurred on behalf of subsidiary		17,406	8,467
Receipts against reimbursement of expenses from subsidiary		7,220	11,876
Reimbursable expenses incurred by subsidiary		1,668	9,689
Payments against reimbursement of expenses to subsidiary		1,344	10,481
Transfer of assets to subsidiary		–	8,470
Receipts against transfer of assets from subsidiary		–	4,643

	Note	2019	2018
		(PKR in '000)	
Transfer of assets by subsidiary		–	7,450
Payments against transfer of assets to subsidiary		–	3,623
Services rendered to subsidiary		451,001	275,035
Advance received against services rendered to subsidiary		411,840	357,961
Other related parties			
Proceeds against disposal of land to CPHGC		–	189,341
Proceeds from disposal of assets		–	2,002
Reimbursable expenses incurred on behalf of TNPTL		7,849	–
Receipt against reimbursement of expenses from TNPTL		250	–
Transfer of assets by TNPTL		116	–
Remuneration to key management personnel			
Salaries, benefits and other allowances		184,903	277,573
Retirement benefits		4,827	3,421
	29.1 & 29.3	189,730	280,994
Directors' fee	28.2	7,900	10,450
Contribution to staff retirement benefit plans		34,346	43,475

29.1 Transactions with key management personnel are carried out under the terms of their employment. They are also provided with the use of Company maintained automobiles and certain other benefits.

29.2 The transactions with related parties are made under mutually agreed terms and conditions.

29.3 The above figures do not include cost allocated to subsidiary companies amounting to Rs. 24 million (2018: Rs. 18 million).

29.4 The Company has obtained an unsecured short term loan facility for an amount of up to Rs. 500 million from HPSL, to meet its working capital requirements. This facility carries mark-up at the rate of 0.75% per annum above one month KIBOR payable on quarterly basis. The maximum aggregate amount outstanding at month end during the year was Rs. 145 million. As at June 30, 2019, the amount availed was Rs. Nil.

29.5 The Company has obtained an unsecured short term loan facility for an amount of up to Rs. 5,000 million from NEL, to meet its working capital requirements. This facility carries mark-up at the rate of 0.4% per annum above one month KIBOR payable on quarterly basis. The maximum aggregate amount outstanding at month end during the year was Rs. Nil.

29.6 The Company provided loan of Rs. 1.6 million (2018: Rs. Nil) to key management personnel which is recoverable in 12 equal monthly installments in accordance with the Company policy. As at reporting date, outstanding balance is Rs. 0.67 million (2018: Rs. Nil).

30. RELATED PARTIES AND ASSOCIATED COMPANIES / UNDERTAKINGS

Following are the details of related parties and associated companies / undertakings with whom the Company had entered into transactions or had arrangements in place during the year, in accordance with the Companies Act, 2017:

Particulars	Relationship	% equity interest
Laraib Energy Limited	Subsidiary	74.95%
Hub Power Services Limited	Subsidiary	100%
Hub Power Holdings Limited	Subsidiary	100%
Narowal Energy Limited	Subsidiary	100%
Thar Energy Limited	Subsidiary	60%
Thalnova Power Thar (Private) Limited	Associate	38.3%
Sindh Engro Coal Mining Company Limited	Common Directorship	8%
Allied Bank Limited	Common Directorship	–
Askari Bank Limited	Common Directorship	–
Fauji Fertilizer Company Limited	Common Directorship	–
Forbes Forbes Campbell & Co. (Private) Limited	Common Directorship	–
Bank Al Habib Limited	Common Directorship	–
Siemens (Pakistan) Engineering Company Limited	Common Directorship	–
United Bank Limited	Interested Persons	–
The Pakistan Business Council	Interested Persons	–
Shell Pakistan Limited	Interested Persons	–
Pakistan State Oil Company Limited	Interested Persons	–
MCB Bank Limited	Interested Persons	–
IGI General Insurance Limited	Interested Persons	–
Habib Bank Limited	Interested Persons	–
Faysal Bank Limited	Interested Persons	–
Dawood Equities Limited	Interested Persons	–
Mr. Khalid Mansoor	Chief Executive / Director	–
Mr. Abdul Nasir	Key Management Personnel	–
Mr. Shaharyar Nashat	Key Management Personnel	–
Mr. Javed Akbar	Director	–
Mr. Nadeem Inayat	Director	–
Mr. Owais Shahid	Director	–
Mr. Muhammad Ejaz Sanjrani	Director	–
Mr. Manzoor Ahmed	Director	–
Mr. Syed Mohammad Ali	Director	–
Mr. Saad Iqbal	Director	–
Mr. Shafiuddin Ghani Khan	Ex Director	–
Mr. Iqbal Alimohamed	Ex Director	–
Mr. Qaiser Javed	Ex Director	–
Mr. Andalib Alavi	Ex Director	–
The Hub Power Company Limited - Employees' Provident Fund	Retirement benefit fund	–
The Hub Power Company Limited - Staff Gratuity Fund	Retirement benefit fund	–

31. PROVIDENT FUND TRUST

Contribution to defined contribution plan was transferred to Meezan Tahaffuz Pension Fund (MTPF), the voluntary pension system (VPS) with the consent of all members of provident fund with effect from July 2015 as allowed under clause (aa) of sub-rule (1) of Rule 103 of the Income Tax Rules, 2002.

		2019	2018
		(PKR in ‘000)	
32.	**PLANT CAPACITY AND PRODUCTION**		
	HUB PLANT		
	Theoretical Maximum Output	10,512 GWh	10,512 GWh
	Total Output	827 GWh	5,201 GWh
	Load Factor	8%	49%

Practical maximum output for the power plant taking into account all the scheduled outages is 9,396 GWh (2018: 9,216 GWh). Output produced by the plant is dependent on the load demanded by CPPA(G) and the plant availability.

		Note	2019	2018
			(PKR in ‘000)	
33.	**WORKING CAPITAL CHANGES**			
	Increase / (decrease) in current assets			
	Stores, spares and consumables		(19,337)	(29,153)
	Stock-in-trade		1,112,112	(2,901,576)
	Trade debts		16,055,145	(8,624,230)
	Loans, advances, prepayments and other receivables		(1,703,227)	(3,320,997)
			15,444,693	(14,875,956)
	(Decrease) / increase in current liabilities			
	Trade and other payables		(23,573,823)	13,601,335
			(8,129,130)	(1,274,621)
34.	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	21	7,312,080	426,885
	Short term borrowings	26	(41,112,054)	(21,776,111)
			(33,799,974)	(21,349,226)

		2019	2018
35.	**BASIC AND DILUTED EARNINGS PER SHARE**		
35.1	Basic		
	Profit for the year (Rupees in thousands)	8,036,981	8,565,012
			Restated
	Weighted average number of ordinary shares outstanding during the year	1,199,384,446	1,198,301,123
	Basic earnings per share (Rupees)	6.70	7.15

Basic earnings per share is calculated by dividing the profit after tax attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

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

36. SUBSEQUENT EVENTS

36.1 Subsequent to the year end, the Company issued privately placed secured Sukuk Certificates amounting to Rs. 7,000 million at a mark-up of 1.9% per annum above three-month KIBOR. The mark-up on the Sukuk is payable on quarterly basis in arears and the principal is payable in four equal semi-annual installments commencing from February 22, 2022. The Sukuk Certificates are secured by:

a) revolving corporate guarantee from NEL;

b) Subordinate hypothecation charge over receivables of NEL's including but not limited to amounts receivable under the GOP guarantee;

c) Subordinate charge over all present and future movable fixed assets of the Company and NEL for Rs. 4,000 million and Rs. 9,333 million respectively; and

d) Pledge of 100% shares of NEL.

37. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks namely 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 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 these risks on the Company's performance are as follows:

(a) Market risk

Market risk is the 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. 10 million (2018: Rs. 27 million) in foreign currencies which are subject to currency risk exposure and financial liabilities of the Company include Rs. 254 million (2018: Rs. 235 million) in foreign currencies which are subject to currency risk exposure.

The Company believes that the foreign exchange risk exposure on financial 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:

	2019	2018
	(PKR in '000)	
Fixed rate instruments at carrying amount:		
Financial assets		
Bank balances	298,510	424,519
Variable rate instruments at carrying amount:		
Financial assets		
Trade debts	35,255,913	54,712,227
Financial liabilities		
Long term loans	23,242,580	14,647,501
Trade and other payables	24,722,275	50,762,815
Short term borrowings	41,112,054	21,776,111
Total	89,076,909	87,186,427

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 or loss. Therefore, a change in interest / mark-up would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

Owing to cash flow difficulties and delays in payment by CPPA(G), the Company has delayed payments to PSO. The Company has also obtained short term borrowings to meet its short term funding requirements. The Company receives interest on delayed payments from CPPA(G) at variable rate provided under the PPA and pays interest on delayed payments to PSO at variable rate provided under the FSA. The rates on all these 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 order to finance investments in NEL, CPHGC (via HPHL), TNPTL (via HPHL), TEL and SECMC and boiler rehabilitation works at Hub Plant, the Company entered into long term financing arrangements (Refer note 23). The Company has to manage the related finance cost from its own sources which exposes the Company to the risk of change in KIBOR. As at June 30, 2019, if interest rate on the Company's borrowings were 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 176 million (2018: Rs. 84 million).

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 reporting date was as follows:

	2019	2018
	(PKR in '000)	
Deposits	20,324	19,237
Trade debts	66,628,533	82,286,713
Loans and other receivables	2,135,445	1,139,477
Bank balances	7,298,510	424,519
Total	76,082,812	83,869,946

Trade debts are recoverable from CPPA(G) under the PPA and are secured by guarantee from GOP under the IA. Further, the significant amount of other receivables is also recoverable from CPPA(G) and is secured under IA.

Credit risk on bank balances is limited as they are maintained with foreign and local banks having good credit ratings assigned by local and international credit rating agencies.

Banks / Financial Institutions	Rating Agency	Ratings Short term	Ratings Long term
Conventional			
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Al-Habib Limited	PACRA	A1+	AA+
Citibank N.A.	Moody's	P-1	A1
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Industrial and Commercial Bank of China	Moody's	P-1	A1
JS Bank Limited	PACRA	A1+	AA-
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
Pak Brunei Investment Company Limited	JCR-VIS	A-1+	AA+
Samba Bank Limited	JCR-VIS	A-1	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Sumitomo Mitsui Banking Corporation Europe Limited	Moody's	P-1	A1
United Bank Limited	JCR-VIS	A-1+	AAA
Shariah Compliant			
Meezan Bank Limited	JCR-VIS	A-1+	AA+
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1+	AA
Faysal Bank Limited	PACRA	A1+	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
BankIslami Pakistan Limited	PACRA	A-1	A+

(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 sufficient funds to meet its liabilities when due without incurring unacceptable losses.

The Company maintains running finance facilities (Refer note 26) to meet the short term funding requirements due to delay in payments by CPPA(G). The delay in payments by CPPA(G) is mainly offset by the delay in payments to PSO or by borrowing from running finance facilities.

The Company is exposed to liquidity risk because of the following:

(i) Delay in payment from Power Purchaser CPPA(G);

(ii) the returns in the form of dividends from NEL and LEL may not be sufficient to meet the funding requirements for long term loans obtained for equity investment in NEL and LEL (refer note 23.2 and 23.3);

(iii) long term loans obtained for funding in TEL / CPHGC / TNPTL / SECMC (refer note 23.4) may not be sufficient to meet their respective equity requirement;

(iv) repayments of loan obtained for boiler rehabilitation work (refer note 23.1);

(v) repayment / non-availability of short term borrowings (refer note 26).

The Company manages this liquidity risk from its own sources and other alternative means.

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

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years (PKR in '000)	Between 5 to 10 years	Total
2018-19					
Long term loans	1,604,001	1,267,928	14,285,668	13,733,938	30,891,535
Trade and other payables	52,566,059	-	-	-	52,566,059
Unclaimed dividend	189,516	-	-	-	189,516
Unpaid dividend	79,605	-	-	-	79,605
Short term borrowings	41,635,950	-	-	-	41,635,950
Total	96,075,131	1,267,928	14,285,668	13,733,938	125,362,665
2017-18					
Long term loans	1,745,773	1,251,965	8,035,044	9,078,672	20,111,454
Trade and other payables	77,669,870	-	-	-	77,669,870
Unclaimed dividend	140,286	-	-	-	140,286
Unpaid dividend	247,281	-	-	-	247,281
Short term borrowings	21,882,718	-	-	-	21,882,718
Total	101,685,928	1,251,965	8,035,044	9,078,672	120,051,609

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying amounts of all the financial instruments reflected in these unconsolidated financial statements approximate their fair value.

Fair value of financial instruments

The fair value of the financial assets and liabilities is the amount at which the assets could be sold or the liability transferred in a current transaction between market participants at the reporting date, other than in a forced or liquidation sale. Investment in subsidiary companies and associates are carried at cost.

The fair value of investment in SECMC (unquoted shares) have been estimated using a valuation model. The valuation requires management to make certain assumptions about the model inputs, including forecasted dividends, the discount rate and market risk. The probabilities of the various estimates within the range are assessed and are used in management's estimate in order to determine the fair value of investment in SECMC. The fair value has been determined at Rs. 2,044 million resulting in gain of Rs. 723 million.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs from the asset or liability that are not based on observable market data.

	Level 1	Level 2 (PKR in '000)	Level 3	Total
June 2019				
Assets (Investment in SECMC)				
- Fair value through other comprehensive income	–	–	723,447	723,447

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.

The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders. The Company also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, less cash and bank balances.

38. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2019	2018
	(PKR in '000)	
Financial assets - at FVOCI		
Investment in SECMC	2,044,597	942,926
Financial assets - at amortised cost		
Deposits	20,324	19,237
Trade debts	66,628,533	82,683,678
Loans and other receivables	2,135,445	1,139,477
Cash and bank balances	7,312,080	426,885
Total	76,096,382	84,269,277

	2019	2018
	(PKR in '000)	
Financial Liabilities - at amortised cost		
Long term loans	23,286,524	14,698,541
Trade and other payables	52,566,059	77,669,870
Unclaimed dividend	189,516	140,286
Unpaid dividend	79,605	247,281
Short term borrowings	41,635,950	21,882,718
Total	117,757,654	114,638,696

39. INITIAL APPLICATION / WAIVER FROM APPLICATION OF STANDARDS AND INTERPRETATIONS

39.1 Revised and amended standards and interpretation that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 9 - Prepayment Features with Negative Compensation – (Amendments)	January 1, 2019
IFRS 16 - Leases	January 1, 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	January 1, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	January 1, 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 17 - Insurance Contracts	January 1, 2021
IAS 1 - Presentation on Financial Statements (Amendments)	January 1, 2020
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020

The above standards and amendments are not expected to have any material impact on the Company's unconsolidated financial statements in the period of initial application.

39.2 Waiver from application of IFRIC - 4 "Determining Whether an Arrangement Contains a Lease"

The Securities and Exchange Commission of Pakistan (SECP) granted waiver from the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" to all companies including Power Sector Companies. 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 CPPA(G) 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:

	2019	2018
	(PKR in '000)	
Decrease in unappropriated profit at the beginning of the year	(5,235,953)	(6,371,431)
Increase in profit for the year	1,222,307	1,135,478
Decrease in unappropriated profit at the end of the year	(4,013,646)	(5,235,953)

40. SHARIAH COMPLIANCE DISCLOSURE

	2019			2018		
	Conventional	Shariah Compliant	Total	Conventional	Shariah Compliant	Total
			(PKR in '000')			
Turnover						
Revenue	5,634,932	32,549,685	38,184,617	4,932,622	81,256,822	86,189,444
Other income						
Interest income	23,344	–	23,344	16,618	–	16,618
Dividend income	–	2,405,015	2,405,015	–	2,175,665	2,175,665
Income from management services	–	38,796	38,796	–	23,143	23,143
Finance Cost						
Long term loans	1,149,141	588,695	1,737,836	436,182	198,146	634,328
Short term borrowings	2,510,311	460,982	2,971,293	1,408,436	11,509	1,419,945
Other finance costs	251,721	259	251,980	192,267	1,400	193,667
Assets						
Bank Balances	7,298,510	–	7,298,510	424,519	–	424,519
Liabilities						
Long term loans	17,430,080	5,812,500	23,242,580	8,125,927	6,521,574	14,647,501
Accrued mark-up	475,599	92,241	567,840	150,062	7,585	157,647
Short term borrowings	31,213,515	9,898,539	41,112,054	21,376,116	399,995	21,776,111

Exchange gain earned during the year was Rs. Nil (2018: Rs. 10 million)

41. REPRESENTATION / RECLASSIFICATION

Certain prior year figures have been represented / re-classified to reflect a more appropriate presentation of events and transactions for the purpose of consistency.

42. DATE OF AUTHORISATION

These unconsolidated financial statements were authorised for issue on September 12, 2019 in accordance with the resolution of the Board of Directors.

43. GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended June 30, 2019

A·F·FERGUSON&Co.

INDEPENDENT **AUDITORS' REPORT**

To the members of The Hub Power Company Limited
Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of The Hub Power Company Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at June 30, 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*** section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' ***Code of Ethics for Professional Accountants*** as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
(i)	***Application of IFRS 9 'Financial Instruments'***	
	[Refer note 2.2 and 14 to the consolidated financial statements] IFRS 9 "Financial Instruments" become effective for the Group for the first time for the current year and replaces IAS 39 'Financial Instruments: Recognition and Measurement'. Due to application of IFRS 9, the Group as at June 30, 2019 reclassified its equity investment in Sindh Engro Coal Mining Company Limited (SECMC) from Available for Sale (carried at cost) to Fair value through Other Comprehensive Income (FVOCI). Accordingly, certain key judgments and estimates were used to determine the fair value of investment in SECMC; being an unquoted company, which has been measured at fair value of Rs. 2,045 million as at June 30, 2019.	Our audit procedures, amongst others, included: i) Understanding and evaluating the accounting interpretations for compliance with the requirements of IFRS 9 as applicable on the Group; ii) Tested and reviewed the inputs, estimates and formulas used for the fair value calculations and assessed the reasonableness of assumptions used in the fair value model with the support of our internal experts; and iii) Assessed the adequacy and appropriateness of disclosures for compliance with the requirements of applicable financial reporting framework of the Group.

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KARACHI LAHORE ISLAMABAD

S. No.	Key audit matters	How the matter was addressed in our audit
	We have considered this as key audit matter due to first time application of IFRS 9, resulting in use of significant judgements and estimates by the management in this respect.	
(ii)	***Contingent Liabilities***	
	[Refer notes 28.4 to 28.6, 28.9 and 28.10.4 to the consolidated financial statements] The Group has contingent liabilities in respect of Income Tax, Sales Tax, Federal Excise Duty (FED), Workers Profit Participation Fund (WPPF) and First Fill claim matters, which are pending adjudication at various appellate forums. These are based on a range of issues such as disallowance of certain expenses for income tax purposes, apportionment of input sales tax claims, applicability of FED on services, applicability of WPPF on the operations of the Group and demand / claim by Central Power Purchasing Agency Guarantee Limited (CPPA-G). Contingencies require management to make judgments and estimates in relation to the interpretation of laws, statutory rules, regulations and the probability of outcome and financial impact, if any, on the Group for disclosure and recognition and measurement of any provision that may be required against such contingencies. Due to significance of amounts involved, inherent uncertainties with respect to the outcome of the matters and use of significant management judgments and estimates to assess the same including related financial impacts, we considered contingent liabilities as a key audit matter.	Our audit procedures in this respect, amongst others, included: i) obtained an understanding of the Group's process and controls over litigations through meetings with management and review of minutes of the meetings of Board of Directors and Board Audit Committee; ii) obtained and reviewed details of the pending tax, FED, WPPF and First Fill claim matters and discussed the same with the Group's management; iii) circularized confirmations to the Group's external legal and tax counsels for their views on legal position of the Group in relation to these pending matters; iv) involved internal tax professionals to assess management's conclusions on contingent tax, FED and WPPF matters and evaluated consistency of such conclusions with the views of management and external tax and legal counsels engaged by the Group; v) reviewed correspondence of the Group with the relevant authorities including judgement or orders passed by the competent authorities in relation to the issues involved or matters which have similarities with the issues involved; and vi) reviewed adequacy of disclosures made in the consolidated financial statements in this respect are in accordance with applicable accounting and reporting standards.
(iii)	***Receivable from Central Power Purchase Agency Guarantee Limited (CPPA-G) and National Transmission and Despatch Company Limited (NTDC)***	
	[Refer note 18 to the consolidated financial statements] The Group under the Power Purchase Agreements (PPAs) is required to sell the electricity to CPPA-G and NTDC, and recognises revenue based on the output delivered and capacity available.	Our audit procedures, amongst others, included: i) assessed whether the revenue and related trade debt has been recognised in accordance with the accounting policies of the Group; ii) verified that the invoices raised by the Group Companies during the year are in accordance with the requirements of PPA;

	Key audit matters	How the matter was addressed in our audit
	Continuous delays by CPPA-G and NTDC in settlement of invoices raised by the Group Companies under the PPAs, have resulted in build-up of trade debts aggregating to Rs. 85,647 million as at June 30, 2019 including overdue trade debts of Rs. 72,896 million. Due to delays in recovery, the Group has financed its operations through short term financing arrangements and by delaying the settlement of trade and other payables. In view of the significant delay in settlement, materiality of the trade debts, the various financing arrangements there against and the consequential impact on the operations / financial strength of the Group, we have considered this as a key audit matter.	iii) obtained direct confirmations of trade debts from CPPA-G and NTDC; iv) made inquiries with the management of the Group Companies and read minutes of the meetings of the Board of Directors and committees formed thereunder to ascertain actions taken and planned for remediation and management of trade debts; v) reviewed Implementation Agreement and assessed whether trade debts are secured against guarantee from the Government of Pakistan and whether any impairment is required to be recognised thereagainst; and vi) assessed adequacy of the related disclosures made in the consolidated financial statements, with regards to applicable accounting and reporting standards.
(iv)	***Capital expenditure incurred by Thar Energy Limited***	
	[Refer notes 1 and 12.8 to the consolidated financial statements] As part of the Group's expansion plans, the Group is in the process of setting up a coal fired power plant (the Project) at Thar Block II, Sindh. Due to delays in achieving the financial close of the Project and the regulatory timelines which are required to be adhered to in this regard as prescribed by the Private Power and Infrastructure Board (PPIB), the capital expenditure incurred for the project by TEL is exposed to risk of impairment. Further, the Group is also exposed to risk of loss on account of encashment of performance guarantee provided to PPIB. As the impairment assessment involves significant management judgement we have considered this to be a key audit matter.	Our audit procedures, amongst others, included: i) considered management's plans and assumptions in relation to the Project and the status of the lending arrangements required to complete and implement the Project; ii) reviewed correspondence with PPIB in relation to the extensions allowed and requested by the Group in respect of the financial close date, agreements with the strategic shareholders to inject equity for the Project, and the status of commercial agreements including tariff determination, Power Purchase Agreement and Coal Supply Agreement; iii) reviewed the minutes of the meetings of the Board of Directors of the Holding Company and TEL in relation to the implementation of the Project and the potential challenges and action plans; and iv) assessed the adequacy of disclosures made in the consolidated financial statements to explain the factual position of the Project and impairment risks in respect of this capital expenditure.

Information other than the Financial Statements and Auditors' Report thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated and unconsolidated financial statements and our auditors' reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and asses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

The consolidated financial statements of the Group for the year ended June 30, 2018, were audited by EY Ford Rhodes - Chartered Accountants, who through their report dated August 20, 2018, expressed an unmodified opinion thereon.

The engagement partner on the audit resulting in this independent auditors' report is Waqas Aftab Sheikh.

Chartered Accountants
Karachi
Date: September 19, 2019

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS**

For the year ended June 30, 2019

	Note	2019	2018
		(PKR in '000)	
Turnover	5	58,128,888	99,999,433
Operating costs	6	(36,640,036)	(81,720,455)
GROSS PROFIT		21,488,852	18,278,978
General and administration expenses	7	(1,605,994)	(1,524,972)
Other income	8	526,966	218,863
Other operating expenses	9	(127,688)	(109,941)
PROFIT FROM OPERATIONS		20,282,136	16,862,928
Finance costs	10	(7,401,123)	(4,432,498)
Share of loss from associates	14	(433,984)	(280,075)
PROFIT BEFORE TAXATION		12,447,029	12,150,355
Taxation	11	(516,722)	(485,572)
PROFIT FOR THE YEAR		11,930,307	11,664,783
Attributable to:			
– Owners of the holding company		11,240,837	11,057,482
– Non-controlling interests		689,470	607,301
		11,930,307	11,664,783
			Restated
Basic and diluted earnings per share attributable to owners of the holding company (Rupees)	37	9.37	9.23

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

For the year ended June 30, 2019

	Note	2019	2018
		(PKR in '000)	
Profit for the year		11,930,307	11,664,783
Other comprehensive income / (loss) for the year:			
Items that will not be reclassified to Profit or Loss in subsequent periods			
Loss on remeasurement of post employment benefit obligations		(29,388)	(28,900)
Gain on revaluation of equity investment at fair value through other comprehensive income	39	723,447	–
		694,059	(28,900)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		12,624,366	11,635,883
Attributable to:			
– Owners of the holding company		11,934,891	11,028,582
– Non-controlling interests		689,475	607,301
		12,624,366	11,635,883

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

CONSOLIDATED STATEMENT OF
FINANCIAL POSITION
As at June 30, 2019

	Note	2019	2018
		(PKR in '000)	
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	12	68,487,309	53,817,768
Intangibles	13	1,472,145	1,477,963
Long term investments	14	36,302,726	8,823,879
Long term deposits, prepayments and others	15	69,362	36,448
		106,331,542	64,156,058
CURRENT ASSETS			
Stores, spares and consumables	16	3,124,509	3,255,501
Stock-in-trade	17	5,844,656	6,347,109
Trade debts	18	85,646,949	98,733,840
Loans and advances	19	52,685	147,327
Deposits, prepayments and other receivables	20	12,135,523	10,711,403
Cash and bank balances	21	12,131,754	2,654,315
		118,936,076	121,849,495
TOTAL ASSETS		225,267,618	186,005,553
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised	22	17,000,000	17,000,000
Issued, subscribed and paid-up		12,971,544	11,571,544
Capital Reserve			
Share premium	22.3	5,600,000	–
Revenue Reserve			
Unappropriated profit		32,427,157	23,878,200
Attributable to owners of the holding company		50,998,701	35,449,744
NON-CONTROLLING INTERESTS		6,424,007	3,584,186
		57,422,708	39,033,930
NON-CURRENT LIABILITIES			
Long term loans	23	33,399,225	25,287,815
Liabilities against assets subject to finance lease	24	2,533,131	2,234,388
CURRENT LIABILITIES			
Trade and other payables	25	70,529,859	82,872,983
Unclaimed dividend		189,516	140,286
Unpaid dividend		87,615	247,281
Interest / mark-up accrued	26	1,558,324	779,949
Short term borrowings	27	53,478,425	28,804,770
Current maturity of long term loans	23	5,527,014	6,214,955
Current maturity of liabilities against assets subject to finance lease	24	501,192	366,320
Taxation-net		40,609	22,876
		131,912,554	119,449,420
TOTAL EQUITY AND LIABILITIES		225,267,618	186,005,553

COMMITMENTS AND CONTINGENCIES 28

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

CONSOLIDATED STATEMENT OF
CASH FLOWS
For the year ended June 30, 2019

	Note	2019	2018
		(PKR in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		12,447,029	12,150,355
Adjustments for:			
Depreciation		4,694,874	4,149,651
Amortisation		41,953	42,752
Gain on disposal of fixed assets		(44,768)	(6,775)
Provision against slow moving stores, spares and consumables		144,069	55,568
Write-off of CWIP		9,125	–
Staff gratuity		81,510	59,343
Interest income		(185,051)	(143,456)
Interest / mark-up expense		6,967,431	4,082,859
Amortisation of transaction costs		89,632	103,054
Share of loss from associates		433,984	280,075
Fair value adjustment on associate		–	(1,899)
Operating profit before working capital changes		24,679,788	20,771,527
Working capital changes	35	(11,803,384)	(5,180,048)
Cash generated from operations		12,876,404	15,591,479
Interest received		185,703	142,573
Interest / mark-up paid		(6,189,056)	(4,185,912)
Staff gratuity paid		(79,062)	(81,445)
Taxes paid		(340,212)	(533,254)
Net cash generated from operating activities		6,453,777	10,933,441
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(4,934,828)	(3,359,296)
Proceeds from disposal of fixed assets		93,439	20,475
Long term investments made		(27,189,384)	(7,177,643)
Long term deposits, prepayments and others		(32,914)	107,765
Net cash used in investing activities		(32,063,687)	(10,408,699)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the holding company		(3,358,478)	(8,979,582)
Dividends paid to non controlling interest		(439,374)	(453,194)
Proceeds from long term loans		13,068,876	9,215,368
Repayment of long term loans		(7,915,424)	(6,218,660)
Proceeds from issuance of shares		7,000,000	–
Proceeds from issuance of shares to NCI		2,620,528	1,100,400
Repayment of liabilities against assets subject to finance lease		(393,734)	(321,462)
Share issuance cost		(168,700)	(31,863)
Net cash generated from / (used in) financing activities		10,413,694	(5,688,993)
Net decrease in cash and cash equivalents		(15,196,216)	(5,164,251)
Cash and cash equivalents at the beginning of the year		(26,150,455)	(20,986,204)
Cash and cash equivalents at the end of the year	36	(41,346,671)	(26,150,455)

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
For the year ended June 30, 2019

	Note	2019	2018
		(PKR in '000)	
ISSUED CAPITAL			
Balance at the beginning of the year		11,571,544	11,571,544
Issued 140,000,000 (2018:Nil) ordinary shares of Rs.10 each	22	1,400,000	–
Balance at the end of the year	22	12,971,544	11,571,544
SHARE PREMIUM			
On issuance of 140,000,000 (2018: Nil) ordinary shares		5,600,000	–
Balance at the end of the year		5,600,000	–
UNAPPROPRIATED PROFIT			
Balance at the beginning of the year		23,878,200	21,059,945
Profit for the year		11,240,837	11,057,482
Other comprehensive income / (loss) for the year		694,054	(28,900)
Total comprehensive income for the year		11,934,891	11,028,582
Transactions with owners in their capacity as owners			
Final dividend for the fiscal year 2017-2018 @ Rs. 2.80 (2016-2017 @ Rs. 2.50) per share		(3,240,032)	(2,892,886)
First interim dividend for the fiscal year 2018-2019 @ Rs. Nil (2017-2018 @ Rs. 1.50) per share		–	(1,735,732)
Second interim dividend for the fiscal year 2018-2019 @ Rs. Nil (2017-2018 @ Rs. 1.50) per share		–	(1,735,732)
Third interim dividend for the fiscal year 2018-2019 @ Rs. Nil (2017-2018 @ Rs. 1.60) per share		–	(1,851,447)
		(3,240,032)	(8,215,797)
Share issuance cost		(164,082)	(30,813)
Disposal of partial interest in TEL		18,180	36,283
Balance at the end of the year		32,427,157	23,878,200
Attributable to owners of the holding company		50,998,701	35,449,744
NON-CONTROLLING INTERESTS			
Balance at the beginning of the year		3,584,186	2,367,012
Total comprehensive income for the year		689,475	607,301
Dividends paid		(447,384)	(453,194)
Investments made		2,620,528	1,100,400
Disposal of partial interest in TEL		(18,180)	(36,283)
Share issuance cost		(4,618)	(1,050)
Balance at the end of the year		6,424,007	3,584,186
TOTAL EQUITY		57,422,708	39,033,930

The annexed notes from 1 to 45 form an integral part of these consolidated financial statements.

M. Habibullah Khan
Chairman

Khalid Mansoor
Chief Executive

Abdul Nasir
Chief Financial Officer

NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

For the year ended June 30, 2019

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. The shares of the holding company are listed on the Pakistan Stock Exchange (PSX). 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).

The Group consists of The Hub Power Company Limited (the holding company) and following subsidiaries and associates:

Subsidiaries:

- Laraib Energy Limited (LEL) - Holding of 74.95%;
- Hub Power Services Limited (HPSL) - Holding of 100%;
- Hub Power Holdings Limited (HPHL) - Holding of 100%;
- Narowal Energy Limited (NEL) - Holding of 100%; and
- Thar Energy Limited (TEL) - Holding of 60%.

Associates:

- China Power Hub Generation Company (Private) Limited (CPHGC) - Holding of 26%; and
- ThalNova Power Thar (Private) Limited (TNPTL) - Holding of 38.3%.

Head Offices:

- The registered offices of the holding company, HPSL, HPHL, NEL and TEL are situated at 11th Floor, Ocean Tower, G-3, Block-9, Main Clifton Road, Karachi.
- The registered office of LEL is situated at Gerry’s Center, 1-B, 3rd Floor, Service Road West, 7th Avenue, G-6/1, Islamabad.

Plants:

- Hub Plant is situated at Mouza Kund, Post Office Gaddani, District Lasbela, Balochistan.
- Narowal Plant is situated at Mouza Aroud Afghana, Muridkey Narowal Road, Narowal.
- Laraib Plant is situated at New Bong Escape Hydro-Electric Power Complex, Village Lehri, District Mirpur, Azad Jammu & Kashmir.

Laraib Energy Limited (LEL)

LEL was incorporated in Pakistan on August 9, 1995 as a public limited company which 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 plant commenced operations on March 23, 2013.

In connection with investment in the LEL, the holding company entered into an Sponsor Support Agreement (SSA). In accordance with the terms of the SSA, the holding company entered into a Sponsor Charge and Assignment Deed with LEL’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 LEL; and

(b) all its rights, title and interest from time to time (whether present or future) in the Assigned Subordinated Loans 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.

Accordingly, all the present and future shares which the holding company holds or owns in LEL and the loans, if any, to be provided to LEL are subject to Security Interest created by Sponsor Charge and Assignment Deed above.

Pursuant to the SSA in connection with the investment in LEL, the holding company entered into a facility agreement with a bank and provided an LC of USD 23 million to LEL's lenders for cost overruns and debt repayment. During the year 2017, after meeting certain conditions by the subsidiary, the LC amount was reduced to USD 10.875 million which the holding company is committed to continue to maintain till the last repayment of debt (expected in 2024). Any default in payment by the holding company is subject to a mark-up of six month 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 plant; (ii) Commercial Facility Disbursement Account; (iii) any shares of NEL; and (iv) present and future shares acquired in LEL including bonus shares and right shares.

Hub Power Services Limited (HPSL)

HPSL was incorporated in Pakistan on March 26, 2015 as a public limited company. The principal activities of the subsidiary are to manage operations & maintenance of power plants.

Hub Power Holdings Limited (HPHL)

HPHL was incorporated in Pakistan on March 10, 2015 as a public limited company. The principal activities of the subsidiary are to invest in new business opportunities.

As at the reporting date, HPHL had 26% ownership interest in China Power Hub Generation Company (Private) Limited (CPHGC) (an associate of HPHL), the principal business of which is to construct, finance, own and operate two coal-fired power generation units of 660 MW each with ancillary Jetty in the province of Balochistan.

During the year, HPHL has acquired 38.3% equity interest in ThalNova Power Thar (Private) Limited (TNPTL) (an associate of HPHL), the principal activities of TNPTL are to develop, own, operate and maintain a 1 x 330 MW mine-mouth coal fired power plant (the Project) which is under construction at Thar Block II, Thar Coal Mine, Sindh.

Narowal Energy Limited (NEL)

NEL was incorporated in Pakistan on November 03, 2015 as a public limited company. The principal activities of the subsidiary are to own, operate and maintain a 214 MW (net) oil-fired power station in Punjab (Narowal plant).

Thar Energy Limited (TEL)

TEL was incorporated in Pakistan on May 17, 2016 as a public limited company. The principal activities of the subsidiary are to develop, own, operate and maintain a 1 x 330 MW mine-mouth coal fired power plant to be established at Thar Block II, Thar Coal Mine, Sindh.

Project status and financial close

Private Power and Infrastructure Board (PPIB) issued the Letter of Support (LOS) to TEL on December 09, 2016. The LOS required TEL to (i) achieve the Financial Closing (FC) of the Project no later than nine months from the date of LOS and (ii) enter into the Implementation Agreement (IA), Power Purchase Agreement (PPA) and Water Use Agreement (WUA) not later than three months prior to the Financial Closing date. Subsequently, the LOS was amended on TEL's request to extend the deadline for FC. As per amended LOS, TEL is required to achieve FC by September 08, 2019. Subsequent to year end, on August 06, 2019 TEL has requested PPIB to further extend the deadline for FC till March 08, 2020, for which approval is awaited.

As per the terms of the LOS, the holding company provided performance guarantee amounting to USD 1.98 million in favour of PPIB valid till December 31, 2019. PPIB is entitled to encash the performance guarantee in case TEL is not able to meet the conditions or TEL decides to exercise termination option, as defined in the LOS. Further, the Project agreements as well as the Project will automatically terminate on the expiration or termination of the LOS.

Under the TEL's PPA, TEL is liable to pay Liquidated Damages (LDs) to the Power Purchaser if there is a delay in COD beyond the required COD of March 31, 2021. Expected LDs for each month of delay amount to USD 2.68 million.

TEL has signed its financing agreements with foreign and local lenders on December 20, 2018.

Further, TEL has also executed its Land Lease Deed with Sindh Engro Coal Mining Company Limited (SECMC) for the purchase of 244 acres of land for the Project on June 26, 2019.

Holding company's commitments for TEL - Sponsors' support

In connection with the development of TEL's Project and pursuant to Share Holder's Agreement dated March 15, 2018, the holding company has obtained following approvals from shareholders in general meeting and is committed to:

(i) make investments in TEL up to an amount not exceeding USD 78 million (or PKR equivalent) by way of a subscription of shares. Such investment shall be made within a period up till December 2022;

(ii) arrange and provide a Standby Letter of Credit to the Lenders of TEL or TEL to cover for the equity investment of (and up to an amount not exceeding) USD 78 million (or PKR equivalent) to guarantee the subscription of equity. Such SBLC shall be for a period up till December 2022;

(iii) undertake to the Lenders of TEL and to arrange and/or provide working capital financing to TEL equivalent to an aggregate amount of USD 36 million. Such investment shall be for a period up till December 2032;

(iv) assign its rights in respect of any investment made in TEL by way of Subordinated loan (which loan is to be treated as subordinated to the debt of the Lenders of TEL), in favour of the Lenders of TEL. Such investment shall be for a period up till December 2032;

(v) execute the Share Pledge Agreement including all necessary documentation related thereto and for the said purpose do or cause to do all acts, deeds and things that may be necessary or required in connection therewith, as may be deemed appropriate and as mutually agreed with the Lenders of TEL including any amendments thereto, or as required by law;

(vi) provide a guarantee (in the form of standby letter of credit) for the benefit of TEL and Intercreditor Agent for an aggregate amount of USD 31 million (or PKR equivalent) to guarantee an investment in the form of equity or subordinated debt to cover (a) cost overrun, (b) any obligation under financing documents prior to Project Completion Date ("PCD"), and (c) COD undertakings. Such investment shall be for a period up till the earlier of Project Completion Date or December 2025;

(vii) issue a sponsor standby letter of credit to cover for the Initial Debt Service Reserve Account Shortfall, of an amount estimated not to exceed USD 20 million (or PKR equivalent), but which may be higher. Such SBLC shall be for a period up till the earlier of first payment of the instalment of the loan or December 2023;

(viii) issue a sponsor standby letter of credit to cover for the Debt Service Reserve Account, of an amount estimated not to exceed USD 20 million (or PKR equivalent), but which may be higher. Such SBLC shall be for a period up till the earlier of first payment of the installment of the loan or December 2032;

(ix) provide contractual commitments up to USD 22 million (or PKR equivalent) to Lenders for the purpose of TEL taking excess debt, which is over and above the cost approved by NEPRA. Such sponsor obligation shall be for a period earlier of the tenure of the project loan or December 2032;

(x) participate in the Put Option / Commercial Risk Guarantee ("Put Option / CRG") to be provided by local banks and financial institutions (including Habib Bank Limited) ("Put Option / CRG Financiers") to the foreign lenders and contributing payment of a sum not exceeding USD 15 million, ("Put Option / CG Contribution Amount") under the same as primary obligor and USD 10 Million as markup on the forced loan not settled by project company (if any) and any excess exposure on account of USD / PKR devaluation in accordance with the terms of the Put Option / CRG Agreement. Such sponsor obligation shall be valid till December 2032; and

(xi) provide a contractual commitment and a parent company guarantee to TEL guaranteeing the due and punctual performance obligations by HPSL pursuant to the terms of the O&M Agreement. Such sponsor obligation shall be for a period the earlier of the tenure of the project loan or December 2032.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 Changes in accounting standards and interpretations

Standards, interpretations and amendments to published approved accounting and reporting standards which became effective during the year:

The Group has adopted the following accounting standards which became effective for the current year:

- IFRS 9 'Financial instruments'
- IFRS 15 'Revenue from contracts with customers'

The adoption of the above accounting standards did not have any material effect on these consolidated financial statements, except for IFRS 9 'Financial Instruments'.

Following the adoption of IFRS-9, financial assets of the holding company, which were classified as loans and receivables under IAS-39 are now classified as financial assets at amortised cost and financial asset classified as available-for-sale under IAS-39 are now classified as financial asset at fair value through other comprehensive income. Consequently, the fair value of investment in Sindh Engro Coal Mining Company Limited of Rs. 2,044 million has been determined and recorded in the consolidated statement of financial position resulting in a gain of Rs. 723 million recognised in the consolidated statement of comprehensive income.

The Securities and Exchange Commission of Pakistan (SECP) through its S.R.O 1007 (I) / 2017 dated October 04, 2017 superseded the requirements of IAS – 39 'Financial Instruments: Recognition and Measurement' and required the adoption of IFRS – 9 'Financial Instruments' from 'Annual reporting periods beginning on or after July 01, 2018', which was subsequently modified during the year through S.R.O. 229(I) / 2019 dated February 14, 2019 to 'Reporting period / Year ending on or after June 30, 2019'. However, subsequent to the year end, SECP exempted the application of Expected Credit Loss model under IFRS – 9 in respect of debts due from Government of Pakistan, through S.R.O. 985(I) / 2019 dated September 2, 2019, for a limited period of three years upto June 30, 2021. Accordingly, the holding company has applied the requirements of IAS – 39 for the preparation of these consolidated financial statements.

2.3 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policy notes.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Further, the Group also considers whether:

– it has power to direct the relevant activities of the subsidiaries;
– is exposed to variable returns from the subsidiaries; and
– decision making power allows the Group to affect its variable returns from the subsidiaries.

All business combinations are accounted for using the acquisition 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 of the Group include the financial statements of the holding company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting period as the holding company, using consistent accounting policies.

The assets and liabilities of the subsidiaries have been consolidated on a line-by-line basis and the carrying value of investment held by the holding company is eliminated against the subsidiaries' 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 subsidiaries, without a change of control, is accounted for as an equity transaction.

The 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 subsidiaries are established and are excluded from consolidation from the date of disposal or cessation of control.

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

Associates

Associates are all entities over which the Group has significant influence but not control. Investment in associates is accounted for using equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of net assets of the associates. The consolidated statement of profit or loss reflects the Group share of the results of the operations of the associates.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to the statement of profit or loss where applicable. The gain / loss arising on dilution of interest in an equity accounted investee is recognised in the statement of profit or loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associates and its carrying value and recognises the same in statement of profit or loss.

3.2 Property, plant and equipment

(a) Operating fixed assets and depreciation

Owned

These are stated at cost less accumulated depreciation and impairment losses, if any, 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 12.1 to the consolidated financial statements. Depreciation on additions is charged for the full month in which an asset is available for use and on disposals up to the month immediately preceding the disposals. Gains and losses on disposals are taken to the statement of profit or loss.

Maintenance and repairs are charged to the statement of profit or loss as and when incurred. Major renewals and improvements are capitalised.

Spare parts and servicing equipment are classified as operating fixed assets under plant and machinery rather than stores, spares and loose tools when they meet the definition of property, plant and equipment. Available for use capital spares and servicing equipment are depreciated over their useful lives, or the remaining life of principal asset, whichever is lower.

The residual value, depreciation method and the useful lives of the significant items of property, plant and equipment are reviewed and adjusted if required, at each reporting date.

Leased

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not, eventually, be transferred.

Assets subject to finance lease are recorded at the lower of present value of minimum lease payments at the inception of lease term and their fair value on that date.

Assets under finance lease are depreciated on a straight line method at the rates specified in note 12.1 to these consolidated financial statements.

The finance cost is charged to the statement of profit or loss and is included under finance costs.

(b) Capital work-in-progress

Capital work-in-progress is stated at cost less impairment losses, if any. Items are transferred to operating fixed assets as and when they are available for use.

3.3 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 for impairment annually and whenever there is an indication that the value may be impaired, 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 and impairment losses, if any. Amortisation is computed using the straight-line method over the estimated useful lives of the assets at the rate shown in note 13.1 to these consolidated financial statements.

3.4 Investments

Investment in associates

Investment in associates is accounted for using equity method, whereby the investment is initially recorded at cost and adjusted thereafter for the post acquisition change in the holding company's share of net assets of the associates. The statement of profit or loss reflects the holding company's share of the results of the operations of the associates.

If the ownership interest in associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit and loss where applicable. The gain / loss arising on dilution of interest in an equity accounted investee is recognised in the statement of profit or loss.

Others

On initial recognition, the Company designate investments in equity instruments as at Fair Value Through Other Comprehensive Income (FVTOCI) if the equity investment is not held for trading or if it is contingent consideration recognised in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in retained earnings.

3.5 Impairment of non-current assets

The carrying amounts of non-current assets except goodwill are reviewed at each reporting 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 statement of profit or loss. 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.

3.6 Impairment of financial assets

Trade debts are assessed at each reporting date to determine whether there is any objective evidence that it is impaired. These are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

For financial assets other than trade debts, lifetime expected credit losses (ECL) is used when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 month ECL.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

3.7 Stores, spares and consumables

These are valued at moving average cost except for the items in transit which are stated at cost. Cost of stock-in-transit represents the invoice value plus other charges incurred thereon till the reporting date. Provision is made for slow moving and obsolete items, if any.

3.8 Stock-in-trade

These are 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.

3.9 Share capital

Ordinary shares are classified as equity and recognised at their face value. Discount or premium on issuance of shares is separately reported in statement of changes in equity. Transaction costs directly attributable to the issuance of shares are shown in equity as a deduction, net of tax.

3.10 Provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

3.11 Staff retirement benefits

Defined benefit plans

The holding company, TEL and HPSL operate funded defined benefit gratuity plans, covering eligible employees who have completed minimum service requirement with respective company. The liabilities relating to defined benefit plans are determined through actuarial valuation using the Projected Unit Credit Method. The method involves making assumptions about discount rates, future salary increases and mortality rates. Due to the long-term nature of these benefits, such estimates are subject to certain uncertainties.

Defined contribution plans

LEL operates a funded defined contribution gratuity plan for the benefit of its employees, excluding Chief Executive of LEL. Monthly contributions are paid by LEL to the fund at the rate of 8.33% of basic salary. LEL is also required to pay gratuity of Chief Executive, as per terms of his employment, to the defined benefit gratuity fund maintained by the holding company.

The holding company, LEL, TEL and HPSL operate recognised contributory provident funds covering all employees who are eligible for the plan. Equal monthly contributions are made by the companies and the employees in accordance with the respective funds' rules.

In addition to above, HPSL also operates a defined contribution pension fund for employees who are eligible for the plan. HPSL is required to contribute 10% of the basic pay of the employees on monthly basis. The HPSL's contributions are recognised as employee benefit expense when they are due.

3.12 Revenue recognition

3.12.1 Sale of electricity

Revenue from the sale of electricity to the Central Power Purchasing Agency (Guarantee) Limited [CPPA(G)], 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) with CPPA(G), as amended from time to time. PPA with CPPA(G) is a contract over a period of 30 years starting from 1997. Late payment interest, as per the PPA, on receivables from CPPA(G) is recorded on accrual basis.

Revenue from the sale of electricity to the National Transmission and Despatch Company Limited (NTDC), the sole customer of NEL, is recorded based upon the output delivered and capacity available at rates as specified under the PPA with NTDC. PPA with NTDC is a contract over a period of 25 years starting from 2011. Late payment interest, as per the PPA, on receivables from NTDC is recorded on accrual basis.

Revenue from the sale of electricity to the NTDC, the sole customer of LEL, is recorded based upon the output delivered and average energy at rates as specified under the PPA. PPA is a contract over a period of 25 years starting from 2013. Late payment interest, as per the PPA, on receivables from NTDC is recorded on accrual basis.

3.12.2 Services income

Revenue from service income is recongised on accrual basis as and when services are rendered upon satisfaction of performance obligation, in accordance with the terms of agreements.

3.12.3 Interest income

Interest income is recorded on accrual basis.

3.12.4 Other income

Revenue from sale of Certified Emission Reductions (CERs) is recognised upon delivery of the CERs.

3.13 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 the statement of profit or loss on a straight-line basis over the lease term.

3.14 Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pak Rupees which is the Group's functional and presentation currency, unless otherwise stated.

3.15 Foreign currency transactions and translation

Transactions in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee equivalents using the exchange rates at reporting date. Non-monetary assets and liabilities are stated using exchange rates that existed when the values were determined. Exchange differences on foreign currency transactions and translations are included in statement of profit or loss, except as follows:

SECP vide its S.R.O. 24/(1)/2012 dated January 16, 2012 has granted waiver to Power Sector Companies with immediate effect from the requirements of IAS 21 'The Effects of Changes in Foreign Exchange Rates' to the extent of the accounting principle of capitalization of exchange differences.

Accordingly, the exchange differences relating to foreign currency borrowings have been capitalised in the related 'operating property, plant and equipment'.

Had the exchange differences, as allowed by the above mentioned S.R.O. not capitalised, the profit for the year would have been lower by Rs. 2,158 million and the operating property, plant and equipment and depreciation charge would have been lower by Rs. 3,890 million and Rs. 850 million, respectively.

3.16 Taxation

Income of the holding company, NEL, TEL and LEL is not liable to taxation in Pakistan, to the extent, provided in the Implementation Agreements signed with the Government of Pakistan (GOP) and the Income Tax Ordinance, 2001 (ITO 2001). Accordingly, provision for taxation, if any, is made only on the income liable to tax at the applicable rates of tax after taking into account tax credits, rebates etc. allowable under the ITO 2001.

Income of HPHL is subject to taxation in Pakistan in accordance with the provisions of the ITO. Accordingly, provision for taxation has been made after taking into account tax credits etc., if any.

Income of HPSL is subject to taxation in Pakistan in accordance with the provisions of the ITO and tax laws adopted by Azad Jammu and Kashmir (AJK). Accordingly, provision for taxation has been made after taking into account tax credits etc., if any. Presently, majority of HPSL's income is being taxed on minimum tax on service income. Hence, no deferred tax has been recognised in these consolidated financial statements.

3.17 Dividend distribution

Dividend distribution to the holding company's shareholders and NCI is recognised as a liability in the period in which it is approved.

3.18 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.

3.19 Financial instruments

(a) Trade debts and other receivables

Trade debts 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) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, payorders in hand, cash with banks on savings, call and term deposit accounts and short term borrowings. Short term borrowings are shown in current liabilities.

(c) 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 statement of profit or loss over the period of the borrowings using the effective interest rate method.

(d) 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.

3.20 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, obtained for acquisition, construction or production of qualifying assets, to the extent that they are regarded as an adjustment to interest cost are included in the cost of qualifying assets. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use.

3.21 Off-setting

Financial assets and liabilities are offset and net amount is reported in the consolidated financial statements only when there is a legally enforceable right to set-off the recognised amount and the Group intends either to settle on net basis, or to realise the assets and to settle the liabilities simultaneously.

4. 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. Significant estimates, assumptions and judgements are disclosed in the relevant accounting policies and notes to these consolidated financial statements.

Following are some significant areas where management used estimates and judgements other than those which have been disclosed elsewhere in these consolidated financial statements:

- **a)** Determining the residual values and useful lives of property, plant and equipment and intangibles;
- **b)** Distinguish between capital spares, servicing equipment and stores & spares;
- **c)** Provisions;
- **d)** Disclosures related to IFRIC 4, IFRIC 12 and IFRS 9 (previously IAS 39);
- **e)** Recognition of taxation;
- **f)** Recognition of provision for staff retirement benefits;
- **g)** Impairment of goodwill, trade debts and other receivables;
- **h)** Commitments and contingencies; and
- **i)** Determining the fair value of equity instruments designated as FVTOCI.

	Note	2019	2018
		(PKR in '000)	
5. TURNOVER			
Capacity Purchase Price (CPP)		28,405,770	24,566,480
Energy Purchase Price (EPP)	5.1	25,632,030	80,221,143
Late Payment Interest (LPI)		7,075,199	5,753,069
Startup Charges (SC)		122,882	304,665
Part Load Adjustment Charges (PLAC)		567,208	755,275
Others		58,828	40,452
		61,861,917	111,641,084
Less: Sales tax on EPP		(3,733,029)	(11,641,651)
		58,128,888	99,999,433

5.1 This includes Rs. 1,920 million related to Fuel Cost Component (FCC) which was not billed by NEL due to pending approval of the Fuel Cost Component by National Electric Power Regulatory Authority (NEPRA). Subsequent to year end, NEPRA has approved the FCC and invoices have been billed to NTDC.

		Note	2019	2018
			(PKR in '000)	
6.	**OPERATING COSTS**			
	Fuel cost		21,903,638	67,756,457
	Late payment interest to fuel supplier		4,435,700	4,358,417
	Salaries, benefits and other allowances	6.1 & 7.3	1,418,214	1,391,364
	Water use charges		127,362	127,386
	Stores and spares		927,941	1,051,465
	Operations and maintenance		–	281,172
	Insurance		960,461	794,574
	Depreciation	12.4	4,631,695	4,088,521
	Amortisation	13.2	37,581	35,695
	Repairs, maintenance and other costs		2,197,444	1,835,404
			36,640,036	81,720,455

6.1 This includes Rs. 107 million (2018: Rs. 99 million) in respect of staff retirement benefits.

		Note	2019	2018
			(PKR in '000)	
7.	**GENERAL AND ADMINISTRATION EXPENSES**			
	Salaries, benefits and other allowances	7.1 to 7.3	948,711	824,363
	Travel and transportation		52,641	41,648
	Fuel and power		9,067	8,705
	Property, vehicles and equipment rentals		43,550	38,767
	Office running cost		92,191	88,805
	Repairs and maintenance		37,491	36,526
	Legal and professional charges		139,457	191,637
	Insurance		15,834	16,967
	Fee and subscription		15,643	16,864
	Training and development		10,330	16,214
	Auditors' remuneration	7.4	10,337	14,703
	Donations	7.5 & 7.6	36,513	55,953
	Corporate social responsibility		70,817	46,461
	Printing and stationery		12,132	14,466
	Depreciation	12.4	54,691	56,921
	Amortisation	13.2	4,268	7,057
	Miscellaneous		52,321	48,915
			1,605,994	1,524,972

7.1 This is net of costs of Rs. Nil (2018: Rs. 3 million) allocated by HPHL to CPHGC.

7.2 This includes Rs. 57 million (2018: Rs. 43 million) in respect of staff retirement benefits.

7.3 Number of persons employed as at year end were 614 (2018: 527) and the average number of persons employed during the year were 670 (2018: 479).

7.4 Auditors' remuneration

The aggregate amount charged in respect of auditors' remuneration, including that of subsidiary companies, is as follows:

	2019	2018
	(PKR in '000)	
Statutory audits	5,698	5,698
Half yearly reviews	1,112	1,112
Tax and other services	2,879	7,208
Out-of-pocket expenses	648	685
	10,337	14,703

7.5 Donations include the following in which a director or his spouse was interested:

Name of Director	Name / Address of Donee	Interest in Donee	2019	2018
			(PKR in '000)	
Mr. Hussain Dawood / Mr. Shahzada Dawood / Mr. Abdul Samad Dawood	The Dawood Foundation / 10th Floor, Dawood Centre, MT. Khan Road, Karachi	Chairman / Trustee	–	1000

7.6 During the year, the holding company made donation to The Citizens Foundation amounting to Rs. 34 million (2018: Rs. 27 million).

	Note	2019	2018
		(PKR in '000)	
8. OTHER INCOME			
Financial assets			
Interest income		185,051	143,456
Non-financial assets			
Gain on disposal of fixed assets - net		44,768	6,775
Income under shared facility agreement - net	8.1	11,837	9,518
Exchange gain		250,772	56,159
Others		34,538	2,955
		341,915	75,407
		526,966	218,863

8.1 This represents net income from provision of services to CPHGC at Hub site in accordance with the terms of service agreement entered into between HPSL and CPHGC on August 30, 2016.

8.2 The holding company has entered into services agreements with TNPTL (an associate company). In accordance with the terms of the agreements, the holding company provides assistance to TNPTL in performance of their obligations under relevant project agreements including Power Purchase Agreement, Coal Supply Agreement, Water Use Agreement, Implementation Agreement, EPC Contracts and O&M Agreement.

		Note	2019	2018
			(PKR in '000)	
9.	**OTHER OPERATING EXPENSES**			
	Workers' profit participation fund	9.1	122,191	109,941
	Capital work-in-progress written-off		5,497	–
			127,688	109,941
9.1	**Workers' profit participation fund**			
	Provision for Workers' profit participation fund	28.4	602,405	586,996
	Workers' profit participation fund recoverable from CPPA(G) / NTDC		(480,214)	(477,055)
			122,191	109,941
10.	**FINANCE COSTS**			
	Interest / mark-up on long term loans		2,887,281	2,102,167
	Mark-up on short term borrowings		3,878,913	1,819,185
	Interest on finance lease		201,237	161,507
	Amortization of transaction cost		89,632	103,054
	Other finance costs		344,060	246,585
			7,401,123	4,432,498
11.	**TAXATION**			
	Current			
	– For the year	11.1	516,722	485,572
11.1	**Relationship between tax expense and accounting profit**			
	Profit before taxation		12,447,029	12,150,355
	Tax calculated at the rate of 29% (2018: 30%)		3,609,638	3,645,107
	Effect of exempt income		(3,333,328)	(3,426,473)
	Effect of minimum tax		103,730	44,975
	Impact of super tax		53,951	73,651
	Others		82,731	148,312
			516,722	485,572

11.2 During the year 2017, the holding company and HPSL, a wholly owned subsidiary, opted for Group Taxation under section 59AA of the Income Tax Ordinance, 2001.

		Note	2019	2018
			(PKR in '000)	
12.	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating fixed assets	12.1	48,272,279	49,492,686
	Capital work-in-progress (CWIP):			
	Holding company	12.5	177,593	108,375
	NEL	12.6	22,301	49,681
	LEL	12.7	4,773	3,628
	TEL	12.8	19,993,656	4,163,398
	HPHL	12.9	9,907	–
	HPSL	12.10	6,800	–
			20,215,030	4,325,082
			68,487,309	53,817,768

12.1 Operating fixed assets

	Owned								Leased		
	Freehold land	Building on freehold land	Building and civil structures on leasehold land	Leasehold property	Plant & machinery	Furniture & fixtures	Vehicles	Office equipment	Leasehold land	Plant & machinery	Total
	(PKR in '000)										
Cost:											
As at July 1, 2017	67,123	1,085,875	9,478,817	862	80,066,394	139,865	398,006	69,374	–	5,126,052	96,432,368
Additions / Transfers from CWIP (Note 12.1.1)	–	29,575	358,657	–	687,032	2,649	94,479	8,798	–	437,074	1,618,264
Adjustment	(177)	–	–	–	–	–	–	–	–	–	(177)
Disposals	–	–	–	–	(5,054)	–	(47,654)	(847)	–	–	(53,555)
As at June 30, 2018	66,946	1,115,450	9,837,474	862	80,748,372	142,514	444,831	77,325	–	5,563,126	97,996,900
Additions / Transfers from CWIP (Note 12.1.1)	6,222	19,702	776,867	–	1,563,877	50,191	38,977	30,127	58,218	978,957	3,523,138
Disposals	–	–	–	–	(164,664)	(8,248)	(71,325)	(2,156)	–	–	(246,393)
As at June 30, 2019	73,168	1,135,152	10,614,341	862	82,147,585	184,457	412,483	105,296	58,218	6,542,083	101,273,645
Depreciation:											
As at July 1, 2017	–	390,745	1,576,027	654	41,214,594	87,544	206,103	26,201	–	896,392	44,398,260
Charge for the year	–	78,503	438,798	29	3,094,803	18,287	85,441	12,065	–	421,725	4,149,651
Disposals	–	–	–	–	(4,844)	–	(38,006)	(847)	–	–	(43,697)
As at June 30, 2018	–	469,248	2,014,825	683	44,304,553	105,831	253,538	37,419	–	1,318,117	48,504,214
Charge for the year	–	79,310	576,012	29	3,452,802	20,434	81,319	15,295	–	469,673	4,694,874
Disposals	–	–	–	–	(125,573)	(8,211)	(62,329)	(1,609)	–	–	(197,722)
As at June 30, 2019	–	548,558	2,590,837	712	47,631,782	118,054	272,528	51,105	–	1,787,790	53,001,366
Net book value as at June 30, 2019	73,168	586,594	8,023,504	150	34,515,803	66,403	139,955	54,191	58,218	4,754,293	48,272,279
Net book value as at June 30, 2018	66,946	646,202	7,822,649	179	36,443,819	36,683	191,293	39,906	–	4,245,009	49,492,686
Depreciation rate % per annum	–	3.33 to 25	4 to 10	3.33 to 20	3.33 to 33.33	10 to 20	20–25	10 to 50	–	4 to 6.67	
Cost of fully depreciated assets as at June 30, 2019	–	29,493	–	–	611,888	33,833	81,752	19,062	–	–	776,028
Cost of fully depreciated assets as at June 30, 2018	–	23,190	–	–	584,385	41,417	92,052	6,098	–	–	747,142

12.1.1 Includes exchange loss capitalised amounting to Rs. 3,008 million (2018: Rs. 1,343 million).

12.2 Details of disposal of operating fixed assets:

Assets	Cost	Accumulated depreciation	Net book value	Sale price	Gain / (loss)	Mode of disposal	Particulars of buyer/ Relationship
		(PKR in '000')					
Plant & machinery	154,362	115,343	39,019	40,100	1,081	Tender	Mr. Muhammad Rafiq
Vehicle	2,313	914	1,399	1,409	10	Company policy	Mr. Faheem Arsal / employee
Vehicle	4,087	3,235	852	3,460	2,608	Tender	M/s. Afzal Limousine Services
Vehicle	1,711	713	998	958	(40)	Company Policy	Mr. Amjad Ali / employee
Vehicle	1,014	355	659	1,016	357	Tender	Mr. Ali Ahmed
Vehicle	1,557	811	746	1,659	913	Company Policy	Mr. Ammar Nawaz / employee
Vehicle	2,279	1,493	786	1,938	1,152	Tender	Mr. Sheraz Khan
Items having a net book value not exceeding Rs. 500,000 each							
Plant & machinery	10,302	10,230	72	333	261	Various	Various
Vehicles	58,364	54,808	3,556	42,314	38,758	Various	Various
Furniture & fixtures	8,248	8,211	37	182	145	Various	Various
Office equipment	2,156	1,609	547	70	(477)	Various	Various
Total - June 30, 2019	246,393	197,722	48,671	93,439	44,768		
Total - June 30, 2018	53,555	43,697	9,858	20,475	10,617		

12.3 Details of Group's immovable fixed assets:

Particulars	Area	Location
Freehold land and building	1,143 Acres	Hub Plant - District Lasbela, Balochistan
Freehold land and building	10 Kanal 09 Marla	Narowal Plant - Tehsil and District Narowal, Punjab
Freehold land and building	4 Kanal 01 Marla	Narowal Plant - Tehsil and District Narowal, Punjab
Freehold land and building	67 Acres	Narowal Plant - Tehsil and District Narowal, Punjab
Freehold land	2.5 Acres	Mauza Maira Bagwal Tehsil and District, Islamabad
Leasehold property	94.88 square yards	Marine Corner, Clifton, Karachi
Leasehold property	2,454 Kanals	Laraib Plant - New Bong Escape, Village Lehri, Mirpur AJK
Leasehold land	244 Acres	Thar Coal Block II, Taluka Islamkot, Sindh

	Note	2019	2018
		(PKR in '000)	
12.4 Depreciation charge for the year has been allocated as follows:			
Operating costs	6	4,631,695	4,088,521
General and administration expenses	7	54,691	56,921
Capital work-in-progress		8,488	4,209
		4,694,874	4,149,651
12.5 Capital work-in-progress - Holding company			
Opening balance		108,375	212,509
Additions during the year		222,139	75,125
Transfers during the year		(152,921)	(179,259)
		177,593	108,375

		Note	2019	2018
			(PKR in '000)	
12.6	**Capital work-in-progress - NEL**			
	Opening balance		49,681	39,920
	Additions during the year		54,220	30,160
	Transfers during the year		(76,103)	(20,399)
	Written-off during the year		(5,497)	–
			22,301	49,681
12.7	**Capital work-in-progress - LEL**			
	Opening balance		3,628	20,026
	Additions during the year		44,888	15,906
	Transfers during the year		(40,115)	(32,304)
	Written-off during the year		(3,628)	–
			4,773	3,628
12.8	**Capital work-in-progress - TEL**			
	Opening balance		4,163,398	317,872
	Additions during the year:			
	Project development cost		14,200,917	3,334,025
	Project management cost		360,320	220,251
	Loan arrangement fee		295,093	950
	Legal and professional charges		342,463	255,652
	Borrowing cost		348,922	–
	Office development cost		5,774	–
	Other directly attributable costs	12.8.1	276,769	34,648
			15,830,258	3,845,526
			19,993,656	4,163,398

12.8.1 This includes Rs. 2.96 million (2018: Rs. 1.26 million) in respect of staff retirement benefits.

		Note	2019	2018
			(PKR in '000)	
12.9	**Capital work-in-progress - HPHL**			
	Opening balance		–	–
	Additions during the year		9,907	–
			9,907	–
12.10	**Capital work-in-progress - HPSL**			
	Opening balance		–	–
	Additions during the year		6,800	–
			6,800	–
13.	**INTANGIBLES**			
	Intangibles	13.1	1,472,145	1,477,963

		Goodwill (note 13.3)	Computer softwares (PKR in '000)	Total
13.1	**Intangibles**			
	Cost			
	As at July 1, 2017	1,414,096	170,292	1,584,388
	Additions / transfers from CWIP	–	46,040	46,040
	Write-offs	–	(360)	(360)
	As at June 30, 2018	1,414,096	215,972	1,630,068
	Additions / transfers from CWIP	–	36,135	36,135
	As at June 30, 2019	1,414,096	252,107	1,666,203
	Amortisation			
	As at July 1, 2017	–	109,713	109,713
	Charge for the year	–	42,752	42,752
	Write-offs	–	(360)	(360)
	As at June 30, 2018	–	152,105	152,105
	Charge for the year	–	41,953	41,953
	As at June 30, 2019	–	194,058	194,058
	Net book value as at June 30, 2019	1,414,096	58,049	1,472,145
	Net book value as at June 30, 2018	1,414,096	63,867	1,477,963
	Amortisation rate % per annum	–	33.33	–
	Cost of fully amortised intangibles as at June 30, 2019	–	107,026	107,026
	Cost of fully amortised intangibles as at June 30, 2018	–	63,865	63,865

		Note	**2019** (PKR in '000)	2018
13.2	**Amortisation charge for the year has been allocated as follows:**			
	Operating costs	6	37,581	35,695
	General and administration expenses	7	4,268	7,057
	Capital work-in-progress		104	–
			41,953	42,752

13.3 For impairment testing, goodwill has been allocated to 'Laraib 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, 2019. 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 PPA between LEL and the Power Purchaser for a term of 25 years from COD. 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 5.31% (2018: 5.91%) 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	2019	2018
			(PKR in '000)	
14.	**LONG TERM INVESTMENTS**			
	Investment in associates - unquoted			
	China Power Hub Generation Company (Private) Limited (CPHGC)	14.1	28,995,221	7,880,953
	ThalNova Power Thar (Private) Limited (TNPTL)	14.2	5,262,908	–
			34,258,129	7,880,953
	Others - unquoted			
	Equity investment at fair value through other comprehensive income			
	– Sindh Engro Coal Mining Company Limited (SECMC)	14.3	2,044,597	942,926
			36,302,726	8,823,879

14.1 China Power Hub Generation Company (Private) Limited (CPHGC)

	2019	2018
	(PKR in '000)	
Opening investment	7,880,953	1,318,390
Add: Investment made during the year	21,597,414	6,858,669
Less: Share of loss from associate	(447,607)	(280,075)
Less: Group's share in share issuance cost	(35,539)	(16,031)
	28,995,221	7,880,953

As at June 30, 2019, HPHL had 26% ownership interest in China Power Hub Generation Company (Private) Limited (CPHGC), the principal business of which is to construct, finance, own and operate two coal-fired power generation units of 660 MW each with ancillary Jetty in the province of Balochistan. The project achieved its Commercial Operation Date (COD) on August 17, 2019.

During the year, HPHL exercised the call option under Amended and Restated Shareholders' Agreement to increase its shareholding in CPHGC from 26% to 47.5%. HPHL has injected USD 248.8 million (Rs. 33,165 million) in CPHGC to date which is the full equity commitment for 47.5% stake. This includes payment to China Power International (Pakistan) Investment Limited (CPIPI) for transfer of shares amounting to USD 19.5 million (Rs. 3,097 million), which was made subsequent to the year end. Remaining process for increasing the HPHL's equity to 47.5% is in process.

Further, pursuant to Memorandum of Understanding (MOU) dated December 23, 2016 with Government of Balochistan (GOB), HPHL and CPIPI are committed to transfer 3% equity shareholding in CPHGC (1.5% each by HPHL and CPIPI) to GOB.

Sponsors' support for CPHGC

Pursuant to Sponsor Support Agreement entered into with the lenders of CPHGC, the holding company is committed to arrange for working capital financing through HPHL amounting to USD 90.25 million in case CPHGC fails to arrange for working capital facility for its operations. This commitment is valid till the full repayment of project loans of CPHGC.

In order to secure HPHL's obligations under the finance documents of CPHGC, shares held by HPHL in CPHGC are pledged in favour of the Security Trustee.

The summarised financial information of CPHGC is set out below:

	2019	2018
	(PKR in '000)	
Non-current assets	219,212,730	137,872,128
Current assets	28,621,123	15,411,137
Total assets	247,833,853	153,283,265
Non-current liabilities	(151,773,056)	(36,192,652)
Current liabilities	(38,514,127)	(86,781,988)
Total liabilities	(190,287,183)	(122,974,640)
Net assets	57,546,670	30,308,625
Less: Advance received against issue of shares	(18,963,630)	(960)
Net assets of the associate available for distribution	38,583,040	30,307,665
Proportion of HPHL's interest in associate	26%	26%
	10,031,591	7,879,993
Advance received against issue of shares	18,963,630	960
Carrying amount of HPHL's interest in associate as at June 30, 2019	28,995,221	7,880,953
Loss for the year	(1,721,566)	(1,077,212)

The associate had no material contingency as at June 30, 2019. Outstanding commitments as at June 30, 2019 amount to USD 190 million (Rs. 30,374 million) [2018: USD 171 million (Rs. 20,741 million)].

		2019	2018
		(PKR in '000)	
14.2	**ThalNova Power Thar (Private) Limited (TNPTL)**		
	Opening investment	–	–
	Add: Investment made during the year	5,250,379	–
	Add: Share of profit from associate	13,623	–
	Less: Group's share in share issuance cost	(1,094)	–
		5,262,908	–

TNPTL is a private limited company, incorporated in Pakistan on April 18, 2016. The principal activities of TNPTL are to develop, own, operate and maintain a 1 x 330 MW mine-mouth coal fired power plant (the Project) which is under construction at Thar Block II, Thar Coal Mine, Sindh.

During the year HPHL acquired 38.3% equity interest in TNPTL pursuant to Share Subscription Agreement (SSA) / Shareholders Agreement (SHA) entered between HPHL, TNPTL and its sponsors (Thal SPV and Nova SPV). As at June 30, 2019, HPHL, has injected USD 34.9 million (Rs. 5,251 million) in TNPTL out of total equity commitment of USD 50.5 million based on the current estimated cost of the Project. The issuance of shares for USD 28.4 million (Rs. 4,339 million) is in process while 91 million ordinary shares for USD 6.5 million (Rs. 912 million) have been issued.

Project status and financial close of TNPTL

Private Power & Infrastructure Board (PPIB) issued the Letter of Support (LOS) to TNPTL on December 08, 2016. As per the terms of the LOS, TNPTL was required to (i) achieve the Financial Close of the Project not later than nine months from the date of LOS and (ii) enter into the Implementation Agreement (IA), Power Purchase Agreement (PPA) and Water Use Agreement (WUA) not later than three months prior to the financial closing date. The required COD of the Project is March 31, 2021.

TNPTL was required to achieve the financial close by June 30, 2019 as per the revised LOS of PPIB issued on November 23, 2018. On June 17, 2019, TNPTL requested PPIB to further extend its deadline for Financial Close (FC) till December 31, 2019. TNPTL has also issued performance guarantee amounting to USD 3.30 million to PPIB which is valid till October 10, 2019. PPIB has extended the LOS till December 31, 2019.

PPIB is entitled to encash the performance guarantee in case TNPTL is not able to meet the conditions or TNPTL decides to exercise termination option, as defined in the LOS. Further, the Project agreements as well as the Project will automatically terminate on the expiration or termination of the LOS.

TNPTL have also submitted the proposed amendments of PPA to CPPA(G) for signing and execution. The proposed amendments obligates TNPTL to pay CPPA(G), the Liquidated Damages (LDs), equivalent to the payment of proportionate Transmission Service Charges (TSC) payable by National Transmission and Despatch Company Limited (NTDC) to Pak Matiari-Lahore Transmission Company Limited, in case there is delay in COD of March 31, 2021. On March 12, 2019, TNPTL issued Limited Notice to Proceed (LNTP) to the EPC Contractor and work has commenced on the site. Based on the contractual construction period of 34 months, COD is expected in January 2022, which will result in LDs amounting to USD 2.68 million for each month of delay.

TNPTL has signed its financing agreements with foreign and local lenders on July 22, 2019.

Further, TNPTL has also executed its Land Lease Deed with SECMC for the purchase of 244 acres of land for the Project on June 26, 2019.

The holding company's commitment to TNPTL

Under the SSA and SHA the holding company has following commitments:

- till the Financial Close of the Project, Thal SPV and Nova SPV shall not be required to inject further equity in TNPTL. Any additional contribution required by TNPTL for the purpose of achieving Financial Close of the Project will be provided by the holding company, and the same will be treated as advance against equity or subordinate debt to TNPTL;
- for the purpose of extension of LOS, the Company is required to provide the performance guarantee on the basis of its shareholding in TNPTL as envisaged in SSA ; and
- subject to the term of financing documents, the holding company is restricted to transfer or otherwise dispose the shares held in TNPTL or create encumbrance till the 6th anniversary of the Commercial Operations Date of TNPTL.

In connection with the development of TNPTL's project and pursuant to Shareholders' Agreement dated March 25, 2019, the holding company has obtained following approvals from shareholders in general meeting on April 16, 2019 and is committed to:

(i) arrange and provide a Standby Letter of Credit to the Lenders of TNPTL or to TNPTL, directly or through its subsidiary HPHL, to cover for the equity investment of (and up to an amount not exceeding) USD 50.5 million (or PKR equivalent) to guarantee the subscription of equity. Such investment shall be for a period up till July 31, 2026 or such period until the liabilities/obligations of Sponsors remain undischarged, whichever is later;

(ii) undertake to the Lenders of TNPTL or to arrange and/or provide working capital financing to TNPTL, directly or through its subsidiary HPHL, equivalent to an aggregate amount of USD 23 million. Such investment shall be for a period up till August 31, 2033 or such period until the liabilities/obligations remain undischarged, whichever is later;

(iii) to assign its rights, benefits and interests in respect of any investment made in TNPTL by way of Subordinated loan (which loan is to be treated as subordinated to the debt of the Lenders of TNPTL) including the benefits of any indemnities, warranties and guarantees, in favour of the lenders of TNPTL, directly or through its subsidiary HPHL. Such investment shall be for a period up till August 31, 2033 or such period until the liabilities/obligations remain undischarged, whichever is later;

(iv) pledge its shares (if any) in TNPTL held by it from time to time, in favour of the Lenders of TNPTL, whether such shares are acquired directly by way of subscription or otherwise. Such investment shall be for a period up till August 31, 2033 or such period until the liabilities / obligations remain undischarged, whichever is later;

(v) provide a guarantee (in the form of standby letter of credit) for the benefit of TNPTL and Intercreditor Agent for an aggregate amount of USD 20 million (or PKR equivalent) to guarantee an investment in the form of equity or subordinated debt to cover (a) cost overrun, (b) any obligation under financing documents prior to Project Completion Date ("PCD"), and (c) Commercial Operation Date ("COD") undertakings. Such investment shall be for a period up till the earlier of Project Completion Date or July 31, 2026;

(vi) issue a sponsor standby letter of credit to cover for the Initial Debt Service Reserve Account Shortfall, of an amount estimated not to exceed USD 14 million (or PKR equivalent), but which could be higher as detailed in EOGM notice dated March 14, 2019. Such SBLC shall be for a period up till the earlier of first payment of the installment of the loan or January 31, 2024;

(vii) issue a sponsor standby letter of credit to cover for the Debt Service Reserve Account, of an amount estimated not to exceed USD 14 million (or PKR equivalent), but which could be higher as detailed in EOGM notice dated March 14, 2019. Such sponsor obligation shall be for a period earlier of the tenure of the project loan or August 31, 2033;

(viii) participate in the Put Option / Commercial Risk Guarantee ("Put Option / CRG") to be provided by local banks and financial institutions (including Habib Bank Limited) ("Put Option / CRG Financiers") in favour of the foreign lenders and contributing payment up to USD 10 million (or PKR equivalent) ("Put Option / CRG Contribution Amount") under the same as primary obligor in accordance with the terms of the Agreement Regarding Procedures Following Event of Default. Such sponsor obligation shall be valid till August 31, 2033;

(ix) provide sponsor support to the Put Option / CRG Financiers for various exposures being assumed by the Put Option / CRG Financiers in respect of the Put Option / CRG to cover any shortfall that TNPTL is unable to provide to the Put Option / CRG Financiers (which includes any foreign exchange risk and mark-up / interest up to the extent of USD 7 million), or such other amount as may be agreed with the Put Option / CRG Financiers from time to time ("Put Option / CRG Support Amount"). Such Sponsor obligation shall be valid till August 31, 2033;

(x) provide security in form and substance acceptable to the Put Option / CRG Financiers or such other alternate/ additional security as the Put Option / CRG Financiers may require from time to time up to the Put Option / CRG Support Amount and Put Option / CRG Contribution Amount with such margin and on such terms as may be deemed appropriate by the Authorized Persons;

(xi) provide (if required) a contractual commitment and a parent company guarantee to TNPTL guaranteeing the due and punctual performance of obligations by HPSL pursuant to the terms of the O&M Agreement. Such sponsor obligation shall be for a period the earlier of the tenure of the project loan or the expiry of the O&M Agreement.

In connection with the development of TNPTL's project and pursuant to SHA, HPHL has obtained following approvals from shareholders in general meeting on April 12, 2019 and is committed to:

(i) invest in TNPTL up to an amount not exceeding USD 50.5 million (or equivalent PKR) by way of subscription of shares at the rate of Rs. 10 per share plus premium, if any, finalized by the Board of TNPTL. The holding company shall arrange and provide a Standby Letter of Credit to the Lenders of TNPTL or to TNPTL, directly or through HPHL, to cover for the equity investment of (and up to an amount not exceeding) USD 50.5 million (or PKR equivalent) to guarantee the subscription of equity. Such investment shall be for a period up till July 31, 2026 or such period until the liabilities / obligations of Sponsors remain undischarged, whichever is later; and

(ii) pledge its shares in TNPTL held by from time to time, in favour of the Lenders of TNPTL, whether such shares are acquired directly by way of subscription or otherwise.

The summarised financial information of TNPTL is set out below:

	2019	2018
	(PKR in '000)	
Non-current assets	6,016,498	933,666
Current assets	824,984	361,336
Total assets	6,841,482	1,295,002
Current liabilities	(162,957)	(177,396)
Total liabilities	(162,957)	(177,396)
Net assets	6,678,525	1,117,606
Less: Advance received against issue of shares	(4,339,904)	–
Net assets of the associate available for distribution	2,338,621	–
Proportion of the HPHL's interest in associate	38.3%	0%
	895,692	–
Advance received against issue of shares	4,339,398	–
Others	27,818	–
Carrying amount of HPHL's interest in associate as at June 30, 2019	5,262,908	–
Profit / (loss) for the year	20,330	(33,484)

14.3 Sindh Engro Coal Mining Company Limited (SECMC)

SECMC is a public unlisted company, incorporated in Pakistan on October 15, 2009. The principle activity of SECMC is to develop, construct and operate open cast lignite mine in Block II Thar Coal Mine, Sindh.

Pursuant to Share Holder's Agreement, the holding company agreed to invest the equivalent of USD 20 million at or soon after Financial Close of SECMC or at such later time or times as required by the Financing Agreements of SECMC at a share price of Rs. 14.82 per share. As at June 30, 2019 the holding company has injected USD 11.76 million (Rs. 1,321 million) representing 8% equity stake in SECMC.

Subsequent to year end on July 10, 2019, SECMC achieved its Commercial Operations Date (COD) for Phase-I.

In addition to the USD 20 million equity, the holding company is committed to:

14.3.1 Sponsor Support Guarantee to cover cost overruns for an amount not exceeding USD 5 million (in equivalent Pak Rupees), if at any time prior to the Project Completion Date a funding shortfall occurs. Each Sponsor is obligated to pay the cost overrun amount in cash, by way of subscription of SECMC shares or at the option of the Sponsors collectively, by way of a subordinated debt to SECMC. The shareholders during the Extraordinary General Meeting held on January 14, 2016 approved the cost overrun support of USD 4 million and further approved the increase in cost overrun support to USD 5 million in the Extraordinary General Meeting held on June 22, 2018.

14.3.2 Letter of credit to cover for the Initial Payment Service Reserve Account Shortfall ('PSRA') for an amount estimated not to exceed USD 6 million (which could be higher). If there is an Initial PSRA Shortfall, each sponsor shall procure and issue a PSRA Letter of Credit (LC) in proportion to its shareholding of Ordinary shares in SECMC. Upon a demand being made for payment under the PSRA LC and receiving such payment, the said amount may be treated as equity or at the option of the sponsors collectively, subordinated debt advanced in favor of SECMC in an amount equal to such portion of the PSRA LC that is called upon. During the Extraordinary General Meeting held on January 14, 2016, the PSRA support was approved by the members of the holding company.

The investment in SECMC for the purposes of cost overrun and PSRA will only be made in the event there is an overrun or shortfall, respectively. If the entire amount of Sponsor Support Guarantee to cover cost overrun is called and the entirety of the payment under the standby letter of credit for PSRA shortfall is demanded, the maximum investment of the holding company in SECMC shall be USD 31 million (in equivalent PKR).

On February 26, 2016, the sponsors, including the holding company, entered into a SSA with Habib Bank Limited (HBL) as a condition precedent for the availability of loan facilities to SECMC in connection with the project to develop, construct, operate and maintain an open pit coal mine in Sindh, Pakistan. Pursuant to the terms and conditions set forth in the SSA, the holding company has provided Sponsor Equity Contribution Letter of Credit in the form of an Irrevocable Standby letter of Credit (SBLC) in favour of HBL, dated March 18, 2016 for a total amount not exceeding USD 12.650 million. As at June 30, 2019, the SBLC has been reduced to USD 8.562 million.

Additionally, a Share Pledge Agreement was also executed by the Shareholders of SECMC including the holding company on March 09, 2016 in favour of the Security Trustee in accordance with the provisions of the Finance Documents where all shares of SECMC are pledged.

		Note	2019	2018
			(PKR in '000)	
15.	**LONG TERM DEPOSITS, PREPAYMENTS AND OTHERS**			
	Deposits - non interest bearing		31,371	25,881
	Prepaid operating lease rentals		6,935	7,300
	Others		31,056	3,267
			69,362	36,448
16.	**STORES, SPARES AND CONSUMABLES**			
	In hand		3,381,967	3,352,696
	In-transit		–	16,194
			3,381,967	3,368,890
	Provision against slow moving stores, spares and consumables	16.1	(257,458)	(113,389)
			3,124,509	3,255,501
16.1	**Movement in provision against slow moving stores, spares and consumables**			
	Opening balance		113,389	57,821
	Provision for the year		144,069	55,568
	Closing balance		257,458	113,389
17.	**STOCK-IN-TRADE**			
	Furnace oil		5,791,183	6,304,800
	Diesel		23,027	13,320
	Lubricating oil		20,085	19,719
	Light diesel oil		10,361	9,270
			5,844,656	6,347,109

	Note	2019	2018
		(PKR in '000)	
18. TRADE DEBTS - Secured			
Considered good	18.1 to 18.3	85,646,949	98,733,840

18.1 This includes an amount of Rs. 59,178 million (2018: Rs. 74,073 million) receivable from CPPA(G) and Rs. 13,719 million (2018: Rs. 10,529 million) receivable from NTDC which are overdue but not impaired because the trade debts are secured by a guarantee from the GOP under Implementation Agreements.

The delay in payments from CPPA(G) carries mark-up at 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 for all overdue amounts except Late Payment Interest overdues.

The aging of these receivables are as follows:

	Note	2019	2018
		(PKR in '000)	
Not yet due	18.1.1 & 18.1.2	12,750,545	14,131,166
Up to 3 months		9,463,959	26,564,674
3 to 6 months		14,921,295	18,784,543
Over 6 months		48,511,150	39,253,457
		85,646,949	98,733,840

18.1.1 This includes Rs. 4,372 million (2018: Rs. 2,713 million) related to LPI which is not yet billed by the Group.

18.1.2 This also includes an amount of Rs. 122 million which is not yet billed due to pending application with NEPRA of Narowal plants' Generation License (GL) transfer from the holding company to NEL. The transfer of GL became necessary post demerger of Narowal undertaking into NEL, with effect from April 01, 2017.

18.2 This includes an amount of Rs. 373 million (2018: Rs. 373 million) receivable from CPPA(G) on account of following:

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 PPA with CPPA(G), any tax paid by the holding company on behalf of construction contractors and sub-contractors was to be reimbursed by CPPA(G).

Under the provisions of the IA between the holding company and 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, in 1998, few years after the tax had been paid, the Federal Board of Revenue (FBR) contended that holding company was liable to pay tax at the rate of 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 CPPA(G). 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 holding ccompany's and other 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 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.

18.3 This also includes an amount of Rs. 235 million (June 2018: Rs. 235 million) related to liquidated damages deducted by NTDC, due to non-availability of power plant for electricity generation of NEL (refer note 28.10.2).

	Note	2019	2018
		(PKR in '000)	
19. LOANS AND ADVANCES			
Considered good - non interest bearing			
Loans - unsecured			
Executives		12,732	5,883
Employees		5,290	5,819
		18,022	11,702
Advances - unsecured			
Executives		729	974
Employees		894	1,643
Suppliers		33,040	133,008
		34,663	135,625
		52,685	147,327
20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits		359	–
Prepayments			
Current portion of prepaid operating lease rentals		365	365
LC commission and other loan related costs		7,979	11,106
Others		44,737	43,063
		53,081	54,534
Other receivables			
Interest accrued		4,714	5,366
Income tax - refundable	20.1	1,912,347	1,912,347
Sales tax		8,058,169	7,410,778
Advance tax		36,977	195,754
Receivable from CPHGC	20.2	2,158	62,342
Receivable from TNPTL	20.3	29,755	-
Workers' profit participation fund recoverable from CPPA(G) / NTDC		1,931,707	1,054,528
Miscellaneous		106,256	15,754
		12,082,083	10,656,869
		12,135,523	10,711,403

20.1 In 1998, the Federal Board of Revenue ("FBR") 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 Rs. 297 million against the above assessments in accordance with the departmental procedures prevalent at that time. Appeals filed by the holding company before the Commissioner of Income tax (Appeals) [the "CIT (A)"] and thereafter with the Income Tax Appellate Tribunal ("ITAT") were decided against the holding company. Against the decision of the ITAT, the holding company filed appeals before the High Court ("HC") which were also decided against the holding company in March 2012. Against the decision of the HC, the holding company filed further appeals before the Honorable Supreme Court of Pakistan (SCP).

In order to restrict the penal exposure of the holding company, in May 2012 the holding company availed the scheme offered by the FBR vide SRO 547(I)/2012 dated May 22, 2012 and made payment of Rs. 1,615 million.

In July 2014, the SCP decided the case in favor of the holding company. Against the decision of the SCP, FBR filed review petitions which were dismissed by the SCP in June 2015. Consequently, an amount of Rs. 1,912 million is refundable from FBR. The holding company is pursuing the FBR and GOP for the refund.

20.2 This includes balances aggregating to Rs. 1 million (2018: Rs. 6 million) which are past due, for a period up to six months, but are not impaired. The maximum aggregate amount at the end of any month during the year is Rs. 70 million (2018: Rs. 62 million).

20.3 These are neither past due nor impaired and are recoverable in ordinary course of business. The maximum aggregate amounts due at the end of any month during the year was Rs. 7 million (2018: Rs. Nil).

	Note	2019	2018
		(PKR in '000)	
21. CASH AND BANK BALANCES			
At bank			
Savings accounts	21.1 to 21.3	5,100,569	2,375,861
Right subscription account	21.4	7,000,000	–
		12,100,569	2,375,861
In hand			
Cash		804	954
Payorders		30,381	277,500
		31,185	278,454
		12,131,754	2,654,315

21.1 Savings and deposits accounts carry mark-up rates ranging between 0.25% to 11.55% (2018: 0.25% to 6.13%) per annum.

21.2 This includes Rs. 269 million (2018: Rs. 388 million) restricted for dividend payable.

21.3 This includes Rs. 1,586 million (2018: Rs. 1,178 million) deposited in debt payment accounts and maintenance reserve account which are restricted for lenders' payments and major maintenance expenses of the plant, respectively.

21.4 This represents amount received against issuance of right shares (refer note 22.3).

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

2019	2018		2019	2018
(No of Shares)			(PKR in '000)	
		Authorised :		
1,700,000,000	1,700,000,000	Ordinary shares of Rs.10/- each	17,000,000	17,000,000
		Issued, subscribed and paid-up:		
		Ordinary shares of Rs.10/- each		
958,773,317	818,773,317	For cash	9,587,733	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
1,297,154,387	1,157,154,387		12,971,544	11,571,544

22.1 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 of lenders are satisfied.

22.2 Associated undertakings held 263,267,143 (2018: 437,216,264) shares in the holding company as at year end.

22.3 During the year, a right issue was approved by the Board of Directors of the holding company at their meeting held on April 01, 2019 in proportion of 12.0986 ordinary shares for every 100 ordinary shares held at a premium of Rs. 40 per share.

On June 26, 2019, a total of 140 million right shares were issued and an amount of Rs. 7,000 million was raised comprising of Rs. 1,400 million and Rs. 5,600 million in respect of ordinary share capital and share premium, respectively.

23. LONG TERM LOANS - Secured

From Banks / Financial Institutions	Note	As at July 01, 2018	Drawn / Translation	Repaid	Current portion	Amortisation of transaction costs	As at June 30, 2019
				(PKR in '000')			
Holding company							
Hub plant							
Musharaka finance facility	23.1	937,500	–	(625,000)	(312,500)	–	–
NEL investment							
Commercial facility	23.2	2,456,325	–	(888,190)	(1,011,183)	–	556,952
TEL / CPHGC / SECMC investment							
Syndicated term finance facility	23.3.1	5,431,124	10,568,876	–	–	–	16,000,000
Islamic finance facility	23.3.2	5,500,000	–	–	–	–	5,500,000
		10,931,124	10,568,876	–	–	–	21,500,000
LEL investment							
Syndicated term finance facility	23.4.1	388,948	–	(388,948)	–	–	–
Islamic finance facility	23.4.2	84,333	–	(84,333)	–	–	–
		473,281	–	(473,281)	–	–	–
Transaction costs		(150,729)	–	–	7,855	12,674	(130,200)
Long term loans of the holding company		14,647,501	10,568,876	(1,986,471)	(1,315,828)	12,674	21,926,752
Subsidiary - NEL							
Expansion facility	23.5.1	6,221,464	–	(2,193,543)	(2,576,041)	–	1,451,880
Syndicated term finance facility - I	23.5.2	2,325,000	–	(2,325,000)	–	–	–
Syndicated term finance facility - II	23.5.3	–	2,500,000	–	–	–	2,500,000
Transaction costs		(52,999)	–	–	18,129	33,696	(1,174)
Long term loans of NEL		8,493,465	2,500,000	(4,518,543)	(2,557,912)	33,696	3,950,706
Subsidiary - LEL							
Foreign currency loans	23.6.1	6,971,989	2,180,385	(1,068,078)	(1,347,383)	–	6,736,913
Local currency loans	23.6.2	1,540,498	–	(342,332)	(342,334)	–	855,832
Transaction costs		(150,683)	–	–	36,443	43,262	(70,978)
Long term loans of LEL		8,361,804	2,180,385	(1,410,410)	(1,653,274)	43,262	7,521,767
		31,502,770	15,249,261	(7,915,424)	(5,527,014)	89,632	33,399,225

From Banks / Financial Institutions	Note	As at July 01, 2017	Drawn / Translation	Repaid	Current portion	Amortisation of transaction costs	As at June 30, 2018
				(PKR in '000')			
Holding company							
Hub plant							
Musharaka finance facility	23.1	1,562,500	–	(625,000)	(625,000)	–	312,500
NEL investment							
Commercial facility	23.2	3,236,492	–	(780,167)	(888,191)	–	1,568,134
TEL / CPHGC / SECMC investment							
Syndicated term finance facility	23.3.1	1,574,929	3,856,195	–	–	–	5,431,124
Islamic finance facility	23.3.2	–	5,500,000	–	–	–	5,500,000
		1,574,929	9,356,195	–	–	–	10,931,124
LEL investment							
Syndicated term finance facility	23.4.1	1,166,844	–	(777,896)	(388,948)	–	–
Islamic finance facility	23.4.2	253,000	–	(168,667)	(84,333)	–	–
		1,419,844	–	(946,563)	(473,281)	–	–
Transaction costs		(17,110)	(140,827)	–	1,004	7,208	(149,725)
Long term loans of the holding company		7,776,655	9,215,368	(2,351,730)	(1,985,468)	7,208	12,662,033
Subsidiary - NEL							
Expansion facility	23.5.1	8,089,325	–	(1,867,861)	(2,193,542)	–	4,027,922
Syndicated term finance facility - I	23.5.2	3,100,000	–	(775,000)	(775,000)	–	1,550,000
Transaction costs		(98,627)	–	–	33,865	45,628	(19,134)
Long term loans of NEL		11,090,698	–	(2,642,861)	(2,934,677)	45,628	5,558,788
Subsidiary - LEL							
Foreign currency loans	23.6.1	6,880,253	973,473	(881,737)	(995,998)	–	5,975,991
Local currency loans	23.6.2	1,882,830	–	(342,332)	(342,334)	–	1,198,164
Transaction costs		(200,901)	–	–	43,522	50,218	(107,161)
Long term loans of LEL		8,562,182	973,473	(1,224,069)	(1,294,810)	50,218	7,066,994
		27,429,535	10,188,841	(6,218,660)	(6,214,955)	103,054	25,287,815

23.1 The holding company entered into a long term Musharaka arrangement with a bank for an amount of Rs. 2,500 million (2018: Rs. 2,500 million) to finance boiler rehabilitation works at Hub Plant. The facility is repayable in sixteen equal installments on quarterly basis starting from March 30, 2016 at a mark-up rate of 3 month KIBOR plus 0.60% per annum. The mark-up is payable on quarterly basis in arrear. Any late payment by the holding company is subject to a markup of 14% per annum. This loan is secured by way of second ranking / subordinated charge over all present and future assets of Hub plant.

23.2 In order to finance the equity portion of the project cost of Narowal plant, the holding company obtained this loan which is repayable in 40 installments on quarterly basis starting from January 16, 2011 and then on each mark-up payment date at a mark-up rate of three month KIBOR plus 0.25% per annum. The mark-up is payable on quarterly basis in arrear. The loan is secured pari passu by way of fixed charge over each of the following, namely:

(a) (i) holding company's Tangible Moveable Property;

(ii) holding company's Intellectual Property; and

(iii) all goodwill (including all brand names not otherwise subject to a fixed charge or assignment by or pursuant to supplemental Composite Security Agreement) presently belonging to Hub plant,

(b) a floating charge on the whole of the Hub plant related undertaking and assets, present and future;

(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 the Hub plant only; and

(d) mortgage over the Hub Plant land measuring 347 acres.

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.

23.3 In order to meet investment requirements in TEL / CPHGC / SECMC:

23.3.1 The holding company entered into a long term financing arrangement with various banks for an amount of Rs. 21,000 million to finance equity investment in CPHGC (via HPHL), TEL and SECMC. The loan is repayable in 40 installments on quarterly basis after the end of the availability period, which is 54 months from the Facility Effective Date i.e. May 18, 2017. Mark-up is charged at three months KIBOR plus 0.30% per annum. The loan is secured by way of all present and future assets of the holding company other than current assets.

On May 10, 2019, the financing facility was amended to incorporate the sub limit facility amounting to Rs. 5,000 million as a short term finance for the period of 90 days (refer note 27.8).

23.3.2 In addition, the holding company has also entered into a long term Musharaka arrangement with various banks amounting to Rs. 5,500 million to finance equity investment in CPHGC (via HPHL). The loan under the arrangement is repayable on quarterly basis after the end of the availability period i.e. November 30, 2021. Mark-up is charged at three months KIBOR plus 0.30% per annum. The facility is secured by way of all present and future assets of the holding company other than current assets.

23.4 In order to meet its investment obligation in LEL:

23.4.1 The holding company entered into a long term financing arrangement with various banks / financial institution for an amount of Rs. 3,741 million. The loan was repayable in 9 equal installments on semi-annual basis following the six months after the end of availability period which was 42 months from the facility effective date at a mark-up rate of six month KIBOR plus 0.6% per annum. The facility became effective on October 01, 2010. The mark-up was payable on semi-annual basis in arrear starting from the availability period. Any late payment by the holding company was subject to an additional payment of 2% per annum above the normal mark-up rate. The loan was secured by way of second ranking / subordinated charge over all present and future undertaking and assets of Hub Plant. During the year, on October 01, 2018, this loan was fully repaid.

23.4.2 The holding company also entered into a long term Islamic financing arrangement with a bank for an amount of Rs. 759 million. The loan was repayable in 9 equal installments on semi-annual basis following the six months after the end of availability period which was 42 months from the facility effective date at a mark-up rate of six month KIBOR plus 0.6% per annum. The facility became effective on November 24, 2010. The mark-up was payable on semi-annual basis in arrear starting from the availability period. Any late payment by the holding company was subject to an additional payment of 2% per annum above the normal mark-up rate. The loan was secured by way of securities mentioned in note 23.3.1. During the year, on November 23, 2018, this loan was fully repaid.

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.

Subsidiary - NEL

23.5 In connection with Narowal plant:

23.5.1 NEL entered into a long term financing arrangement which is repayable in 40 instalments on quarterly basis starting from January 16, 2011 and then on each mark-up payment date at a mark-up rate of three month KIBOR plus 3.47% per annum. The mark-up is payable on quarterly basis in arrear.

The loan is secured pari passu by way of:

a) mortgage by Deposit of Title Deeds over the immovable properties of NEL;

(b) a first ranking floating charge over the NEL's assets (both present and future), fixed and current [other than those referred in note 27.3.1(a)], tangible and intangible, wherever situated and all present and future trade deposits, trade debts, loans and advances, bills and other receivables of NEL;

(c) hypothecation, the creation of a first fixed charge over the present and future properties of NEL;

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

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

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

23.5.2 During the year, NEL has fully repaid this facility. This loan carried mark-up at the rate of three month KIBOR plus 0.20% per annum. The loan was secured by way of second ranking / subordinated charge over fixed assets (excluding land & building) of the holding company.

23.5.3 During the year, NEL obtained a long-term loan amounting to Rs. 2,500 million from a commercial bank. The loan carries mark-up at the rate of three months KIBOR plus 0.75% per annum starting from the date of disbursement i.e. April 23, 2019 and is payable on quarterly basis in arrears. The loan is repayable in 12 equal installments on quarterly basis commencing from July 23, 2021. Any late payment by NEL is subject to an additional payment of 2% per annum above the normal mark-up rate. The loan is secured by way of second ranking / subordinated charge over fixed assets (excluding land & building) of the holding company.

Subsidiary - LEL

23.6 In connection with LEL:

23.6.1 LEL has entered into long-term loan facilities of USD 98.3 million with various foreign banks / financial institutions at an interest rate of six month LIBOR plus 4.75% per annum. Repayment of the principal amount of the long-term loan facilities is to be made in 24 semi-annual installments, the first such payment commenced on November 5, 2013 and then on interest payment date (each January 1 and July 1) until and including the final maturity date on November 5, 2024. Any delay in payments by LEL is subject to an additional payment of 2% per annum above normal interest rate.

23.6.2 LEL has also entered into a long-term loan facility of Rs. 3,250 million with local commercial banks at an interest rate of six month KIBOR plus 3.25% per annum. The principal amount of the loan facility is repayable in 19 semi-annual installments, the first such payment commenced on November 5, 2013 and then on interest payment date (each January 1 and July 1) until and including the final maturity date on May 5, 2022. Any delay in payments by LEL is subject to an additional payment of 2.5% per annum above normal mark-up rate.

LEL declares dividend after satisfaction of lenders' covenants.

23.6.3 Facilities are secured by way of, inter alia;

(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 clause 5.3 (Assignments) of the Security Deed;

(iii) the authorizations 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 Clause 5.3 (Assignments) of Security Trustee 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 LEL's business;

(vii) all insurances;

(viii) all other present and future assets of LEL both real and personnel, tangible and intangible (if not otherwise assigned effectively charged or assigned as applicable to the security trustee); and

(ix) in charged accounts and in all authorized investments held by LEL 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 LEL's undertakings and assets, present and future other than any asset charged or assigned under fixed charge.

The distributions account and the monies from time to time standing to the credit thereof and any investments, and the proceeds of any investments, made using such monies are out of the security package, consequently there is no fixed or floating charge over the distribution account and such investments.

24. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	As at July 01, 2018	Translation	Repaid	Current portion	As at June 30, 2019
				(PKR in '000)		
Islamic Development Bank	24.1	2,600,708	827,349	(393,734)	(501,192)	2,533,131

		As at July 01, 2017	Translation	Repaid	Current portion	As at June 30, 2018
				(PKR in '000)		
Islamic Development Bank	24.1	2,552,785	369,385	(321,462)	(366,320)	2,234,388

24.1 LEL entered into a finance lease agreement with Islamic Development Bank in respect of plant and machinery of USD 37.3 million. The rate of return used as the discounting factor is 8.09% (2018: 7.21%) per annum. The lease rentals are payable in 24 semi-annual installments, the first such payment commenced on November 5, 2013 and then on rental payment date (each January 1 and July 1) until and including the final maturity date on November 5, 2024. Any delay in payments by LEL is subject to an additional payment of 2% per annum above normal return rate. The lease finance facility is secured against assets mentioned in note 23.6.3.

The amount of future minimum lease payments together with the present value of the minimum lease payments and the periods during which they fall due are as follows:

	2019		2018	
	Minimum lease payments	Present value	Minimum Lease Payments	Present Value
	(PKR in '000)			
Within one year	724,565	501,192	543,904	366,320
After one year but not more than five years	2,552,000	2,022,262	1,935,520	1,481,684
Later than five years	537,376	510,869	816,119	752,704
Total minimum lease payments	3,813,941	3,034,323	3,295,543	2,600,708
Less: Amount representing finance charges	(779,618)	–	(694,835)	–
Present value of minimum lease payments	3,034,323	3,034,323	2,600,708	2,600,708
Less: Current portion	(501,192)	(501,192)	(366,320)	(366,320)
	2,533,131	2,533,131	2,234,388	2,234,388

	Note	2019	2018
		(PKR in '000)	
25. TRADE AND OTHER PAYABLES			
Creditors			
Trade	25.1 & 25.3	52,856,392	78,289,764
Other		106,851	283,671
		52,963,243	78,573,435
Accrued liabilities			
Finance costs		1,362	1,194
Miscellaneous		13,406,593	1,876,872
		13,407,955	1,878,066
Unearned income	25.2	1,444,435	1,189,081
Other payables			
Provision for Workers' profit participation fund	28.4	2,568,887	1,118,686
Sales tax payable		15,756	39,033
Staff retirement benefits			
Staff gratuity	25.3	63,807	31,971
Provident fund		7,885	7,231
Pension fund		2,188	2,184
Retention money		20,202	14,485
Withholding tax		35,106	18,339
Others		395	472
		2,714,226	1,232,401
		70,529,859	82,872,983

25.1 This includes payable to Pakistan State Oil Company Limited (PSO) amounting to Rs. 51,767 (2018: Rs. 76,943), out of which overdue amount is Rs. 47,455 million (2018: Rs. 69,758 million).

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

25.2 This represents Capacity Purchase Price invoiced for the succeeding month under the terms of PPA for Hub plant.

	Note	2019	2018
		(PKR in '000)	
25.3 STAFF GRATUITY			
Staff gratuity - holding company	25.3.1	41,541	16,336
Staff gratuity - HPSL	25.3.2	19,024	15,635
Staff gratuity - TEL	25.3.3	3,242	–
		63,807	31,971

Actuarial valuations were carried out as at June 30, 2019. The present value of defined benefit obligation has been calculated using the Projected Unit Credit Actuarial Cost Method. The details of the actuarial valuations are as follows:

25.3.1 Staff gratuity - holding company

	2019	2018
	(PKR in '000)	
Reconciliation of the net liability recognised in the statement of financial position		
Present value of defined benefit obligation	262,337	209,793
Fair value of plan assets	(220,796)	(193,457)
Net liability recognised in the statement of financial position	41,541	16,336
Reconciliation of the movements during the year in the net liability recognised in the statement of financial position		
Opening net liability	16,336	17,649
Expense recognised	34,089	24,727
Remeasurement loss recognised in Other Comprehensive Income (OCI)	13,116	7,619
Contributions made	(22,000)	(33,659)
Closing net liability	41,541	16,336
Expense recognised		
Current service cost	33,609	24,702
Net Interest	480	25
Expense recognised	34,089	24,727
Re-measurements recognised in OCI during the year		
Remeasurement loss / (gain) on defined benefit obligations	54	(5,699)
Remeasurement loss on plan assets	13,062	13,318
	13,116	7,619

	2019	2018
	(PKR in '000)	
Movements in the present value of defined benefit obligation		
Present value of defined benefit obligation at opening	209,793	202,661
Current service cost	33,609	24,702
Interest cost	18,881	15,095
Benefits paid	–	(26,966)
Remeasurement loss / (gain) recognised in OCI	54	(5,699)
Present value of defined benefit obligation at closing	262,337	209,793
The movement in fair value of plan assets		
Fair value of plan assets at opening	193,457	185,012
Expected return on plan assets	18,401	15,070
Contributions made	22,000	33,659
Benefits paid	–	(26,966)
Remeasurement loss recognised in OCI	(13,062)	(13,318)
Fair value of plan assets at closing	220,796	193,457
Actual return on plan assets	5,339	1,752

	2019 %	2019 (PKR in '000)	2018 %	2018 (PKR in '000)
Plan assets comprise of following:				
Pakistan Investment Bonds	72.70%	160,521	45.25%	87,543
Mutual funds	13.30%	29,382	33.24%	64,298
Term Finance Certificate	7.69%	16,971	0.00%	–
Treasury Bills	0.00%	–	8.09%	15,653
Quoted shares	0.00%	–	6.92%	13,383
Cash and cash equivalents	6.31%	13,922	6.50%	12,580
	100.00%	220,796	100.00%	193,457

	2019	2018
	(PKR in '000)	
Contribution expected to be paid to the plan during the next year	35,663	24,483

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

	2019	2018
- Valuation discount rate per annum	13.25%	8.75%
- Expected rate of return on plan assets per annum	13.25%	8.75%
- Expected rate of increase in salary level per annum	8.75%	8.75%
- Mortality rates	SLIC 2001-05	SLIC 2001-05

Expected maturity analysis of undiscounted retirement benefit plan:

	Less than 1 year	Between 2–5 years	Between 6–10 years (PKR in '000)	More than 10 years	Total
Retirement benefit plan	10,174	125,289	251,766	659,119	1,046,348

Historical information of retirement benefit plan:

	2019	2018	2017 (PKR in '000)	2016	2015
As at June 30					
Present value of defined					
benefit obligation	262,337	209,793	202,661	214,588	178,847
Fair value of plan assets	(220,796)	(193,457)	(185,012)	(139,149)	(124,165)
Deficit	41,541	16,336	17,649	75,439	54,682

	2019	2018
	(PKR in '000)	
Sensitivity analysis on significant actuarial assumptions		
- Impact on defined benefit obligation		
- Discount rate +1%	19,125	17,474
- Discount rate -1%	(21,511)	(19,838)
- Salary increases +1%	(22,676)	(20,698)
- Salary increases -1%	20,460	18,511

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

The plan exposes the holding company to the actuarial risks such as:

Investment risks:

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risks:

The risk arises when the actual servicing period is longer than expected. This risk is measured at the plan level over the entire retiree population.

Salary increase risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

	2019	2018
	(PKR in '000)	
25.3.2 Staff gratuity - HPSL		
Reconciliation of the net liability recognised in the statement of financial position		
Present value of defined benefit obligation	348,330	302,205
Fair value of plan assets	(329,306)	(286,570)
Net liability recognised in the statement of financial position	19,024	15,635
Reconciliation of the movements during the year in the net liability recognised in the statement of financial position		
Opening net liability	15,635	7,073
Expense recognised		
- Pakistan	39,116	32,537
- Azad Jammu and Kashmir	5,050	2,000
	44,166	34,537
Contributions to the fund made during the year	(57,062)	(47,786)
Liability transferred on O&M take over of Laraib plant	–	530
Remeasurement loss recognised in OCI	16,285	21,281
Closing net liability	19,024	15,635
Expense recognised		
Expense recognised - Pakistan		
Current service cost	42,533	31,915
Past service cost	–	2,000
Net Interest expense	1,633	622
	44,166	34,537
Remeasurements recognised in OCI during the year		
Remeasurement (gain) / loss on obligation	(612)	3,705
Remeasurement loss on plan assets	16,897	17,576
	16,285	21,281
Movements in the present value of defined benefit obligation		
Present value of defined benefits obligation at opening	302,205	254,413
Liability transferred on O&M takeover of Laraib plant	–	530
Current service cost - Pakistan	42,533	31,915
Past service cost - Azad Jammu and Kashmir	–	2,000
Interest cost on defined benefits obligation	27,908	20,382
Benefits paid / payable to outgoing member(s)	(23,704)	(10,740)
Remeasurement loss / (gain) recognised in OCI	(612)	3,705
Present value of defined benefits obligation at closing	348,330	302,205
The movement in fair value of plan assets		
Fair value of plan assets at beginning of the year	286,570	247,340
Interest income on plan assets	26,275	19,760
Net amount transferred by employer to the fund	57,062	47,786
Benefits paid / payable to outgoing member(s)	(23,704)	(10,740)
Remeasurements	(16,897)	(17,576)
Fair value of plan assets at closing	329,306	286,570
Actual return on plan assets	7,942	2,184
Contribution expected to be paid to the plan during the next year	54,094	44,166

	2019 %	2019 (PKR in '000)	2018 %	2018 (PKR in '000)
Plan assets comprise of following:				
Mutual funds	16.14%	53,160	21.74%	62,308
Pakistan Investment Bonds	64.44%	212,183	43.87%	125,714
Market treasury bills	5.96%	19,642	22.66%	64,945
Cash and cash equivalents	13.46%	44,321	11.73%	33,603
	100.00%	329,306	100.00%	286,570

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

	2019	2018
– Valuation discount rate per annum	14.25%	9.00%
– Expected rate of increase in salary level per annum	14.25%	9.00%
– Mortality rates	SLIC 2001-05	SLIC 2001-05

Expected maturity analysis of undiscounted retirement benefit plan:

	Less than 1 year	Between 1–2 years	Between 3–5 years (PKR in '000)	Over 5 year	Total
Retirement benefit plan	19,220	28,768	133,912	484,701	666,601

Historical information of retirement benefit plan:

	2019	2018 (PKR in '000)	2017	2016
As at June 30				
Present value of defined benefit obligation	348,330	302,205	255,530	205,277
Fair value of plan assets	(329,306)	(286,570)	(248,457)	(213,962)
Net liability / asset	19,024	15,635	7,073	(8,685)

	2019 (PKR in '000)	2018
Sensitivity analysis on significant actuarial assumptions - Impact on defined benefit obligation		
- Discount rate +0.5%	(14,473)	(15,186)
- Discount rate -0.5%	15,516	16,821
- Long Term salary increases +0.5%	16,241	17,572
- Long Term salary increases -0.5%	(15,266)	(16,039)

The plan exposes the HPSL to the actuarial risks such as:

Investment risks

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risks

The risk arises when the actual servicing period is longer than expected. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

	2019	2018
	(PKR in '000)	
25.3.3 Staff gratuity - TEL		
Reconciliation of the net liability recognised in the statement of financial position		
Present value of defined benefit obligation	3,242	–
Fair value of plan assets	–	–
Net liability recognised in the statement of financial position	3,242	–
Reconciliation of the movements during the year in the net liability recognised in the statement of financial position		
Opening net liability	–	–
Expense recognised	3,255	–
Remeasurement loss recognised in Other Comprehensive Income (OCI)	(13)	–
Contributions made	–	–
Closing net liability	3,242	–
Expense recognised		
Current service cost	706	–
Past service cost	2,431	–
Net Interest	118	–
Expense recognised	3,255	–
Re-measurements recognised in OCI during the year		
Loss due to change in financial assumptions	7	–
Gain due to change in experience adjustments	(20)	–
	(13)	–
Movements in the present value of defined benefit obligation		
Present value of defined benefit obligation at opening	–	–
Current service cost	706	–
Past service cost	2,431	–
Interest cost	118	–
Benefits paid	–	–
Remeasurement gain recognised in OCI	(13)	–
Present value of defined benefit obligation at closing	3,242	–
Contribution expected to be paid to the plan during the next year	3,566	–

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

	2019	2018
- Valuation discount rate per annum	14.25%	–
- Expected rate of increase in salary level per annum	14.25%	–
- Mortality rates	SLIC	–
	(2001-05)-1	–

Expected maturity analysis of undiscounted retirement benefit plans:

	Less than 1 year	Between 1–2 years	Between 3–5 years (PKR in '000)	Over 5 year	Total
Retirement benefit plan	540	804	3,956	13,175	18,475

	2019 (PKR in '000)	2018
Sensitivity analysis on significant actuarial assumptions		
- Impact on defined benefit obligation		
- Discount rate +0.5%	3,102	–
- Discount rate -0.5%	3,394	–
- Salary increases +0.5%	3,401	–
- Salary increases -0.5%	3,094	–

The plan exposes the TEL to the actuarial risks such as:

Investment risks

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Longevity risks

The risk arises when the actual servicing period is longer than expected. This risk is measured at the plan level over the entire retiree population.

Salary increase risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

25.4 During the year NEL entered into a Memorandum of Understanding (MoU) with Be Energy Limited (BEL), under which NEL has provided a corporate guarantee to BEL for an amount of Rs. 3,500 million. Any default in payment by NEL is subject to mark-up rate of up to KIBOR plus 3% per annum.

		2019	2018
		(PKR in '000)	
26.	**INTEREST / MARK-UP ACCRUED**		
	Interest / mark-up accrued on long term loans	753,751	598,671
	Mark-up accrued on short term borrowings	804,573	181,278
		1,558,324	779,949

		Note	2019	2018
			(PKR in '000)	
27.	**SHORT TERM BORROWINGS**			
	Secured			
	Running finance	27.1 to 27.6	33,079,906	28,804,770
	Short term / sub limit finance	27.7 & 27.8	8,500,000	–
			41,579,906	28,804,770
	Unsecured			
	Privately placed sukuks	27.9 & 27.10	8,500,000	–
	Commercial paper	27.11	3,398,519	–
			11,898,519	–
			53,478,425	28,804,770

27.1 The facilities of the holding company for running finance available from various banks / financial institutions amounted to Rs. 28,800 million (2018: Rs. 29,600 million) at mark-up ranging between 0.25% to 2.00% per annum above one / three month KIBOR. The mark-up on the facilities is payable on monthly / quarterly basis in arrear. The facilities will expire during the period from August 31, 2019 to June 30, 2020. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. The facilities are secured by way of charge over the trade debts and stocks of the holding company for the Hub plant pari passu with the existing charge.

27.2 The holding company has also entered into Musharaka agreements amounting to Rs. 1,400 million (2018: Rs. 400 million) at a mark-up of 0.75% 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 31, 2019 and November 30, 2019. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. These facilities are secured by way of securities mentioned in note 27.1.

27.3 The facilities of NEL for running finances available from various banks / financial institutions amounted to Rs. 5,425 million (June 2018: Rs. 5,425 million) at mark-up ranging between 0.6% to 2.00% (June 2018: 0.6% to 2.00%) per annum above one / three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrears. The facilities will expire during the period commencing from August 29, 2019 to March 26, 2020. Any late payment by NEL is subject to an additional payment of 2.00% per annum above the normal mark-up rate.

27.3.1 The facilities 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 plant; and (iii) the Energy Payment Receivables of NEL.

(b) a subordinated charge on all present and future plant, machinery and equipment and other moveable assets of the NEL 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 NEL's right, title and interest in the Project Documents (including any receivables thereunder); and (vi) all current assets.

27.4 NEL also has a Murabaha facility agreement with bank amounting to Rs. 225 million (June 2018: Rs. 625 million) at mark-up of 1.5% (June 2018: 0.6% to 1.5% per annum above three month KIBOR) per annum above six month KIBOR. The mark-up on the facility is payable on quarterly basis in arrears. The facility will expire on October 31, 2019. Any late payment by NEL is subject to an additional payment of 2.00% per annum above the normal mark-up rate. These facilities are secured by way of securities mentioned in note 27.3.1.

27.5 NEL also has Musharaka agreements with banks amounting to Rs. 2,900 million (June 2018: Rs. 1,135 million), at a mark-up ranging from 0.5% to 1.00% (June 2018: 0.60% to 0.75%) per annum above one month / three month KIBOR. The mark-up on the facilities are payable on quarterly basis in arrears. These facilities will expire during the period from July 31, 2019 to June 30, 2020. Any late payment by NEL is subject to an additional payment of 2.00% per annum above the normal mark-up rate. These facilities are secured by way of securities mentioned in note 27.3.1.

27.6 LEL entered into running finance facilities with Askari Bank Limited and Silk Bank Limited amounting to Rs. 250 million from each bank, carrying mark-up at the rate of 1.75% and 3.5% per annum, respectively, above three month KIBOR payable on quarterly basis in arrear. The facilities were fully utilized at the year end and are secured by way of subordinated charge over the current assets (including receivables, advances, deposits and prepayments) of LEL. The expiry dates of the facilities provided by Askari Bank Limited and Silk Bank Limited are December 31, 2019 and January 31, 2020, respectively.

27.7 On April 23, 2019, HPHL obtained a short-term loan of an amount up to Rs. 3,500 million from Allied Bank Limited. The loan was repayable at the earlier of the date falling four months from the date of disbursement of the loan or the date on which the subscription money with regard to holding company's right issue is received by the holding company. The facility carried markup at the rate of one-month KIBOR plus 0.25% per annum and was secured by ranking charge over Plant and Machinery of the holding company. On July 11, 2019, subsequent to the receipt of subscription money of rights issue by the holding company (refer note 22.3), the loan was repaid.

27.8 On May 10, 2019, to finance the call option in CPHGC via HPHL (refer note 14.1), the holding company secured a short term finance amounting to Rs. 5,000 million as a sub limit to the financing arrangement for equity investment, (refer note 23.3.1). This amount was repayable within 90 days from the date of drawdown and carried mark-up at the rate of three months KIBOR plus 0.60% per annum. This facility is repaid on August 16, 2019.

27.9 On February 27, 2019, the holding company issued privately placed unsecured Sukuk certificates based on Musharaka amounting to Rs. 4,000 million at a mark-up of 1.00% per annum above three-month KIBOR. The mark-up on the Sukuk is payable on quarterly basis in arrear and the principal is payable on November 27, 2019. Any late payment by the holding company is subject to mark-up at a rate of 2.00% per annum over three-month KIBOR.

27.10 On April 02, 2019, the holding company issued another privately placed unsecured Sukuk certificates based on Musharaka amounting to Rs. 4,500 million at a mark-up of 1.00% per annum above three-month KIBOR. The mark-up on the Sukuk is payable on quarterly basis in arrear and the principal is payable on October 02, 2019. Any late payment by the holding company is subject to mark-up at a rate of 2.00% per annum over three-month KIBOR.

27.11 The holding company also issued unsecured privately placed short term commercial paper amounting to Rs. 3,500 million. The tenor of the commercial papers is ninety days from the date of draw down i.e. April 23, 2019 which carries mark-up at the rate of three month KIBOR plus 1% per annum. On July 22, 2019, commercial paper was redeemed upon maturity at face value of Rs. 3,500 million.

28. COMMITMENTS AND CONTINGENCIES

28.1 Commitments of the holding company in respect of capital and revenue expenditures amounted to Rs. 243 million (2018: Rs. 332 million).

28.2 The CPPA(G) was unable to meet its obligation to provide a stand by letter of credit as required under the PPA. Consequently, the holding company has been unable to meet its obligation to provide a stand by letter of credit to PSO under the Fuel Supply Agreement (FSA).

28.3 The holding company has entered into Predictivity Enhancements and Performance Improvements (PEPI) Agreement with General Electric Global Services GmbH (GE), whereby GE has proposed to the holding company PEPI solutions to improve the Facility net efficiency (heat rate) to achieve a guaranteed rate. Under PEPI Agreement, Steam Turbine Retrofits were to be implemented on four units, during the year both parties agreed commercially to restrict it to two units considering estimated low load regime for Hub Plant in years ahead. In relation to this, agreement amendments are in process.

If PEPI Agreement is terminated at any time prior to March 31, 2037, the holding ccompany will be liable to pay USD 1.5 million to GE along with residual value of the Steam Turbine Retrofits (proposed solution). However, non-renewal of PPA (which expires in 2027) will result in automatic termination of PEPI Agreement and the holding company will have to pay GE USD 1.5 million and the residual value of approximately USD 0.6 million.

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

The petition was filed subsequent to the service on the holding company of a letter of March 14, 2000 by the Labour, Manpower and Overseas Pakistanis' Division, directing the holding company to allocate 5% of its net profit (since its establishment) towards the Workers' Profit Participation Fund. The said notice demanded that the holding company 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 PPA and against the CPPA(G) as a pro forma party in the matter.

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 new petition, which incorporated all the available grounds.

Both the holding company and CPPA(G) agreed that this petition should proceed and a judgement obtained on merits. During the year ended June 30, 2011, the petition was dismissed by the SHC. Against the decision of the SHC, the holding company filed petition for leave to appeal before the Supreme Court of Pakistan (SCP). In December 2011, the SCP set aside the judgement of the SHC and directed it to decide the case afresh. The matter is pending adjudication before the SHC.

As at June 30, 2019, the total financial exposure relating to the above case is Rs. 27,066 million (Rs. 3,136 million being the 5% of the profit and Rs. 23,930 million interest component and penalty on delayed payment). 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 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.

The Supreme Court of Pakistan (SCP) vide its judgement dated November 10, 2016 set aside the amendments made to the Act by Finance Acts of 2006, 2007 and 2008 as ultra vires to the provisions of the Constitution of Pakistan (the Constitution). Accordingly, the provisions of the Act are to be read as if the amendments brought about by the said Finance Acts were never made and the defined term "Worker" reverted to its original definition of prior to Finance Act 2006. However, the Federal Board of Revenue (FBR) has filed a review petition with the SCP in respect of the said decision.

Pursuant to the 18th Amendment to the Constitution (the 18th Amendment), the Sindh Provincial Assembly passed the Sindh Companies Profits (Workers' Participation) Act, 2015 (the Sindh Act).

On February 12, 2018, SHC passed an Order (SHC Order) in respect of the Sindh Act, holding that for trans-provincial companies like Hubco, the location of the workers should be considered and an allocation should be made accordingly. The SHC Order further devised a mechanism to compute contributions for trans-provisional companies. In July 2018, the SCP suspended the SHC Order, however, SCP is yet to issue a detailed order on this matter. The interim order passed by SCP only applies inter partes and since Hubco was not a party to the case filed in the SCP, it is the SHC Order which is binding on the holding company.

In light of SHC Order, the Sindh Act applies insofar as the holding company has any "Worker" in Sindh as defined under the Sindh Act, and the Act applies as a fractured provincial legislation to the holding company insofar as Balochistan is concerned. Accordingly, the holding company is of the view that it does not have any "Worker" as defined in the Act and there is no need to establish a Trust in Balochistan under the Act at this time.

Given that, following the enactment of the 18th Amendment, and amongst other things, labour matters have become a Provincial subject and pursuant to the Sindh Act 2015 and the SHC Order, the 1968 Act has been fractured into provisional legislation, the Fund created by the holding company in 2007, became dysfunctional and was unable to carry out its objectives. Therefore, the holding company recommended to the Trustees of the Fund that the same be dissolved. The Fund was dissolved on June 27, 2019 and the 5% WPPF allocated by the holding company since July 1, 2015 and the interest earned on that allocated amount (Rs. 1,524 million allocated by the holding company and Rs. 258 million interest earned by the Fund on the allocated amount) was transferred back to the holding company. These funds are being utilized by the holding company till a final decision of the Supreme Court or until Baluchistan Provincial Assembly enacts its legislation and the holding company will then comply with the Baluchistan Law. In compliance with the Sindh Act 2015, the holding company is in the process of establishing a Trust in Sindh and the amount in proportion to the workers based in Sindh will be transferred to the new fund as per the calculation methodology given by SHC.

This course of action has been taken keeping in mind that the spirit of the law is to provide for welfare of the workers. The holding company is entitled to claim a portion of the amount rightfully paid to the WPPF Trust from CPPA(G) as a pass-through item under the PPA.

28.5 **(i)** Under the IA with GOP and under the tax laws, the holding company's interest income is exempt from income tax. However, the tax authorities issued a tax demand for the tax years 2006-2010 amounting to Rs. 143 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. The holding company's appeal before the Commissioner of Inland Revenue Appeals (CIR-A) and the Appellate Tribunal Inland Revenue (ATIR) were rejected. Against the order of the ATIR the holding company filed appeals before the Honorable Islamabad High Court (IHC) which were also decided against the holding company. Against the decision of the IHC, the holding company filed appeals before the SCP which are pending adjudication. The holding company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 339 million.

(ii) FBR also imposed 2% Workers Welfare Fund (WWF) for tax years 2006-2010 and issued a demand for Rs. 191 million which was subsequently reduced to Rs. 8 million by the CIR-A. The holding company filed appeals before the ATIR which were rejected. Against the order of the ATIR, the holding company filed appeals before the IHC which held that the orders on WWF were void. The IHC also held that WWF would be applicable in accordance with the law prior to the changes made through Finance Act 2006 & 2008. Against the decision of the IHC, the holding company filed appeals before the SCP which are pending adjudication. The holding company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 16 million. WWF is a pass through under the PPA and is recoverable from the CPPA(G).

(iii) Under the IA with GOP and under the tax laws, the holding company's interest income is exempt from income tax. However, during March 2014, the FBR issued tax demand for the tax year 2011 amounting to Rs. 3.2 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. Appeals filed by the holding company before the CIR-A and thereafter with the ATIR were decided against the holding company. Against the order of the ATIR, the holding company filed appeal before the IHC which was also decided against the holding company. Against the decision of the IHC, the holding company filed appeal before the SCP which is pending adjudication. The holding company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 5 million.

(iv) FBR also imposed 2% WWF for the tax year 2011 and issued a demand for Rs. 108.5 million. Appeals filed by the holding company before the CIR-A and thereafter with the ATIR were decided against the holding company. Against the order of the ATIR the holding company filed appeal before the IHC which held that the order on WWF was void. The IHC also held that WWF would be applicable in accordance with the law prior to the changes made through Finance Act 2006 & 2008. Against the decision of the IHC the holding company filed appeal before the SCP which is pending adjudication. The holding company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 177 million. WWF is a pass through under the PPA and is recoverable from the CPPA(G).

(v) Under the IA with GOP and under the tax laws, the holding company's interest income is exempt from income tax. However, during March 2015, the FBR issued tax demand for the tax year 2013 amounting to Rs. 4 million on the grounds that interest income from term deposits is not covered under the exemption allowed under the tax law. The holding company filed appeal before the CIR-A who deleted the tax demand. Against the order of CIR-A, the FBR filed appeal before the ATIR which is pending adjudication. The holding company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 6 million.

(vi) FBR also imposed 2% WWF for the tax year 2013 and issued a demand for Rs. 162 million. The holding company filed appeal before the CIR-A who remanded back the case to FBR for a fresh assessment. Against the order of CIR-A, the FBR filed appeal before the ATIR which is pending adjudication. The holding company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 287 million. WWF is a pass through under the PPA and is recoverable from the CPPA(G).

The management, tax and legal advisors are of the opinion that the position of the holding company is sound on technical basis and eventual outcome is expected to be in favour of the holding company. Pending the resolution of the matters stated above, no provision has been made in these consolidated financial statements.

28.6 **(i)** Under the IA with the GOP and under the tax law, the holding company is exempt from the levy of minimum tax. However, the FBR issued demand notices amounting to Rs. 443 million relating to the tax years 2006 to 2008, 2010 and 2011. After the holding company's appeals were rejected by the CIR-A, Islamabad, further appeals were filed with the ATIR, Islamabad which has decided the appeals in favour of the holding company. Against ATIR orders, FBR has filed appeals in the IHC which are pending adjudication. The holding company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 872 million.

(ii) In November 2012, the FBR passed an order for the recovery of sales tax amounting to Rs. 8,519 million relating to fiscal years ended June 2008 to 2011. In FBR's view the holding company had claimed input tax in excess of what was allowed under the law. After dismissal of the holding company's appeal at the

CIR-A level, the holding company filed appeal with the ATIR which decided the case in favour of the holding company. Against the judgment of the ATIR, the FBR filed a case with the IHC which is pending adjudication. The holding company's maximum exposure as at June 30, 2018 including the principal amount, penalty and default surcharge is approximately Rs. 20,635 million.

(iii) In March 2014, the FBR passed an order for the recovery of sales tax amounting to Rs. 3,442 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. After dismissal of the holding company's appeal at the CIR-A level, the holding company filed appeal with the ATIR which also decided the case against the holding company. Against the decision of the ATIR, the holding company filed appeal with IHC which is pending adjudication. The holding company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 7,603 million.

(iv) In April 2014, the FBR issued a show cause notice to recover sales tax amounting to Rs. 3,692 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 filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / LHC in other cases. Against this decision, the FBR has filed appeal with IHC which is pending adjudication. The holding company's maximum exposure as at June 30, 2019 is approximately Rs. 3,692 million.

(v) In January 2015, the FBR issued a show cause notice to recover sales tax amounting to Rs. 4,130 million relating to fiscal year ended June 2014. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / LHC in other cases. Against this decision, the FBR has filed appeal with IHC which is pending adjudication. The holding company's maximum exposure as at June 30, 2019 is approximately Rs. 4,130 million.

(vi) In October 2018, the FBR issued a show cause notice to recover sales tax amounting to Rs. 3,483 million relating to fiscal year ended June 2016. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC which asked the FBR not to pass a final order till next hearing. The holding company's maximum exposure as at June 30, 2019 is approximately Rs. 3,483 million.

(vii) In November 2018, the FBR issued a show cause notice to recover sales tax amounting to Rs. 2,665 million relating to fiscal year ended June 2017. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC which asked the FBR not to pass a final order till next hearing. The holding company's maximum exposure as at June 30, 2019 is approximately Rs. 2,665 million.

(viii) Payment to PSO under the FSA including payment of Late Payment Interest (LPI) are exempt from withholding of income tax under the provisions of the tax law. During 2014, the FBR issued show cause notices to recover tax amounting to Rs. 1,677 million on the pretext that LPI paid to PSO under the FSA is a payment of "profit on debt". The holding company filed Writ Petitions before the IHC which were decided against the holding company. The holding company filed further appeals with IHC which are pending adjudication. The holding company's maximum exposure as at June 30, 2019 is approximately Rs. 1,677 million.

(ix) Under the O&M agreement with the ex-operator for the Hub plant, the holding company used to pay fixed and variable fees to the operator. On January 17, 2015, the FBR passed an order amounting to Rs. 1,034 million relating to the tax years 2010 to 2013 for the recovery of Federal Excise Duty (FED). The FBR viewed O&M as a franchise agreement and not a service agreement and decided that payments made thereon were in nature of technical fees which were subject to FED. After dismissal of the holding company's appeal at the Commissioner Inland Revenue – Appeal and at the ATIR level, the holding company filed appeals with the IHC which are pending adjudication. The holding company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 2,091 million.

(x) Under the O&M agreement with the ex-operator for the Hub plant, the holding company used to pay fixed and variable fees to the operator. In December 2017, the FBR issued a show cause notice for the recovery of Federal Excise Duty (FED) amounting to Rs. 911 million relating to the tax years 2014 to 2017. The FBR viewed O&M as a franchise agreement and not a service agreement and decided that payments made thereon were in nature of technical fees which were subject to FED. The holding company filed a Writ Petition in the Islamabad High Court (IHC) which asked the FBR not to issue any demand till next hearing. The holding company's maximum exposure as at June 30, 2019 is approximately Rs. 911 million.

(xi) Under the provisions of the Sales Tax Act, 1990 (STA), the holding company is entitled to claim from FBR the Provincial Sales Tax (PST) on services paid under the provincial sales tax law. However after the imposition of Balochistan Sales Tax (BST), the FBR did not allow the adjustment of BST in the Federal Sales Tax return. Against this, the holding company filed appeal before the IHC which is pending adjudication. In the meantime, the IHC allowed the holding company to claim such BST paid till a final decision is made. The holding company's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 270 million.

(xii) In December 2018, the FBR issued a show cause notice for the recovery of sales tax amounting to Rs. 412 million on the ground that the holding company has claimed excess input tax during different tax periods. On representation, the FBR reduced the amount and issued demand notice amounting to Rs. 31 million. The holding company filed appeal with the Commissioner Inland Revenue Appeal who remanded back the case to FBR for reassessment.

The matters, stated in (ii) to (vii) above in respect of claiming input tax by IPPs has already been decided by the Honorable Lahore High Court, in favor of IPPs. The management is of the opinion that the position of the holding company is sound on technical basis and eventual outcome is expected to be in favour of the holding company. Pending the resolution of the matters stated above, no provision has been made in these consolidated financial statements.

28.7 The holding company and its affiliates are committed to assist CPHGC in obtaining the required permits including environmental NOCs and approvals from government agencies. During 2017 two constitution petitions in the Honorable High Court of Balochistan, challenging the establishment of the Coal Power Plant along with an ancillary jetty in Balochistan were dismissed in favor of the holding company on the grounds that Honorable High Court Balochistan did not have jurisdiction in view of the constitution of Environment Tribunal. Afterwards, one of the aggrieved parties in the above referred petitions approached the Environmental Protection Tribunal Balochistan praying for an order on environmental grounds to restrain the holding company from execution of the Project. The management and their legal advisors are of the view that the position of the holding company is sound on technical grounds and ultimate outcome of the case is expected be in favor of the holding company.

28.8 In 2016, the holding company received letter from the Power Purchaser stating that the holding company did not maintain the requisite fuel stock at Hub plant as required under the PPA and has, therefore, incurred lower interest on working capital and, therefore, Power Purchaser is earmarking an estimated amount of Rs. 1,801 million for Hub Plant out of the Late Payment Interest invoices owed by the Power Purchaser. The holding company is contesting these claims.

28.9 Pursuant to the FSA dated August 03, 1992 between the holding company and Pakistan State Oil Company Limited (PSO), PSO supplied 128,000 Metric Tons (MT) of Residual Furnace Oil (RFO) as “First Fill” at no charge to the holding company in 1996. Since 1996, there had been correspondence exchanged amongst PSO, WAPDA and the holding company. PSO, in earlier days, sought payment for the cost of the First Fill RFO from WAPDA and the holding company. Both WAPDA and the holding company refused to make payment, citing that PSO's obligation under the FSA to supply First Fill RFO to the holding company was at no charge.

PSO continued to claim the cost of the First Fill RFO from WAPDA. In fact, such cost was recorded in PSO's audited accounts as a receivable due from WAPDA. The relevant note in the PSO's audited accounts explicitly stated that a letter was signed between PSO and WAPDA on August 5, 1992 under which WAPDA undertook to pay PSO the cost of First Fill. Later through the intervention of President of Pakistan, an interest free loan of Rs. 802 million was sanctioned to WAPDA to enable it to settle PSO's claim for First Fill RFO. Following the payment to PSO, WAPDA started claiming reimbursement of the cost of the First Fill from the holding company. The holding company denied the same. The holding company's position was that it was under no obligation to pay to PSO under FSA.

In 2015, CPPA(G) through back to back arrangements with WAPDA succeeded all the rights and obligations of WAPDA under the existing Power Purchase Agreements. On November 1, 2017, CPPA(G) wrote to the holding company requesting a meeting to discuss the payment of First Fill amounting to Rs. 802 Million, along with late payment interest. On November 10, 2017 the holding company wrote to CPPA(G) that the holding company is under no obligation for any payment with regards to the First Fill and considered the matter closed. Therefore, there was no point in meeting in relation to the matter. On June 13, 2018, CPPA(G) communicated to the holding company that the CPPA(G) had decided to adjust the amount of Rs. 802 Million along with interest of Rs. 10,723 Million against the holding company's outstanding LPI invoices.

Due to the above-mentioned action of CPPA(G), the holding company was constrained to file a suit before the Sindh High Court for a declarative injunction against CPPA(G). The Sindh High Court via its Order dated July 9, 2018, directed that status quo be maintained with respect to the amount demanded by CPPA(G) from the holding company on account of the First Fill and restrained CPPA(G) from adjusting the First Fill claim amount.

Management along with its legal advisors are of an opinion that the position of the holding company is sound on legal basis and eventual outcome is expected to be in favour of the holding company. Pending the resolution of the matter stated above, no provision has been made in these consolidated financial statements.

28.10 In connection with the development and operation of the power plant of NEL:

28.10.1 Commitments in respect of capital and revenue expenditures amounted to Rs. 13 million (2018: Rs. 133 million).

28.10.2 Due to continuous payment defaults by NTDC, NEL called on the Sovereign Guarantee for recovery of overdue receivables. Subsequently, in light of the issue of circular debt and sovereign default, NEL filed a constitutional petition in the Honorable Supreme Court of Pakistan ("SCP") seeking an immediate recovery of these overdue receivables and to protect itself against reduction in capacity purchase price in the form of Liquidated Damages (LDs) due to non-availability of power plant for electricity generation because of lack of fuel caused by delay in payments by NTDC.

On January 15, 2013, the SCP passed an interim order that there shall be no reduction in capacity payment. On June 28, 2013, NEL and other Independent Power Producers ("IPPs") agreed with GOP that on settlement of all overdue amounts, NEL and other IPPs would withdraw the SCP case and pursue expert adjudication and arbitration in accordance with the Power Purchase Agreement ("PPA"). In January 2018, petitions of the IPPs before the SCP to withdraw petition have been disposed off with the direction to the Lahore High Court ("LHC") to decide IPPs Application 2 (as explained below).

The IPPs and NTDC jointly filed the case with the Expert in Pakistan. The Expert through his determination of August 15, 2015 issued the determination which was generally in favor of IPPs. The Expert determined inter alia that the power purchaser is liable to forthwith make payments for the claimed deemed capacity to NEL. The Expert also determined that IPPs are not entitled to payment of interest on the deemed capacity. IPPs were willing to implement the Expert determination, however, due to NTDC's unwillingness to implement the expert's determination, the IPPs on November 02, 2015 filed amended request for arbitration in the London Court of International Arbitration ("LCIA"). The LCIA has issued following awards:

(i) Partial Final Award on Preliminary Issues ["PFA"] dated June 08, 2017 whereby the Arbitrator beside other matters declared that the (a) current Arbitration before the LCIA has been validly commenced in accordance with the PPA, (b) Expert's Determination dated August 15, 2015 is final and binding on both NTDC & IPPs etc. On July 06, 2017, NTDC challenged the PFA before the High Court of Justice, Queen's Bench Division, Commercial Court, London ("HQJ") [NTDC HQJ-1]. NTDC also filed application ("NTDC Application 1") before the Senior Civil Judge ("SCJ") in Lahore seeking an order that the PFA be declared null and void. The SCJ suspended the PFA against which IPPs filed revision petitions in the District Court Lahore which has adjourned the hearing indefinitely while suspending the SCJ order.

The IPPs initiated anti-suit injunction ("ASI") application before the HQJ to restrain NTDC from challenging awards outside England. The IPPs also filed application ("IPPs Application 1") with the LHC for the recognition and enforcement of the PFA. Under the ASI Order, the HQJ (a) restrained NTDC from pursuing NTDC Application 1 before the Senior Civil Judge in Lahore and (b) restrained NTDC from taking any steps or proceedings in any court or tribunal outside England which sought to set aside or annul the PFA. HQJ also took an undertaking from IPPs (a) to compensate NTDC if the HQJ later finds that due to any misrepresentation etc. by IPPs, ASI Order has caused loss to NTDC, (b) not take any steps in the proceedings in IPPs Application 1 & NTDC Application 1 and (c) not to commence or continue any proceedings or applications in any court or tribunal outside England in relation to the PFA and any other awards that may be rendered by the LCIA. On May 04, 2018 the Commercial Court, London has confirmed the ASI that the IPPs are entitled to a final anti-suit injunction, continuing the interim injunction granted earlier, on the entirely straightforward basis that the seat of the Arbitration is London. NTDC is to be restrained on a permanent basis from challenging the Partial Final Award in proceedings in Lahore, Pakistan, or anywhere other than England and Wales.

(ii) Final Award (FA) dated October 29, 2017 in favor of IPPs by quantifying the LDs amounts along with interest, legal and other related costs (in case of NEL, the amount quantified by LCIA is Rs. 1,067 million up to October 29, 2017) payable by NTDC to the IPPs. On November 24, 2017, NTDC has challenged the FA before the HQJ, London ("NTDC HQJ-2") which is pending adjudication. Meanwhile the IPPs have also filed application ("IPPs Application 2") with the LHC for the recognition and enforcement of the FA. On November 29, 2017, NTDC also initiated challenge proceedings against the FA in the Lahore Civil Court, so as to stop the clock of limitation (purported limitation period).

Based on the Final Award dated October 29, 2017, the IPPs including NEL asked NTDC to pay the amounts quantified by the LCIA, however, NTDC denied the same on the ground that the amounts are not payable till finalization of the cases by the courts of England and Pakistan. During March 2018, NTDC applied to the High Court of Justice, Queen's Bench Division, Commercial Court, London, for the withdrawal of its applications NTDC HQJ-1 & NTDC HQJ-2. The IPPs including NEL informed NTDC that after withdrawal of its applications from the High Court of Justice, Queen's Bench Division, Commercial Court, London, there are no challenges from NTDC pending in the courts in the United Kingdom and the LCIA awards i.e. Partial Final Award on Preliminary Issues of June 08, 2017 and Final Award of October 29, 2017 attained finality. Accordingly, the IPPs including NEL demanded NTDC to pay the amounts quantified by the LCIA without any further delay.

NEL has already charged Rs. 567 million pertaining to the period prior to January 2013. Once the amounts are received by NEL from NTDC, the already charged amount of Rs. 567 million will be reversed.

28.10.3 NEL is required to allocate and pay 5% of its profit to the Workers' profit participation fund (the "Fund"). NEL is entitled to claim this expense from National Transmission and Despatch Company Limited (NTDC) as a pass-through item.

The Supreme Court of Pakistan (SCP) vide its judgement dated November 10, 2016 set aside the amendments made to the Companies Profits (Workers' Participation) Act, 1968 (the Act) by Finance Acts of 2006, 2007 and 2008 as ultra vires to the provisions of the Constitution of Pakistan (the Constitution). Accordingly, the provisions of the Act are to be read as if the amendments brought about by the said Finance Acts were never made and the defined term "Worker" reverted to its original definition of prior to Finance Act 2006. However, the Federal Board of Revenue (FBR) has filed a review petition with the SCP in respect of the said decision.

Pursuant to the 18th Amendment to the Constitution, the Sindh Provincial Assembly passed the Sindh Companies Profits (Workers' Participation) Act, 2015 (the Sindh Act). On February 12, 2018, Sindh High Court (SHC) passed an Order (SHC Order) in respect of the Sindh Act, holding that for trans-provincial companies like NEL, the location of the workers should be considered and an allocation should be made accordingly. The SHC Order further devised a mechanism to compute contributions for trans-provincial companies. In July 2018, the SCP suspended the SHC Order, however, SCP is yet to issue a detailed order on this matter. The interim order passed by SCP only applies inter partes and since NEL was not a party to the case filed in the SCP, it is the SHC Order which is binding on NEL.

In light of SHC Order, the Sindh Act applies insofar as NEL has any "Worker" in Sindh as defined under the Sindh Act, and the Act applies as a fractured provincial legislation to NEL insofar as Punjab is concerned. Accordingly, NEL is of the view that it does not have any "Worker" as defined in the Sindh Act and the Act and there is no need to establish a Trust in Sindh and Punjab at this time.

Prior to demerger of Narowal plant into NEL, which took place effective from April 1, 2017, Narowal plant was part of the holding company and up to June 2015, 5% of WPPF allocation was deposited in holding company's WPPF Trust and was accordingly charged as a pass-through item to NTDC. Since July 1, 2015 till the Demerger Date (April 1, 2017) the holding company was recognizing annual provision of 5% of its profits, however, this has not been paid to the WPPF trust. Subsequent to Demerger date NEL has been recognizing annual provision of 5% of its profit, however no WPPF trust was created in the province of Sindh and Punjab as it did not have any worker as defined in the Sindh Act and the Act. NEL is entitled to claim any amount rightfully paid to the WPPF Trust from National Transmission and Despatch Company Limited (NTDC) as a pass-through item under the PPA.

28.10.4 Following notices / demand orders have been issued by tax authorities to the holding company in respect of combined operations of Hub and Narowal Plants prior to demerger. Pursuant to the demerger, the exposure related to Narowal Undertaking has been transferred to the NEL.

Further, an agreement dated May 11, 2017 has been entered into between NEL and the holding company whereby NEL has undertaken to reimburse any cost which may directly be incurred by the holding company in respect of exposures transferred pursuant to the scheme of demerger.

28.10.4.1 Federal Board of Revenue (FBR) imposed 2% Workers Welfare Fund (WWF) for the tax year 2013 and issued a demand for Rs. 25 million. The holding company filed appeal before the Commissioner of Inland Revenue Appeals (CIR-A) who remanded back the case to FBR for a fresh assessment. Against the order of CIR-A, the FBR filed appeal before the Appellate Tribunal Inland Revenue (ATIR) which is pending adjudication. NEL's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 45 million.

WWF is a pass through under the PPA and is recoverable from NTDC. No provision has been made in these consolidated financial statements as any payment made by the NEL is a pass through item under the PPA.

28.10.4.2 (i) Under the IA with the GOP and under the tax law, the holding company is exempt from the levy of minimum tax. However, the FBR issued demand notices amounting to Rs. 8 million relating to the tax years 2006 to 2008, 2010 and 2011. After the holding company's appeals were rejected by the CIR-A, Islamabad, further appeals were filed with the ATIR, Islamabad which decided the appeals in favour of the holding company. Against ATIR orders, FBR filed appeals in the Honorable High Court of Islamabad (IHC) which are pending adjudication. NEL's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 14 million.

(ii) In November 2012, the FBR passed an order for the recovery of sales tax amounting to Rs. 172 million relating to fiscal years ended June 2008 to 2011. In FBR's view the holding company had claimed input tax in excess of what was allowed under the law. After dismissal of the holding company's appeal at the CIR-A level, the holding company filed appeal with the ATIR which decided the case in favour of the holding company. Against the judgment of the ATIR, the FBR filed a case with the IHC which is pending adjudication. NEL's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 445 million.

(iii) In March 2014, the FBR passed an order for the recovery of sales tax amounting to Rs. 559 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. After dismissal of the holding company's appeal at the CIR-A level, the holding company filed appeal with the ATIR which also decided the case against the holding company. Against the decision of the ATIR, the holding company filed appeal with IHC which is pending adjudication. NEL's maximum exposure as at June 30, 2019 including the principal amount, penalty and default surcharge is approximately Rs. 1,235 million.

(iv) In April 2014, the FBR issued a show cause notice to recover sales tax amounting to Rs. 353 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 filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / Honorable High Court of Lahore (LHC) in other cases. Against this decision, the FBR filed appeal with IHC which is pending adjudication. NEL's maximum exposure as at June 30, 2019 Rs. 353 million.

(v) In January 2014, the FBR issued a show cause notice to recover sales tax amounting to Rs. 878 million relating to fiscal year ended June 2014. In FBR's view, the holding company had claimed input tax in excess of what was allowed under the law. The holding company filed a Writ Petition in the IHC which remanded back the case to FBR with a direction to finalise the matter once identical issue is decided by IHC / LHC in other cases. Against this decision, the FBR filed appeal with IHC which is pending adjudication. NEL's maximum exposure as at June 30, 2019 is approximately Rs. 878 million.

(vi) In October 2018, the FBR issued a show cause notice to recover sales tax amounting to Rs. 511 million relating to fiscal year ended June 2016. In FBR's view, NEL had claimed input tax in excess of what was allowed under the law. NEL filed a Writ Petition in the IHC (Islamabad High Court) which asked the FBR not to pass a final order till next hearing. NEL's maximum exposure as at June 30, 2019 is approximately Rs. 511 million.

(vii) In November 2018, the FBR issued a show cause notice to recover sales tax amounting to Rs. 570 million relating to fiscal year ended June 2017. In FBR's view, NEL had claimed input tax in excess of what was allowed under the law. NEL filed a Writ Petition in the IHC which asked the FBR not to pass a final order till next hearing. NEL's maximum exposure as at June 30, 2019 is approximately Rs. 570 million.

The management and their tax and legal advisors are of the opinion that the position of NEL is sound on technical basis and eventual outcome is expected to be in favour of NEL. Pending the resolution of the matters stated above, no provision has been made in these consolidated financial statements.

28.10.5 NEL has received a letter from the Power Purchaser stating that NEL did not maintain the requisite fuel stock at Narowal plant as required under the PPA and has therefore incurred lower interest on working capital and therefore Power Purchaser is earmarking an estimated amount of Rs. 857 million out of the Late Payment Interest invoices owed by the Power Purchaser. NEL has contested the claim.

28.10.6 During the year, an investigation was initiated under the Punjab Environmental Protection Act-1997 against NEL on complaint for violation of environmental law. NEL has denied the allegations and the management, and the legal advisors of NEL are of the opinion the eventual outcome will be in favour of NEL, hence, no provision is required to be made in these consolidated financial statements.

28.10.7 NEL has been approached by National Accountability Bureau (NAB) to provide certain information with regards to its tariff applications submitted to NEPRA from time to time, Fuel Supply Agreement and summary of fuel purchases since COD on monthly basis and the year wise details of profits earned. NAB has sought this information as NEL was also under the 2002 Power Policy and has similar tariff as of another IPP against which NAB has initiated an inquiry along with the Officers / Officials of NEPRA and CPPA(G). NEL is cooperating with NAB and has provided the requisite information to NAB.

28.11 In connection with the development and operation of the power plant of LEL:

(i) LEL entered into a land lease agreement with the Government of AJK ("GOAJK") for lease of 424 kanal of land for the project. LEL is obligated to pay Rs. 0.17 million per annum as rental for such land starting from October 09, 2003, the date of the notification issued by the GOAJK, till the end of 30 years term.

(ii) LEL also entered into a land lease agreement dated July 30, 2009 with the GOAJK for lease of 7,243 kanal and 13 marlas of land for the project. As per the terms of the lease agreement, LEL had paid advance rental for a term of 5 years after which land measuring 3,237 kanal, required for permanent structures, would be leased again for a further period of 20 years while the remaining land would be reverted to the Government. The process for reverting the excess land and renewal of the lease agreement is in progress. Under AJK Implementation Agreement, the GOAJK has agreed to extend the term of the land lease agreement to match the term of the PPA, at least three years prior to expiry of such term.

Pursuant to the land lease agreement, LEL is obligated to construct a cadet college, for welfare of the effected community, within 5 years after the commercial operations date of the project, the required land will be provided by the GOAJK one year before start of construction of the cadet college. LEL however has requested GOAJK for the removal of this obligation under the land lease agreement and the matter is under discussion.

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

	2019	2018
	(PKR in '000)	
Not later than one year	1,464	1,464
Later than one year but not later than five years	5,858	5,858
Later than five years	14,574	16,038
	21,896	23,360

(iii) LEL's other capital commitments against contracts amount to Rs. nil (2018: Rs. nil) and LEL's commitment in respect of revenue expenditure amounts to Rs. 301 million (2018: Rs. 328 million).

(iv) Certain legal cases in relation to project land leasehold rights / compensation amounting to Rs. 489 million (2018: Rs. 589 million) are pending in courts. In the opinion of the management and LEL's legal counsel, the ultimate disposition of these cases will not have any material impact on these consolidated financial statements.

(v) As per terms of the PPA, LEL is liable to pay the Power Purchaser liquidated damages (LDs) for each KWh of Excess Outage Energy at the rate given in the PPA. During the year, LEL has received an invoice of Rs. 214.58 million from the Power Purchaser on account of LDs for the first Agreement Year under the PPA. However, LEL has disputed this invoice on the basis that LDs charged by the Power Purchaser are not in accordance with the provisions of the PPA. Accordingly, LEL has issued an Invoice Dispute Notice to the Power Purchaser for Rs. 201.15 million which is under resolution following the dispute resolution mechanism given in the PPA. Further, as per terms of the EPC contracts, such LDs, if determined to be payable by LEL, are recoverable from the EPC contractor, and therefore the final settlement of this matter would not result in net cash outflow from LEL.

The management and legal counsel of LEL are of the opinion that the position of LEL is sound on contractual and legal grounds and the eventual outcome ought to be in favour of LEL.

28.12 In connection with the development and operation of the power plant of TEL:

28.12.1 Commitments in respect of capital and revenue expenditures amounted to Rs. 28,277 million (2018: Rs. 31,877 million).

28.12.2 On December 21, 2017, TEL has signed an addendum to the Offshore Supply Agreement with CMEC whereby the agreement price has been revised to USD 258.8 million from USD 253.8 million. TEL has also paid an amount of USD 23.5 million as mobilization advance prior to the PCD under the aforesaid addendum. Till June 30, 2019, TEL has signed change orders with CMEC to increase the agreement price by USD 0.98 million.

28.12.3 Till June 30, 2019, TEL has signed change orders with CERIEC to decrease the agreement price by USD 0.75 million.

TEL signed an addendum to the Onshore Supply and Services Agreement on December 21, 2017, whereby, TEL has agreed to pay an early taking over bonus amounting to USD 2 million in the event the taking over date is achieved on bonus accrual date (which will be sixty days earlier to the guaranteed taking over date). The early taking over bonus amount will be reduced by USD 33,330 for each day in case the taking over date is achieved subsequent to the bonus accrual date till the guaranteed taking over date.

29. 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	2019	2018
		(PKR in '000)	
		Chief Executives	
Managerial remuneration	29.1	161,183	116,504
Bonus		117,302	187,953
Utilities		2,222	1,949
Other benefits		21,168	15,990
Number of persons		5	4
		Directors	
Fees	29.2	11,050	14,100
Number of persons		14	22
		Executives	
Managerial remuneration		456,847	439,869
Ex-gratia payment		–	460
Bonus		252,369	212,751
House rent		175,201	158,533
Utilities		38,916	35,230
Retirement benefits		104,397	89,622
Other benefits		294,415	211,483
		1,322,145	1,147,948
Number of persons		154	151
		Total	
Managerial remuneration / Fees		629,080	570,473
Ex-gratia payment		–	460
Bonus		369,671	400,704
House rent		175,201	158,533
Utilities		41,138	37,179
Retirement benefits		104,397	89,622
Other benefits		315,583	227,473
		1,635,070	1,484,444
Number of persons		173	177

29.1 Retirement benefits to the certain Chief Executives are paid as part of monthly emoluments.

29.2 This represents fee paid to Directors of the Group for attending meetings.

29.3 The Chief Executives and certain Executives are provided with the use of Company maintained automobiles and certain other benefits.

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

30. SEGMENT INFORMATION

30.1 SEGMENT ANALYSIS

The management has determined the operating segments based on the information that is presented to the Board of Directors of the holding company for allocation of resources and assessment of performance. The Group has the following two reportable segments; power generation business, which includes the Hub plant, Narowal plant & Laraib plant and operations and maintenance business.

The unallocated items of profit and loss and assets and liabilities include items which cannot be allocated to a specific segment on a reasonable basis.

	2019						
	Power Generation						
	Hub plant	Narowal plant	Laraib plant	Operations and Maintenance	Unallocated	Eliminations	Total
	(PKR in '000')						
Turnover	36,028,641	16,190,853	5,909,546	2,284,339	–	(2,284,491)	58,128,888
Operating costs	(24,295,188)	(10,708,870)	(2,312,840)	(1,568,017)	–	2,244,879	(36,640,036)
GROSS PROFIT	11,733,453	5,481,983	3,596,706	716,322	–	(39,612)	21,488,852
General and administration expenses	(872,136)	(105,504)	(134,323)	(250,389)	(243,642)	–	(1,605,994)
Other income	64,197	5,500	178,037	65,489	2,674,013	(2,460,270)	526,966
Other operating expenses	(10,521)	(5,497)	–	–	(122,191)	10,521	(127,688)
PROFIT FROM OPERATIONS	10,914,993	5,376,482	3,640,420	531,422	2,308,180	(2,489,361)	20,282,136
Finance costs	(2,408,035)	(1,726,078)	(992,795)	(274)	(2,279,879)	5,938	(7,401,123)
Share of loss from associates	–	–	–	–	(433,984)	–	(433,984)
PROFIT BEFORE TAXATION	8,506,958	3,650,404	2,647,625	531,148	(405,683)	(2,483,423)	12,447,029
Taxation	–	(1,585)	(14,119)	(234,557)	(266,461)	–	(516,722)
PROFIT FOR THE YEAR	8,506,958	3,648,819	2,633,506	296,591	(672,144)	(2,483,423)	11,930,307
Assets	153,727,792	35,544,821	24,428,187	385,390	55,903,136	(44,721,708)	225,267,618
Liabilities	121,464,471	17,364,858	13,496,817	378,556	15,936,030	(795,822)	167,844,910
Depreciation and amortisation	1,943,866	1,007,350	1,716,295	14,046	55,270	–	4,736,827
Capital expenditure	256,192	72,204	49,874	10,898	4,549,800	(4,140)	4,934,828

	2018						
	Power Generation						
	Hub plant	Narowal plant	Laraib plant	Operations and Maintenance	Unallocated	Eliminations	Total
	(PKR in '000')						
Turnover	76,675,715	18,220,426	5,113,511	2,322,437	56,290	(2,388,946)	99,999,433
Operating costs	(66,872,606)	(13,890,417)	(1,791,817)	(1,483,998)	(30,951)	2,349,334	(81,720,455)
GROSS PROFIT	9,803,109	4,330,009	3,321,694	838,439	25,339	(39,612)	18,278,978
General and administration expenses	(900,198)	(146,041)	(116,383)	(202,143)	(160,207)	–	(1,524,972)
Other income	30,365	4,773	103,477	21,091	2,256,066	(2,196,909)	218,863
Other operating expenses	–	–	–	–	(109,941)	–	(109,941)
PROFIT FROM OPERATIONS	8,933,276	4,188,741	3,308,788	657,387	2,011,257	(2,236,521)	16,862,928
Finance costs	(1,438,126)	(1,332,942)	(851,050)	(208)	(810,172)	–	(4,432,498)
Share of loss from associates	–	–	–	–	(280,075)	–	(280,075)
PROFIT BEFORE TAXATION	7,495,150	2,855,799	2,457,738	657,179	921,010	(2,236,521)	12,150,355
Taxation	–	(825)	(13,741)	(239,257)	(231,749)	–	(485,572)
PROFIT FOR THE YEAR	7,495,150	2,854,974	2,443,997	417,922	689,261	(2,236,521)	11,664,783
Assets	115,921,230	32,729,272	21,717,212	321,630	33,078,489	(17,762,280)	186,005,553
Liabilities	102,974,223	17,413,751	11,633,326	345,815	14,744,668	(140,160)	146,971,623
Depreciation and amortisation	1,942,799	1,002,336	1,183,887	16,012	47,369	–	4,192,403
Capital expenditure	103,350	57,411	30,334	17,285	3,258,145	(107,229)	3,359,296

30.2 The customers of the Group are CPPA-G and NTDC (Power Purchasers) under the long term PPAs of the respective power plants. The obligations of Power Purchasers are guaranteed by the GOP under the IAs of the respective power plants.

31. RELATED PARTY TRANSACTIONS

Related parties comprise of associates, retirement benefit funds, directors and key management personnel. Significant transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements are as follows:

	Note	2019	2018
		(PKR in '000)	
Associates			
Proceeds against disposal of land to CPHGC		–	189,341
Loss on disposal of land to CPHGC		–	3,842
Investment in CPHGC		21,597,414	6,858,669
Investment in TNPTL		5,250,379	–
Reimbursable expenses incurred on behalf of CPHGC by HPHL		–	2,519
Receipt against reimbursement of expenses to HPHL from CPHGC		41,306	–
Reimbursable expenses incurred on behalf of HPHL by CPHGC		136	–
Payment against reimbursement of expenses to CPHGC by HPHL		136	–
Services rendered to CPHGC		16,581	21,529
Reimbursable expenses incurred on behalf of TNPTL		30,137	–
Reimbursable expenses incurred on behalf of HPSL by TNPTL		16	–
Receipt against reimbursement of expenses from TNPTL		250	–
Transfer of assets by TNPTL		116	–
Other related parties			
Proceeds from disposal of assets	31.2	10	5,463
Remuneration to key management personnel			
Salaries, benefits and other allowances		395,875	565,439
Retirement benefits		16,865	15,556
		412,740	580,995
Directors' fee	29.2	11,050	14,100
Contribution to staff retirement benefit plans		157,782	169,479
Dividend paid to NCI - Coate & Co. Private Limited		425,158	430,680

31.1 Transactions with Key Management Personnel (KMP) are carried out under the terms of their employment. KMP are also provided with the use of Company maintained automobiles and certain other benefits.

31.2 This represents proceeds from disposal of assets having written down value of Rs. Nil (2018: Rs. 2 million) to key management personnel.

31.3 The transactions with related parties are made under mutually agreed terms and conditions.

31.4 The Group provided loans of Rs. 5.01 million (2018: Rs. Nil) to key management personnel which are recoverable in 12 equal monthly installments in accordance with the Group policy. As at reporting date, outstanding balance is Rs. 3 million (2018: Rs. Nil).

32. RELATED PARTIES AND ASSOCIATED COMPANIES / UNDERTAKINGS

Following are the details of related parties and associated companies / undertakings with whom the Group had entered into transactions or had arrangements in place during the year, in accordance with the Companies Act, 2017:

Particulars	Relationship	% equity interest
ThalNova Power Thar (Private) Limited	Associate	38.3%
China Power Hub Generation Company (Private) Limited	Associate	26%
Sindh Engro Coal Mining Company Limited	Common Directorship	8%
Allied Bank Limited	Common Directorship	–

Particulars	Relationship	% equity interest
Askari Bank Limited	Common Directorship	-
Bank Al Habib Limited	Common Directorship	-
Fauji Fertilizer Company Limited	Common Directorship	-
Forbes Forbes Campbell & Co. (Private) Limited	Common Directorship	-
Siemens (Pakistan) Engineering Company Limited	Common Directorship	-
United Bank Limited	Interested Persons	-
The Pakistan Business Council	Interested Persons	-
Shell Pakistan Limited	Interested Persons	-
Pakistan State Oil Company Limited	Interested Persons	-
MCB Bank Limited	Interested Persons	-
IGI General Insurance Limited	Interested Persons	-
Habib Bank Limited	Interested Persons	-
Faysal Bank Limited	Interested Persons	-
Dawood Equities Limited	Interested Persons	-
Mr. Khalid Mansoor	Chief Executive	-
Mr. Ruhail Mohammed	Chief Executive	-
Mr. Tahir Jawaid	Chief Executive	-
Mr. Kamran Kamal	Chief Executive	-
Mr. Saleemullah Memon	Chief Executive	-
Mr. Abdul Nasir	Key Management Personnel	-
Mr. Shaharyar Nashat	Key Management Personnel	-
Mr. Asim Rafat Khan	Key Management Personnel	-
Mr. Farhan Naqvi	Key Management Personnel	-
Ms. Fatima Maryam	Key Management Personnel	-
Mr. Mubariz Siddiqui	Key Management Personnel	-
Mr. Fayyaz Ahmed Bhatti	Key Management Personnel	-
Ms. Rabia Sattar	Key Management Personnel	-
Ms. Saniya Saeed	Key Management Personnel	-
Mr. Javed Akbar	Director	-
Mr. Nadeem Inayat	Director	-
Mr. Iqbal Alimohamed	Director	-
Mr. Owais Shahid	Director	-
Mr. Muhammad Ejaz Sanjrani	Director	-
Mr. Manzoor Ahmed	Director	-
Syed Mohammad Ali	Director	-
Mr. Saad Iqbal	Director	-
Mr. Nazoor Baig	Director	-
Lt Gen Tariq Khan	Director	-
Mr. Mohammad Munir Malik	Director	-
Mr. Qaiser Javed	Ex Director	-
Mr. Andalib Alavi	Ex Director	-
Mr. Shafiuddin Ghani Khan	Ex Director	-
The Hub Power Company Limited - Employees' Provident Fund	Retirement benefit fund	-
The Hub Power Company Limited - Staff Gratuity Fund	Retirement benefit fund	-
Hub Power Services Limited - Employees' Provident Fund	Retirement benefit fund	-
Hub Power Services Limited - Staff Gratuity Fund	Retirement benefit fund	-
Hub Power Services Limited - Staff Pension Fund	Retirement benefit fund	-
Laraib Energy Limited - Employees' Provident Fund	Retirement benefit fund	-
Laraib Energy Limited - Employees' Gratuity Fund	Retirement benefit fund	-
Thar Energy Limited Employees Provident Fund	Retirement benefit fund	-
Thar Energy Limited Employees Gratuity Fund	Retirement benefit fund	-

33. PROVIDENT FUND TRUSTS

Contribution to defined contribution plan of the holding company and HPSL, of members who consented, was transferred to Meezan Tahaffuz Pension Fund (MTPF) / UBL Fund Managers, the voluntary pension system (VPS) with the consent of all members of provident funds, as allowed under clause (aa) of sub-rule (1) of Rule 103 of the Income Tax Rules, 2002.

	2019	2018
34. PLANT CAPACITY AND PRODUCTION		
HUB PLANT		
Theoretical Maximum Output	10,512 GWh	10,512 GWh
Total Output	827 GWh	5,201 GWh
Load Factor	8%	49%

Practical maximum output for the power plant taking into account all the scheduled outages is 9,396 GWh (2018: 9,216 GWh). Output produced by the plant is dependent on the load demanded by CPPA(G) and the plant availability.

	2019	2018
NAROWAL PLANT		
Theoretical Maximum Output	1,873 GWh	1,873 GWh
Total Output	636 GWh	1,200 GWh
Load Factor	34%	64%

Practical maximum output for the power plant taking into account all the scheduled outages is 1,836 GWh (2018: 1,648 GWh). Output produced by the plant is dependent on the load demanded by NTDC and the plant availability.

	2019	2018
LARAIB PLANT		
Theoretical Maximum Output	736 GWh	736 GWh
Average Energy	470 GWh	470 GWh
Total Output	354 GWh	381 GWh

Output produced by the plant is dependent on available hydrology and the plant availability.

	2019	2018
	(PKR in '000)	
35. WORKING CAPITAL CHANGES		
Decrease / (increase) in current assets		
Stores, spares and consumables	(116,885)	(38,036)
Stock-in-trade	502,453	(2,904,415)
Trade debts	13,086,891	(13,242,616)
Loans and advances	94,642	47,290
Deposits, prepayments and other receivables	(1,583,549)	(3,524,218)
	11,983,552	(19,661,995)
(Decrease) / increase in current liabilities		
Trade and other payables	(23,786,936)	14,481,947
	(11,803,384)	(5,180,048)

		Note	2019	2018
			(PKR in '000)	
36.	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances	21	12,131,754	2,654,315
	Short term borrowings	27	(53,478,425)	(28,804,770)
			(41,346,671)	(26,150,455)
37.	**BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY**			
37.1	Basic			
	Profit for the year (Rupees in thousands)		11,240,837	11,057,482
				Restated
	Weighted average number of ordinary shares outstanding during the year		1,199,384,446	1,198,301,123
	Basic earnings per share (Rupees)		9.37	9.23

Basic earnings per share is calculated by dividing the profit after tax attributable to ordinary shareholders of the holding company by the weighted average number of ordinary shares outstanding during the year.

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

38. SUBSEQUENT EVENT

38.1 Subsequent to the year end, the holding company issued privately placed secured Sukuk Certificates amounting to Rs. 7,000 million at a mark-up of 1.9% per annum above three-month KIBOR. The mark-up on the Sukuk is payable on quarterly basis in arears and the principal is payable in four equal semi-annual installments commencing from February 22, 2022. The Sukuk Certificates are secured by:

a) Revolving corporate guarantee from NEL;

b) Subordinate hypothecation charge over receivables of NEL's including but not limited to amounts receivable under the GOP guarantee;

c) Subordinate charge over all present and future movable fixed assets of the Company and NEL for Rs. 4,000 million and Rs. 9,333 million respectively; and

d) Pledge of 100% shares of NEL.

39. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks namely 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 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 these risks 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. 1,634 million (2018: Rs. 1,221 million) in foreign currencies which are subject to currency risk exposure and financial liabilities of the Group include Rs. 24,131 million (2018: Rs. 11,090 million) in foreign currencies which are subject to currency risk exposure. LEL is covered under the PPA to recover the forex loss on loans under the tariff.

The Group believes that the foreign exchange risk exposure on financial 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:

	2019	2018
	(PKR in '000)	
Fixed rate instruments at carrying amount:		
Financial assets		
Bank balances	5,100,569	2,375,861
Variable rate instruments at carrying amount:		
Financial assets		
Trade debts	50,512,842	66,582,420
Other receivables	11,388	11,388
Total	50,524,230	66,593,808
Financial liabilities		
Long term loans	38,926,239	31,502,770
Liabilities against assets subject to finance lease	3,034,323	2,600,708
Trade and other payables	24,722,275	50,878,336
Short term borrowings	53,478,425	28,804,770
Total	120,161,262	113,786,584

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 or loss. Therefore, a change in interest / mark-up would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

Owing to cash flow difficulties and delays in payment by CPPA(G) and NTDC, the holding company has delayed payments to PSO. The holding company and NEL have also obtained short term borrowings to meet their short term funding requirements. The holding company and NEL receive interest on delayed payments from CPPA-G and NTDC at variable rate provided under the relevant PPAs and pays interest on delayed payments to PSO at variable rate provided under the FSA. The rates on all these financial instruments are almost similar and move in the same direction, therefore, any change in the variable rate does not significantly affect the statement of profit or loss.

In order to finance investments in NEL, CPHGC (via HPHL), TNPTL (via HPHL), TEL and SECMC and boiler rehabilitation works at Hub Plant, the holding ccompany entered into long term financing arrangements (Refer note 23). 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 KIBOR. As at June 30, 2019, if interest rate on the holding company's borrowings were 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 176 million (2018: Rs. 84 million).

NEL has a long term loan for Narowal plant (Refer note 23.5.1). Under the Narowal PPA, the related finance cost up to a mark-up rate of 3 month KIBOR is allowed as a pass through to the Power Purchaser. Therefore, there is no significant impact of any change in interest rates on the statement of profit or loss.

NEL has entered into syndicated term finance facility (Refer note 23.5.3). NEL has to manage the related finance cost from its own sources which expose NEL to the risk of change in 3 month KIBOR. As at June 30, 2019, if interest rate on NEL's borrowings was 1% higher / lower with all other variables held constant, the profit for the year would have been lower / higher by Rs. 26 million.

LEL has entered into long-term loans / finance facilities for the development of the project with various lenders / financial institutions, which exposes LEL to the risk of change in six month LIBOR and six month KIBOR. However, the risk is substantially mitigated as LEL is covered under the PPA to recover interest rate fluctuation under the tariff.

Since the impact of interest rate exposure is not significant to the holding 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 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 reporting date was as follows:

	2019	2018
	(PKR in '000)	
Deposits	31,730	25,881
Trade debts	85,646,949	98,856,377
Loans and other receivables	2,062,857	1,027,155
Bank balances	12,100,569	2,375,861
Total	99,842,105	102,285,274

Trade debts are recoverable from CPPA(G) / NTDC under the PPAs and are secured by guarantees from GOP under the IAs. Further, the significant amounts of other receivables are also recoverable from CPPA(G) / NTDC and are secured under IAs.

Credit risk on bank balances is limited as they are maintained with foreign and local banks having good credit ratings assigned by local and international credit rating agencies.

Banks / Financial Institutions	Rating Agency	Ratings	
		Short term	Long term
Conventional			
Allied Bank Limited	PACRA	A1+	AAA
Askari Bank Limited	PACRA	A1+	AA+
Bank Alfalah Limited	PACRA	A1+	AA+
Bank Al-Habib Limited	PACRA	A1+	AA+
Citibank N.A.	Moody's	P-1	A1
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
Industrial and Commercial Bank of China	Moody's	P-1	A1
JS Bank Limited	PACRA	A1+	AA-
MCB Bank Limited	PACRA	A1+	AAA
National Bank of Pakistan	PACRA	A1+	AAA
Pak Brunei Investment Company Limited	JCR-VIS	A-1+	AA+
Samba Bank Limited	JCR-VIS	A-1	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Sumitomo Mitsui Banking Corporation Europe Limited	Moody's	P-1	A1
United Bank Limited	JCR-VIS	A-1+	AAA
Shariah Compliant			
Al Baraka Bank (Pakistan) Limited	PACRA	A1	A
Bank Islami Pakistan Limited	PACRA	A1	A+
Meezan Bank Limited	JCR-VIS	A-1+	AA+
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1+	AA
Faysal Bank Limited	PACRA	A1+	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA

(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 sufficient funds to meet its liabilities when due without incurring unacceptable losses.

The Group maintains running finance facilities (Refer note 27) to meet the short term funding requirements due to delay in payments by CPPA(G) / NTDC. The delay in payments by CPPA(G) is mainly offset by the delay in payments to PSO or by borrowing from running finance facilities.

The Group is exposed to liquidity risk because of the following:

(i) Delay in payment from Power Purchaser (CPPA(G) / NTDC);

(ii) the cashflows from LEL and NEL operations may not be sufficient to meet the funding requirements for long term loans obtained for equity investment in LEL and NEL (refer note 23.4 and 23.5);

(iii) long term loans obtained for funding in TEL / CPHGC / TNPTL / SECMC (refer note 23.3) may not be sufficient to meet their respective equity requirement;

(iv) repayments of loan obtained for boiler rehabilitation work (refer note 23.1).

(v) repayment / non-availability of short term borrowings (refer note 27).

The Group manages this liquidity risk from its own sources and other alternative means.

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

	Less than 6 months	Between 6 to 12 months	Between 1 to 5 years	Between 5 to 10 years	Total
			(PKR in '000)		
2018-19					
Long term loans	4,485,044	4,185,259	26,990,628	15,150,132	50,811,063
Liabilities against assets subject to finance lease	360,859	363,706	2,552,000	537,376	3,813,941
Trade and other payables	66,393,983	–	–	–	66,393,983
Unclaimed dividend	189,516	–	–	–	189,516
Unpaid dividend	87,615	–	–	–	87,615
Short term borrowings	54,282,998	–	–	–	54,282,998
Total	125,800,015	4,548,965	29,542,628	15,687,508	175,579,116
2017-18					
Long term loans	4,521,938	4,018,006	20,538,743	11,229,462	40,308,149
Liabilities against assets subject to finance lease	273,279	270,625	1,935,520	816,118	3,295,542
Trade and other payables	80,468,479	–	–	–	80,468,479
Unclaimed dividend	140,286	–	–	–	140,286
Unpaid dividend	247,281	–	–	–	247,281
Short term borrowings	28,986,048	–	–	–	28,986,048
Total	114,637,311	4,288,631	22,474,263	12,045,580	153,445,785

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying amount of the financial assets and liabilities reflected in the consolidated financial statements approximate their fair values.

Fair value of financial instruments

The fair value of the financial assets and liabilities is the amount at which the assets could be sold or the liability transferred in a current transaction between market participants at the reporting date, other than in a forced or liquidation sale

The fair value of investment in SECMC (unquoted shares) have been estimated using a valuation model. The valuation requires management to make certain assumptions about the model inputs, including forecasted dividends, the discount rate and market risk. The probabilities of the various estimates within the range are assessed and are used in management's estimate in order to determine the fair value of investment in SECMC. The fair value has been determined at Rs. 2,044 million resulting in gain of Rs. 723 million.

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs from the asset or liability that are not based on observable market data.

	Level 1	Level 2	Level 3	Total
		(PKR in '000)		
June 2019				
Assets (Investment in SECMC)				
- Fair value through other comprehensive income	–	–	723,447	723,447

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.

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders. The Group also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, less cash and bank balances.

40. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2019	2018
	(PKR in '000)	
Financial assets - at amortised cost		
Deposits	31,730	25,881
Trade debts	85,646,949	98,856,377
Loans and other receivables	2,062,857	1,027,155
Cash and bank balances	12,131,754	2,654,315
Total	99,873,290	102,563,728
Financial Liabilities - at amortised cost		
Long term loans	38,926,239	31,502,770
Liabilities against assets subject to finance lease	3,034,323	2,600,708
Trade and other payables	66,393,983	80,468,479
Unclaimed dividend	189,516	140,286
Unpaid dividend	87,615	247,281
Short term borrowings	53,478,425	28,804,770
Total	162,110,101	143,764,294

41. INITIAL APPLICATION / WAIVER FROM APPLICATION OF STANDARDS AND INTERPRETATIONS

41.1 Revised and amended standards and interpretation that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 9 – Prepayment Features with Negative Compensation – (Amendments)	January 1, 2019
IFRS 16 – Leases	January 1, 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	January 1, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	January 1, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019
IAS 1 - Presentation on Financial Statements (Amendments)	January 1, 2020
IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 1, 2020
IFRS 17 - Insurance Contracts	January 1, 2021

The above standards and amendments are not expected to have any material impact on the Group's consolidated financial statements in the period of initial application.

41.2 Waiver from application of IFRIC - 4 "Determining Whether an Arrangement Contains a Lease"

Holding company and NEL

The Securities and Exchange Commission of Pakistan (SECP) granted waiver from the application of International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining Whether an Arrangement Contains a Lease" to all companies including Power Sector Companies. 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 CPPA(G) for the right to use the asset is to be accounted for as finance lease under IAS - 17 "Leases". If the holding company and NEL were to follow IFRIC - 4 and IAS - 17, the effect on the consolidated financial statements would be as follows:

	2019	2018
	(PKR in '000)	
Decrease in unappropriated profit at the beginning of the year	(7,622,090)	(7,538,061)
Increase / (decrease) in profit for the year	(1,537,436)	(84,029)
Decrease in unappropriated profit at the end of the year	(9,159,526)	(7,622,090)

Embedded derivatives - NEL

SECP, through its S.R.O 24/(I)/2012 dated January 16, 2012, exempted the power companies from application of IAS-39 'Financial Instruments: Recognition and Measurement' to the extent of recognition of embedded derivatives and IAS-21 'The Effects of Changes in Foreign Exchange Rates' to the extent of charging exchange losses. However, the said S.R.O requires the companies, to give an additional disclosure as if accounting for embedded derivative IFRS-9 (previously IAS-39) had been adopted in preparing the financial statements.

Had IFRS-9 (previously IAS-39) been applied, the unappropriated profits of NEL would have been lower by Rs. 17,858 million (2018: Rs. 28,302 million).

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

Subsidiary - LEL

LEL has not applied IFRIC Interpretation 12 'Service Concession Arrangements' (IFRIC 12) in preparation of these financial statements. The Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O 24/(I)/2012 dated January 16, 2012 has granted waiver in respect of application of IFRIC 12 to all companies including Power Sector Companies.

Under IFRIC 12, the infrastructure is not recognised as property, plant and equipment rather a financial asset is recognised to the extent LEL has an unconditional contractual right to receive cash irrespective of the usage of infrastructure. The revenue and costs relating to construction of infrastructure or upgrade services and operation services are recognised in accordance with IFRS 15 'Revenue from Contracts with Customers'. Any contractual obligation to maintain or restore infrastructure, except for upgrade services, is recognised in accordance with IAS 37 'Provisions, contingent liabilities and contingent assets'.

For service concession arrangements that give rise to financial asset, fixed energy payments are apportioned between capital repayments (relating to the provision of the plant), finance income and service income. LEL allocates the fixed energy payments by reference to the relative fair values of the services provided. For the purpose of this disclosure, LEL has recognised revenue for construction services, the related construction costs and finance income. If IFRIC 12 was applied the effect on financial statements, after taking into account the figures extracted from the PPA, would be as follows:

	As reported	IFRIC 12 adjustment (PKR in '000)	Amount after IFRIC 12 adjustment
June 30, 2019			
Unappropriated profit	6,292,525	5,531,929	11,824,454
Profit for the year	2,633,679	(173,710)	2,459,969
June 30, 2018			
Unappropriated profit	5,444,868	5,705,639	11,150,507
Profit for the year	2,443,997	165,036	2,609,033

The results are subject to change if there is any change in the assumptions used in recognition of finance income and apportioning of the fixed energy payments.

41.4 Exemption from recognition of embedded derivatives and loss on foreign currency loans.

Subsidiary - LEL

SECP, through its S.R.O 24/(I)/2012 dated January 16, 2012, exempted the power companies from application of IAS-21 'The Effects of Changes in Foreign Exchange Rates' to the extent of charging exchange losses (refer note

3.17). However, the said S.R.O requires the companies which have chosen to capitalize exchange difference (as disclosed in note 10.1), to give an additional disclosure as if accounting for embedded derivative under IAS-39 'Financial Instruments: Recognition and Measurement' or any other standard replacing the said standard as the case may be (i.e. IFRS 9 'Financial Instruments: Classification and Measurement'), had been adopted in preparing the financial statements.

Had the IFRS 9 been applied, following adjustments to the financial statements would have been made:

	Unappropriated profit (increase)/ decrease	Property, plant and equipment increase / (decease)	Derivative financial asset increase / (decease)
As at July 1, 2017	15,371,013	(710,294)	(14,660,719)
For the year ended June 30, 2018			
– Charge off of exchange loss	1,022,014	(1,022,014)	–
– Remeasurement of embedded derivative	(662,632)	–	662,632
	359,382	(1,022,014)	662,632
As at June 30, 2018	15,730,395	(1,732,308)	(13,998,087)
For the year ended June 30, 2018			
– Charge off of exchange loss	2,157,691	(2,157,691)	–
– Remeasurement of embedded derivative	(9,380,774)	–	9,380,774
	(7,223,083)	(2,157,691)	9,380,774
As at June 30, 2019			
Change due to remeasurement of derivative and non-capitalization of exchange loss	8,507,312	(3,889,999)	(4,617,313)

42. SHARIAH COMPLIANCE DISCLOSURE

	2019			2018		
	Conventional	Shariah Compliant	Total	Conventional	Shariah Compliant	Total
	(PKR in '000')					
Turnover						
Revenue	7,075,199	54,786,718	61,861,917	5,753,070	105,888,014	111,641,084
Other income						
Interest income	185,051	–	185,051	143,456	–	143,456
Income from other services	–	46,375	46,375	–	12,473	12,473
Finance Cost						
Long term loans	2,298,586	588,695	2,887,281	2,065,528	198,146	2,263,674
Short term borrowings	3,160,509	718,404	3,878,913	1,686,026	133,159	1,819,185
Other finance cost	634,670	259	634,929	348,239	1,400	349,639
Assets						
Bank Balances	12,100,569	–	12,100,569	2,375,861	–	2,375,861
Liabilities						
Long term loans	33,113,739	5,812,500	38,926,239	27,581,904	6,521,574	34,103,478
Accrued Markup	1,402,255	156,069	1,558,324	749,260	30,689	779,949
Short term borrowings	40,555,650	12,922,775	53,478,425	26,869,780	1,934,990	28,804,770

Exchange gain earned during the year was Rs. 261 million (2018: Rs. 56 million)

43. REPRESENTATION / RECLASSIFICATION

Certain prior year figures have been represented / re-classified to reflect a more appropriate presentation of events and transactions for the purpose of consistency.

44. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on September 12, 2019 in accordance with the resolution of the Board of Directors.

45. GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

M. Habibullah Khan	**Khalid Mansoor**	**Abdul Nasir**
Chairman	Chief Executive	Chief Financial Officer

PATTERN OF SHAREHOLDING

As at June 30, 2019

Number of Shareholders	Number of Share From	To	Number of Shares Held
845	1	100	42,343
4,827	101	500	2,269,148
1,814	501	1,000	1,458,007
2,949	1,001	5,000	7,621,553
1,243	5,001	10,000	8,784,725
519	10,001	15,000	6,390,095
322	15,001	20,000	5,694,465
252	20,001	25,000	5,759,858
170	25,001	30,000	4,755,300
149	30,001	35,000	4,899,265
94	35,001	40,000	3,547,508
67	40,001	45,000	2,896,562
75	45,001	50,000	3,629,164
66	50,001	55,000	3,449,829
81	55,001	60,000	4,618,743
23	60,001	65,000	1,427,238
48	65,001	70,000	3,261,089
32	70,001	75,000	2,334,028
21	75,001	80,000	1,637,411
32	80,001	85,000	2,664,257
25	85,001	90,000	2,215,980
20	90,001	95,000	1,848,842
42	95,001	100,000	4,132,892
14	100,001	105,000	1,438,449
12	105,001	110,000	1,291,347
31	110,001	115,000	3,483,731
12	115,001	120,000	1,417,728
15	120,001	125,000	1,849,538
6	125,001	130,000	760,847
9	130,001	135,000	1,199,722
4	135,001	140,000	551,359
9	140,001	145,000	1,279,314
11	145,001	150,000	1,630,582
8	150,001	155,000	1,213,719
14	155,001	160,000	2,207,210
6	160,001	165,000	971,448
16	165,001	170,000	2,688,955
5	170,001	175,000	871,112
2	175,001	180,000	355,044
4	180,001	185,000	728,391
8	185,001	190,000	1,507,483
4	190,001	195,000	768,787
10	195,001	200,000	1,992,094
7	200,001	205,000	1,423,432
2	205,001	210,000	415,465
6	210,001	215,000	1,275,195
5	215,001	220,000	1,091,363
9	220,001	225,000	2,018,015
7	225,001	230,000	1,596,648
2	230,001	235,000	462,047
4	235,001	240,000	946,490

Number of Shareholders	Number of Share From	To	Number of Shares Held
7	240,001	245,000	1,701,100
3	245,001	250,000	750,000
3	250,001	255,000	757,442
7	255,001	260,000	1,805,342
3	260,001	265,000	788,169
2	265,001	270,000	536,294
3	270,001	275,000	821,267
8	275,001	280,000	2,220,573
6	280,001	285,000	1,689,340
2	285,001	290,000	571,151
4	290,001	295,000	1,168,204
5	295,001	300,000	1,500,000
2	300,001	305,000	606,653
1	305,001	310,000	308,271
7	310,001	315,000	2,181,968
3	315,001	320,000	949,908
1	320,001	325,000	325,000
5	325,001	330,000	1,630,758
5	330,001	335,000	1,657,050
8	335,001	340,000	2,696,819
2	340,001	345,000	685,125
2	345,001	350,000	697,505
2	350,001	355,000	705,448
1	355,001	360,000	358,607
2	360,001	365,000	724,941
2	365,001	370,000	735,848
1	370,001	375,000	372,000
1	375,001	380,000	378,893
2	380,001	385,000	767,875
4	385,001	390,000	1,546,175
3	390,001	395,000	1,177,232
2	395,001	400,000	795,148
1	400,001	405,000	404,606
1	405,001	410,000	407,219
1	410,001	415,000	410,393
2	415,001	420,000	833,525
3	425,001	430,000	1,285,974
4	430,001	435,000	1,729,799
1	435,001	440,000	437,184
2	440,001	445,000	886,910
4	445,001	450,000	1,795,182
6	455,001	460,000	2,740,263
2	460,001	465,000	927,500
1	475,001	480,000	478,985
1	485,001	490,000	489,086
1	490,001	495,000	492,113
4	495,001	500,000	2,000,000
2	500,001	505,000	1,004,795
2	520,001	525,000	1,049,621
1	530,001	535,000	530,105
1	540,001	545,000	541,352

PATTERN OF **SHAREHOLDING**

As at June 30, 2019

Number of Shareholders	Number of Share From	To	Number of Shares Held
1	555,001	560,000	559,000
4	560,001	565,000	2,244,324
2	565,001	570,000	1,135,559
4	570,001	575,000	2,285,975
1	590,001	595,000	594,000
1	600,001	605,000	603,618
1	615,001	620,000	619,900
2	620,001	625,000	1,246,261
2	640,001	645,000	1,282,804
1	655,001	660,000	655,849
1	660,001	665,000	660,709
1	665,001	670,000	669,000
3	670,001	675,000	2,018,334
1	675,001	680,000	675,954
1	680,001	685,000	682,002
1	685,001	690,000	687,000
1	690,001	695,000	692,131
2	695,001	700,000	1,399,662
1	710,001	715,000	714,965
3	715,001	720,000	2,152,212
2	725,001	730,000	1,450,587
1	730,001	735,000	732,441
1	740,001	745,000	740,411
1	745,001	750,000	750,000
1	770,001	775,000	771,799
1	775,001	780,000	776,397
3	790,001	795,000	2,376,755
1	805,001	810,000	808,000
1	820,001	825,000	823,085
1	825,001	830,000	826,789
1	840,001	845,000	840,739
1	845,001	850,000	846,681
1	865,001	870,000	865,784
2	890,001	895,000	1,785,039
1	900,001	905,000	904,299
1	905,001	910,000	907,145
1	925,001	930,000	929,571
1	940,001	945,000	942,512
1	950,001	955,000	951,398
1	975,001	980,000	979,742
2	995,001	1,000,000	2,000,000
1	1,000,001	1,005,000	1,003,282
1	1,005,001	1,010,000	1,008,887
1	1,010,001	1,015,000	1,014,000
1	1,015,001	1,020,000	1,016,713
1	1,040,001	1,045,000	1,042,517
2	1,050,001	1,055,000	2,107,617
2	1,070,001	1,075,000	2,144,429
1	1,080,001	1,085,000	1,083,209
1	1,085,001	1,090,000	1,085,274
1	1,095,001	1,100,000	1,096,885

Number of Shareholders	Number of Share From	Number of Share To	Number of Shares Held
1	1,100,001	1,105,000	1,100,869
2	1,120,001	1,125,000	2,241,972
1	1,160,001	1,165,000	1,160,669
1	1,195,001	1,200,000	1,198,258
1	1,280,001	1,285,000	1,282,013
1	1,285,001	1,290,000	1,288,826
1	1,290,001	1,295,000	1,294,739
1	1,300,001	1,305,000	1,305,000
1	1,320,001	1,325,000	1,323,117
1	1,340,001	1,345,000	1,343,280
2	1,355,001	1,360,000	2,712,088
1	1,375,001	1,380,000	1,378,813
1	1,385,001	1,390,000	1,386,843
1	1,390,001	1,395,000	1,390,337
3	1,405,001	1,410,000	4,218,800
1	1,430,001	1,435,000	1,432,060
1	1,485,001	1,490,000	1,488,591
1	1,490,001	1,495,000	1,493,870
1	1,495,001	1,500,000	1,497,637
1	1,545,001	1,550,000	1,548,500
1	1,585,001	1,590,000	1,586,868
1	1,600,001	1,605,000	1,602,163
1	1,665,001	1,670,000	1,667,863
1	1,695,001	1,700,000	1,696,400
1	1,700,001	1,705,000	1,703,897
1	1,705,001	1,710,000	1,707,380
2	1,715,001	1,720,000	3,435,050
2	1,720,001	1,725,000	3,448,714
1	1,785,001	1,790,000	1,789,409
2	1,910,001	1,915,000	3,825,721
2	1,995,001	2,000,000	3,998,000
1	2,045,001	2,050,000	2,046,073
1	2,105,001	2,110,000	2,105,676
1	2,150,001	2,155,000	2,153,564
1	2,160,001	2,165,000	2,161,261
1	2,195,001	2,200,000	2,198,141
1	2,240,001	2,245,000	2,241,972
1	2,245,001	2,250,000	2,249,695
1	2,260,001	2,265,000	2,260,271
1	2,265,001	2,270,000	2,266,144
1	2,300,001	2,305,000	2,300,300
1	2,325,001	2,330,000	2,325,006
1	2,350,001	2,355,000	2,354,071
1	2,430,001	2,435,000	2,432,143
1	2,450,001	2,455,000	2,451,051
1	2,460,001	2,465,000	2,460,901
1	2,470,001	2,475,000	2,473,344
1	2,785,001	2,790,000	2,786,884
1	2,845,001	2,850,000	2,846,000
1	2,925,001	2,930,000	2,928,673
1	2,960,001	2,965,000	2,963,342

PATTERN OF **SHAREHOLDING**

As at June 30, 2019

Number of Shareholders	Number of Share From	To	Number of Shares Held
1	2,975,001	2,980,000	2,979,371
1	3,040,001	3,045,000	3,040,816
2	3,110,001	3,115,000	6,225,081
1	3,200,001	3,205,000	3,202,367
2	3,235,001	3,240,000	6,475,664
2	3,245,001	3,250,000	6,498,117
1	3,415,001	3,420,000	3,419,856
1	3,455,001	3,460,000	3,458,350
1	3,590,001	3,595,000	3,593,500
1	3,795,001	3,800,000	3,799,900
1	3,845,001	3,850,000	3,846,000
1	3,940,001	3,945,000	3,940,043
1	3,960,001	3,965,000	3,962,645
1	3,965,001	3,970,000	3,967,731
1	4,275,001	4,280,000	4,279,820
1	4,285,001	4,290,000	4,288,661
1	4,440,001	4,445,000	4,440,232
1	4,800,001	4,805,000	4,800,063
1	4,825,001	4,830,000	4,826,954
1	5,055,001	5,060,000	5,058,900
2	5,075,001	5,080,000	10,154,026
2	5,255,001	5,260,000	10,518,612
1	5,300,001	5,305,000	5,304,392
1	5,600,001	5,605,000	5,604,932
1	5,740,001	5,745,000	5,740,854
1	6,205,001	6,210,000	6,206,785
1	7,005,001	7,010,000	7,007,861
1	7,365,001	7,370,000	7,368,766
1	7,980,001	7,985,000	7,984,426
1	8,300,001	8,305,000	8,301,048
1	8,510,001	8,515,000	8,511,479
1	8,660,001	8,665,000	8,660,143
1	8,890,001	8,895,000	8,892,603
1	9,145,001	9,150,000	9,147,080
1	10,140,001	10,145,000	10,140,341
1	11,520,001	11,525,000	11,525,000
1	12,330,001	12,335,000	12,330,850
1	15,025,001	15,030,000	15,025,240
1	16,190,001	16,195,000	16,193,376
1	16,240,001	16,245,000	16,240,058
1	19,200,001	19,205,000	19,204,517
1	23,895,001	23,900,000	23,897,089
1	28,800,001	28,805,000	28,800,363
1	36,280,001	36,285,000	36,282,862
1	38,185,001	38,190,000	38,189,500
1	46,675,001	46,680,000	46,676,300
1	110,750,001	110,755,000	110,754,985
1	126,170,001	126,175,000	126,172,749
1	252,640,001	252,645,000	252,642,039
14,292			1,297,154,387

CATEGORIES OF **SHAREHOLDING**

As at June 30, 2019

Categories	No. of Shareholders	No. of Shares Held	Percentage
Individuals			
Local	13,180	185,184,868	14.28%
Foreign	349	1,729,720	0.13%
Joint Stock Companies	197	39,160,474	3.02%
Financial Institutions	78	311,246,689	23.99%
Investment Companies	39	22,179,185	1.71%
Insurance Companies	34	89,124,657	6.87%
Associated Companies	10	263,267,143	20.30%
Directors 9		2,105,943	0.16%
Executives	27	271,282	0.02%
Nit & ICP 1		5,304,392	0.41%
Modaraba/Mutual Fund & Leasing Companies	107	175,436,164	13.52%
OTHERS			0.00%
Others - Government of Balochistan	1	358,607	0.03%
Others - GDR Depository	1	10,140,341	0.78%
Others - Charitable Trusts	51	125,657,963	9.69%
Others - Cooperative Societies	12	1,235,073	0.10%
Others - Provident/Pension/Gratuity Fund etc	196	64,751,886	4.99%
Employee's Old Age Benefits Inst.	–	–	0.00%
	14,292	1,297,154,387	100.00%

KEY **SHAREHOLDING**

Associated Companies, Undertakings and related parties

S. No	Name	Holding
1	IMPERIAL DEVELOPERS AND BUILDER (PRIVATE) LIMITED	235,967
2	SONERI BANK LIMITED	3,500
3	DAWOOD HERCULES CORPORATION LIMITED	3,593,500
4	INSERVEY PAKISTAN (PVT) LTD.	216,910
5	INSHIPPING (PRIVATE) LIMITED.	1,910,721
6	MEGA CONGLOMERATE (PVT.) LIMITED	252,642,039
7	FORBES SHIPPING COMPANY (PRIVATE) LIMITED	1,096,885
8	ASKARI BANK LIMITED	3,458,350
9	JAHANGIR SIDDIQUI & CO. LTD.	95,200
10	DAWOOD EQUITIES LTD.	14,071
	TOTAL	263,267,143

Modaraba/Mutual Fund and Leasing Companies

1	VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	15,025,240
2	GLOBAL X FUNDS-GLOBAL X MSCI PAKISTAN ETF	2,963,342
3	FSST FIDELITY TOTAL INTERNATIONAL INDEX FUND	19,280
4	ISHARES EMERGING MARKETS IMI EQUITY INDEX FUND	144,158
5	PUB INSTITUTIONAL FUND UMBRELLA - PUB EQUITIES EMG MKTS 1	570,599
6	PUB INSTITUTIONAL FUND UMBRELLA - PUB EQUITIES EMG MKTS 2	278,453
7	AQR EMERGING SMALL CAP EQUITY FUND L.P.	112,200
8	FLEXSHARES MORNINGSTAR EMERGING MARKETS FACTOR TILT INDEX FD	1,085,274
9	VANGUARD EMERGING MARKETS STOCK INDEX FUND	16,193,376
10	EMERGING MKTS SML CAPITALIZATION EQTY INDEX NON-LENDABLE FD	2,046,073
11	EMERGING MKTS SML CAPITALIZATION EQTY INDX NON-LENDABLE FD B	226,423
12	NATIONWIDE (PVT) LTD	3,362
13	FIRST PRUDENTIAL MODARABA	54,367
14	B.F.MODARABA	22,419
15	FIRST ELITE CAPITAL MODARABA	5,000
16	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	7,368,766
17	MCBFSL - TRUSTEE JS VALUE FUND	285,300
18	CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	285,851
19	CDC - TRUSTEE PICIC INVESTMENT FUND	1,789,409
20	CDC - TRUSTEE JS LARGE CAP. FUND	395,148
21	CDC - TRUSTEE PICIC GROWTH FUND	3,419,856
22	CDC - TRUSTEE ALHAMRA ISLAMIC STOCK FUND	2,928,673
23	CDC - TRUSTEE ATLAS STOCK MARKET FUND	4,279,820
24	CDC - TRUSTEE MEEZAN BALANCED FUND	2,432,143
25	CDC - TRUSTEE FIRST DAWOOD MUTUAL FUND	21,500
26	CDC - TRUSTEE JS ISLAMIC FUND	1,160,669
27	CDC - TRUSTEE ALFALAH GHP VALUE FUND	640,591
28	CDC - TRUSTEE UNIT TRUST OF PAKISTAN	660,709
29	CDC - TRUSTEE AKD INDEX TRACKER FUND	214,995
30	CDC - TRUSTEE HBL ENERGY FUND	951,398
31	CDC-TRUSTEE ALHAMRA ISLAMIC ASSET ALLOCATION FUND	3,238,242
32	CDC - TRUSTEE AL MEEZAN MUTUAL FUND	3,040,816
33	CDC - TRUSTEE MEEZAN ISLAMIC FUND	19,204,517
34	TRUST MODARABA	4,000
35	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	4,826,954

S. No	Name	Holding
36	B.R.R. GUARDIAN MODARABA	20,000
37	CDC - TRUSTEE ATLAS ISLAMIC STOCK FUND	1,343,280
38	CDC - TRUSTEE AL-AMEEN SHARIAH STOCK FUND	7,007,861
39	CDC - TRUSTEE NAFA STOCK FUND	8,892,603
40	CDC - TRUSTEE NBP BALANCED FUND	573,915
41	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	39,234
42	CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND	3,249,307
43	CDC - TRUSTEE DAWOOD ISLAMIC FUND	6,000
44	CDC - TRUSTEE APF-EQUITY SUB FUND	278,565
45	CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	116,696
46	CDC - TRUSTEE ALFALAH GHP ISLAMIC STOCK FUND	2,249,695
47	CDC - TRUSTEE HBL - STOCK FUND	1,667,863
48	CDC - TRUSTEE NBP ISLAMIC SARMAYA IZAFA FUND	5,258,955
49	CDC - TRUSTEE APIF - EQUITY SUB FUND	410,393
50	MC FSL - TRUSTEE JS GROWTH FUND	1,497,637
51	CDC - TRUSTEE HBL MULTI - ASSET FUND	89,983
52	CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	826,789
53	CDC - TRUSTEE JS ISLAMIC PENSION SAVINGS FUND-EQUITY ACCOUNT	103,418
54	CDC - TRUSTEE ALFALAH GHP STOCK FUND	1,386,843
55	CDC - TRUSTEE ALFALAH GHP ALPHA FUND	1,016,713
56	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	642,213
57	CDC - TRUSTEE ABL STOCK FUND	3,112,326
58	M C F S L-TRUSTEE ASKARI ISLAMIC ASSET ALLOCATION FUND	44,839
59	CDC - TRUSTEE FIRST HABIB STOCK FUND	52,900
60	CDC - TRUSTEE LAKSON EQUITY FUND	725,309
61	CDC - TRUSTEE NBP SARMAYA IZAFA FUND	792,179
62	CDC-TRUSTEE HBL ISLAMIC STOCK FUND	732,441
63	CDC - TRUSTEE HBL EQUITY FUND	188,188
64	CDC - TRUSTEE HBL IPF EQUITY SUB FUND	126,731
65	CDC - TRUSTEE HBL PF EQUITY SUB FUND	139,240
66	CDC - TRUSTEE ASKARI EQUITY FUND	86,315
67	CDC - TRUSTEE KSE MEEZAN INDEX FUND	1,703,897
68	MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	52,798
69	MCBFSL - TRUSTEE PAK OMAN ISLAMIC ASSET ALLOCATION FUND	151,893
70	CDC-TRUSTEE FIRST HABIB ISLAMIC STOCK FUND	99,800
71	MCBFSL - TRUSTEE ABL ISLAMIC STOCK FUND	2,153,564
72	CDC - TRUSTEE UBL ASSET ALLOCATION FUND	699,662
73	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	15,693
74	CDC - TRUSTEE AL-AMEEN ISLAMIC ASSET ALLOCATION FUND	2,198,141
75	CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND-EQUITY SUB FUND	1,488,591
76	CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND	865,784
77	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	5,304,392
78	CDC - TRUSTEE HBL ISLAMIC EQUITY FUND	303,987
79	CDC - TRUSTEE NAFA ISLAMIC PRINCIPAL PROTECTED FUND - II	43,157
80	CDC - TRUSTEE ABL ISLAMIC PENSION FUND - EQUITY SUB FUND	69,678
81	CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	81,360
82	CDC - TRUSTEE NAFA ISLAMIC STOCK FUND	4,440,232
83	CDC - TRUSTEE NIT ISLAMIC EQUITY FUND	2,786,884
84	CDC-TRUSTEE NITIPF EQUITY SUB-FUND	97,525
85	CDC-TRUSTEE NITPF EQUITY SUB-FUND	61,654
86	CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND	6,206,785

KEY **SHAREHOLDING**

S. No	Name	Holding
87	CDC - TRUSTEE NAFA ISLAMIC ACTIVE ALLOCATION EQUITY FUND	1,407,190
88	CDC - TRUSTEE HBL ISLAMIC ASSET ALLOCATION FUND	390,887
89	CDC - TRUSTEE FAYSAL MTS FUND - MT	1,500
90	CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND	942,512
91	CDC - TRUSTEE NAFA ISLAMIC ENERGY FUND	1,070,429
92	CDC - TRUSTEE LAKSON TACTICAL FUND	126,136
93	CDC - TRUSTEE LAKSON ISLAMIC TACTICAL FUND	36,632
94	CDC - TRUSTEE MEEZAN ENERGY FUND	562,844
95	MCBFSL TRUSTEE ABL ISLAMIC DEDICATED STOCK FUND	655,849
96	CDC - TRUSTEE UBL CAPITAL PROTECTED FUND-III	7,174
97	CDC - TRUSTEE ALFALAH GHP ISLAMIC DEDICATED EQUITY FUND	95,756
98	CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND	1,323,117
99	CDC - TRUSTEE ALFALAH GHP ISLAMIC VALUE FUND	92,372
100	CDC - TRUSTEE JS ISLAMIC DEDICATED EQUITY FUND (JSIDEF)	27,000
101	CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	56,752
102	MCBFSL-TRUSTEE ABL ISLAMIC ASSET ALLOCATION FUND	179,357
103	CDC - TRUSTEE UBL DEDICATED EQUITY FUND	161,330
104	MCBFSL - TRUSTEE HBL ISLAMIC DEDICATED EQUITY FUND	133,967
105	CDC - TRUSTEE NBP AITEMAAD REGULAR PAYMENT FUND	147,970
106	CDC - TRUSTEE ALLIED FINERGY FUND	350,656
107	CDC - TRUSTEE ATLAS ISLAMIC DEDICATED STOCK FUND	263,903
	TOTAL	175,436,164
Directors, Spouses and their Children		
Director		
1	Mr. M.HabibullahKhan	560
2	Mr. Manzoor Ahmed	5
3	Mr. Javed Akbar	5
4	Dr. Nadeem Inayat	-
5	Ms. Aleeya Khan	560
6	Mr. Aly Khan	560
7	Mr. Muhammad Ali	560
8	Mr. Saad Iqbal	1,771,992
9	Mr. Ejaz Sanjrani	-
10	Mr. Owais Shahid	100,888
	TOTAL	1,875,130
CEO		
1	KHALID MANSOOR	230,813
Executives		271,282
Public Sector Companies and Corporations		
1	SINDH BANK LIMITED	3,962,645
2	GOVERNMENT OF SINDH - PROVINCIAL PENSION FUND	12,330,850
3	SINDH GENERAL PROVIDENT INVESTMENT FUND	2,354,071
4	STATE LIFE INSURANCE CORP. OF PAKISTAN	28,800,363
5	NATIONAL BANK OF PAKISTAN	46,684,176
6	THE BANK OF KHYBER	1,000,000
7	GOVERNOR OF BALOCHISTAN	358,607
		95,490,712

Name of Shareholders	Holding	Percentageage
MEGA CONGLOMERATE (PVT.) LIMITED	252,642,039	19.5%
ALLIED BANK LIMITED	126,172,749	9.7%
COMMITTEE OF ADMIN. FAUJI FOUNDATION	110,754,985	8.5%

Details of trading in shares by Directors, Executives and their spouse/minor children

Name of Shareholders	Date of Purchase Sale	No. of Shares	Rate per share (Rs)
Aleeya Khan	5-Jul-18	500.0	100.8
Aly Khan	5-Jul-18	500.0	100.8
M. Habibullah Khan	5-Jul-18	500.0	100.8
Andalib Alavi	20-Jul-18	16,000.0	94.1
Shaista Alavi w/o Andalib Alavi	20-Jul-18	15,000.0	93.4
Mr. Manzoor Ahmed	13-Sep-18	5.0	92.2
Mr Saad Iqbal	2-Apr-19	2,339,000.0	76.5
Owais Shahid	28-Jun-19	10,888.0	50.0
Muhammad Ali	28-Jun-19	60.0	50.0
M.Habibullah Khan	28-Jun-19	60.0	50.0
Aleeya Khan	28-Jun-19	60.0	50.0
Aly Khan	28-Jun-19	60.0	50.0
Saad Iqbal	28-Jun-19	198,495.0	50.0
Khalid Mansoor	28-Jun-19	58,488	50.0
Abdul Nasir	28-Jun-19	37,639	50.0
Shaharyar Nashat	28-Jun-19	5,450	50.0
Faheem Arsal	28-Jun-19	37,639	50.0
Farrukh Rasheed	28-Jun-19	28,125	50.0
Mustafa Giani	28-Jun-19	5,450	50.0
Shahid Sami	28-Jun-19	5,450	50.0
Muhammad Talha	28-Jun-19	5,450	50.0
Ikhlaq Ahmed	28-Jun-19	5,450	50.0
M.Irfan Iqbal	28-Jun-19	240	50.0
Abdus Salam Ahmad Bawany	28-Jun-19	5,450	50.0
Syed Raees Ahmad	28-Jun-19	5,450	50.0
Muhammad Khurrum Javed	28-Jun-19	5,450	50.0
M. Inam-Ur-Rehman Siddiqui	28-Jun-19	22,419	50.0
Aamer Abdul Razzak	28-Jun-19	5,450	50.0
Syed Farhan Hassan Naqvi	28-Jun-19	5,450	50.0
Asad Ali Ahmed	28-Jun-19	5,450	50.0
Najamdin Pirzada	28-Jun-19	5,450	50.0
Muhammad Hamid Ali	28-Jun-19	5,450	50.0
Mehmood Aziz	28-Jun-19	5,450	50.0
M. Tanveer Afzal	28-Jun-19	5,450	50.0
Muhammad Tarique Hassan	28-Jun-19	5,450	50.0
Fahad Noor	28-Jun-19	5,450	50.0
Hassan Karim	28-Jun-19	5,450	50.0
Jamal Abdul Nasir	28-Jun-19	5,450	50.0
Faizan Aqeel	28-Jun-19	5,450	50.0
Tanzeela Saleem	28-Jun-19	5,450	50.0

SHAREHOLDERS' **INFORMATION**

Shareholders' Enquiries

General enquiries relating to the Company should be addressed to:

The Company Secretary,
The Hub Power Company Limited,
11th Floor, Ocean Tower,
Block-9, Main Clifton Road,
P.O. Box No. 13841, Karachi-75600.

Enquiries relating to Shares should be addressed to:

FAMCO Associates (Pvt) Limited,
8-F, Nursery, Next to Faran Hotel,
Block 6, PECHS, Shaharah-e-Faisal, Karachi.

Enquiries relating to GDRs should be addressed to either:-

(1) BNY Mellon
240 Greenwich Street
New York, NY 10286
USA

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

GLOSSARY

ANNUAL GENERAL MEETING (AGM)

Annual General Meeting of shareholders of the Company.

BAC

Board Audit Committee

BCC

Board Compensation Committee

BCP

Business Continuity Planning

BIC

Board Investment Committee

BTC

Board Technical Committee

CAPACITY (INSTALLED)

Generator capacity (measured in megawatts (MW)), measured at the power station boundary after the deduction of works power

CDM

Clean Development Mechanism

CEO

Chief Executive Officer

CER

Certified Emission Reductions

CFO

Chief Financial Officer

COD

Commercial Operations Date

CPP

Capacity Purchase Price means the fixed element of the Tariff under the Power Purchase Agreement

THE COMPANY

The Hub Power Company Ltd

COMPANIES ORDINANCE

The Companies Ordnance, 1984

CSR

Corporate Social Responsibility

EARNINGS PER SHARE (EPS)

Calculated by dividing the profit after interest, tax and non–controlling interests by the weighted average number of Ordinary Shares in issue

FBR

Federal Board of Revenue

GOP

Government of Pakistan

GW

Gigawatt, one thousand million watts

GIGAWATT–HOUR (GWH)

A watt hour is the amount of energy used by a onewatt load drawing power for one hour. A gigawatt–hour (GWh) is 1,000,000 times larger than the kilowatt–hour (kWh) and is used for measuring the energy output of large power plants

HR

Human Resource

HSE

Health, Safety & Environment

IA

Implementation Agreement – an agreement between the Company and the Government which sets out the fundamental obligations of the Company and the Government relating to the Projects

IASB

International Accounting Standards Board

IFRS

International Financial Reporting Standard

IFRSC

International Financial Reporting Standard Committee

IPP

Independent Power Producer

GLOSSARY

ISO 14001

A standard for the management of environmental matters that is widely used in various parts of the world

KW

Kilowatt – 1,000 watts

KILOWATT–HOUR (KWH)

A watt hour is the amount of energy used by a one–watt load drawing power for one hour. A kilowatt–hour (kWh) is 1,000 times larger than a watt–hour and is a useful size for measuring the energy use of households and small businesses and also for the production of energy by small power plants. A typical household uses several hundred kilowatt–hours per month.

LOAD FACTOR

The proportion of electricity actually generated compared with the maximum possible generation at maximum net capacity

MAX

Manufacturing Excellence

MW

Megawatt; one MW equals 1,000 kilowatts or one million watts

MEGAWATT–HOUR (MWH)

A watt hour is the amount of energy used by a one–watt load drawing power for one hour. A megawatt–hour (MWh) is 1,000 times larger than the kilowatt–hour and is used for measuring the energy output of large power plants

NEPRA

National Electrical Power Regulatory Authority

NTDC

National Transmission and Despatch Company Limited

O&M

Operation and Maintenance; usually used in the context of operating and maintaining a power station

OHSAS 18001

Occupational Health and Safety Assessment Series 18001. A management system specification developed by British Standards Institute which is now an accepted international standard, for health and safety and is compatible with ISO 9001:1994 (Quality) and ISO 14001:1996 (Environmental) management

OUTAGE

When a generating unit is removed from service to perform maintenance work. This can either be planned or unplanned

PACRA

The Pakistan Credit Rating Agency Limited

POWER PURCHASE AGREEMENT (PPA)
A PPA is generally a long–term contract between an electricity generator and a purchaser of energy or capacity (power or ancillary services)

PSO

Pakistan State Oil Company Limited

PSX

Pakistan Stock Exchange

SECP

Securities and Exchange Commission of Pakistan

SMART

Self Monitoring And Reporting Technique

TRIR

Total Recordable Injury Rate

UNFCCC

United Nations Framework Convention on Climate Change

WATT

Unit of power, which is the rate at which energy is delivered (i.e. work is done at a rate of one watt when one ampere flows through a potential difference of one volt)

WAPDA

Water and Power Development Authority

WPPF

Workers' Profit Participation Fund

WWF

Workers' Welfare Fund

NOTICE OF THE 28TH
ANNUAL GENERAL MEETING

Notice is hereby given that the 28th Annual General Meeting of the Company will be held on 24, October 2019 at 10:15 am at Marriott Hotel, Abdullah Haroon Road, Karachi to transact the following business:

A. ORDINARY BUSINESS

1. To receive and adopt the Annual Audited Financial Statements of the Company for the year ended June 30, 2019 together with the Directors' and Auditor's Reports thereon.

2. To re-appoint A.F. Ferguson & Co. , Chartered Accountants as Auditors of the Company and to fix their remuneration for the year ending June 30, 2020.

B. SPECIAL BUSINESSES

To consider and if thought appropriate, to pass with or without modification, the following resolution as special resolution:

1. **Approval for Issuance of Letter of Support (LOS) Guarantee to Private Power & Infrastructure Board (PPIB) for Thar Energy Limited (TEL)**

"RESOLVED that the approval of the members of the Company be and is hereby accorded in terms of Section 199 to authorize the Company to arrange and provide a bank guarantee to Private Power & Infrastructure Board ("PPIB") to cover the obligations of Thar Energy Limited ("TEL") to US$ 1,980,000. The bank guarantee shall be for a period up till June 2020.

FURTHER RESOLVED that, subject to Shareholders' approval, the Chief Executive Officer, Chief Financial Officer and/or the Company Secretary, acting jointly or severally are authorized to procure finance facility(ies) from banks/financial institution(s) for the issuance of Bank Guarantee to PPIB on such terms and conditions as may be deemed appropriate including creation of charge, or hypothecation for the guarantee amount with appropriate margin over (movable or immovable) assets of the Company and for the said purposes execute agreements, security documents, confirmations, notices, filings and certificates as may be agreed with the financiers, including any amendments thereto, or as required by law."

2. **Approval for execution of Sponsor Support Agreement for 330MW mine-mouth Coal Power Plant at Thar**

a. EXECUTION OF SPONSOR SUPPORT AGREEMENT

"RESOLVED THAT the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary, acting jointly or severally, be and are hereby authorized to negotiate and execute the Sponsor Support Agreement, the agreements for provision of assignment of loans and undertaking for Working Capital and to do or cause to do all acts, deeds and things that may be necessary or required in connection therewith and to execute all necessary documentation related thereto, including any amendments thereto, as may be deemed appropriate and agreed with parties including TEL and its Sponsors, Shareholders and its Lenders.

b. INVESTMENT IN TEL

"RESOLVED THAT that subject to Shareholder approval, the Company be and is hereby authorized to make "investments" in Thar Energy Limited ('TEL') up to an amount not exceeding USD 78 million (or PKR equivalent) by way of a subscription of shares at the rate of Rs. 10 per share plus premium, if any, finalized by the Board of TEL. Such investment shall be for a period up till December 2022 or such period until the liabilities / obligations of the Sponsors remain undischarged, whichever is later.

FURTHER RESOLVED THAT the CEO, CFO and the Company Secretary, acting jointly or severally are authorized to take all necessary actions to make the above investment and to acquire the shares of TEL."

c. EQUITY SBLC

"RESOLVED THAT subject to Shareholder approval, the Company is hereby authorized to arrange and provide a Standby Letter of Credit to the Lenders of TEL or TEL to cover for the equity investment of (and up to an amount not exceeding) USD 78 million (or PKR equivalent) to guarantee the subscription of equity. Such investment shall be for a period up till December 2022 or such period until the liabilities / obligations of the Sponsors remain undischarged, whichever is later.

FURTHER RESOLVED that the CEO, CFO and the Company Secretary, acting jointly or severally are authorized to negotiate and procure the Standby Letter of Credit from banks/ financial institution(s); provide security on such terms and conditions as may be deemed appropriate (including creation of charge, or hypothecation for the guarantee amount with appropriate margin over (movable and immovable) assets of the Company) for the issuance of Standby Letter of Credit and for the said purpose do or cause to do all acts, deeds and things that may be necessary or required in connection therewith and to negotiate and execute agreements, security documents, confirmations, notices, filings and certificates as may be agreed with the lenders, including any amendments thereto, or required by law."

d. WORKING CAPITAL

"RESOLVED THAT subject to Shareholders' approval, the Company shall undertake to the Lenders of TEL to arrange and/or provide working capital financing to TEL equivalent to an aggregate amount of US$ 36 million.

Such ‘investment’ shall be for a period up till December 2034 or such period until the liabilities / obligations of the Sponsors remain undischarged, whichever is later.

FURTHER RESOLVED THAT subject to Shareholders’ approval, the CEO, CFO and the Company Secretary, acting jointly or severally are authorized to negotiate and procure the Working Capital Financing from banks/ financial institution(s) (including Islamic financing institutions), if applicable; and provide security on such terms and conditions as may be deemed appropriate (including creation of charge, or hypothecation for the guarantee amount with appropriate margin over (movable and immovable) assets of the Company) for the provision of the Working Capital Financing and for the said purpose negotiate and execute agreements, security documents, confirmations, notices, filings and certificates as may be agreed with the lenders including any amendments thereto, or required by law.”

e. ASSIGNMENT OF EQUITY SUBORDIANTED DEBT

“RESOLVED THAT subject to Shareholders’ approval, the Company is hereby authorized to assign its rights , benefits and interests in respect of any investment made in TEL by way of Subordinated loan (which loan is to be treated as subordinated to the debt of the Lenders of TEL) including the full benefit of any indemnities, warranties and guarantees, in favour of the Lenders of TEL. Such ‘investment’ shall be for a period up till December 2034 or such period until the liabilities / obligations of the Sponsors remain undischarged, whichever is later.

FURTHER RESOLVED THAT the CEO, CFO and the Company Secretary, acting jointly or severally are authorized to assign any loan given to TEL (which loan is to be treated as subordinated to the debt of the lenders of TEL) on such terms and conditions as may be deemed appropriate for the assignment of such debt to TEL, and for the said purpose do or cause to do all acts, deeds and things that may be necessary or required in connection therewith and to negotiate and execute agreements, security documents, confirmations, notices, filings and certificates as may be agreed with the lenders including any amendments thereto, or required by law.”

f. SHARE PLEDGE AGREEMENT

“RESOLVED THAT subject to Shareholders’ approval, the Company shall pledge its shares (if any) in TEL held by it from time to time, in favor of the Lenders of TEL, whether such shares are acquired directly by way of subscription or otherwise. Such ‘investment’ shall be for a period up till December 2034 or such period until the liabilities / obligations of the Sponsors remain undischarged, whichever is later.”

“RESOLVED THAT subject to Shareholders’ approval, the CEO, CFO and the Company Secretary, acting jointly or severally, be and are hereby authorized to execute the Share Pledge Agreement including all necessary documentation related thereto and for the said purpose do or cause to do all acts, deeds and things that may be necessary or required in connection therewith, as may be deemed appropriate and as mutually agreed with the Lenders of TEL including any amendments thereto, or as required by law.”

g. SPONSOR SUPPORT CONTRIBUTION LC

“RESOLVED THAT subject to the approval of the Shareholders, the Company is hereby authorized to provide a guarantee (in the form of standby letter of credit) for the benefit of TEL and Intercreditor Agent for an aggregate amount of US$ 31 million (or PKR equivalent) to guarantee an investment in the form of equity or subordinated debt to cover (a) cost overrun, (b) any obligation under financing documents prior to Project Completion Date (“PCD”), and (c) Commercial Operation Date (“COD”) undertakings. Such ‘investment’ shall be for a period up till the later of Project Completion Date or such other date that may be prescribed under the Sponsor Support Agreement.

FURTHER RESOLVED THAT the CEO, CFO and the Company Secretary, acting jointly or severally are authorized to negotiate and procure the Standby Letter of Credit from banks/ financial institution(s); provide security on such terms and conditions as may be deemed appropriate (including creation of charge, or hypothecation for the guarantee amount with appropriate margin over (movable and immovable) assets of the Company) for the issuance of Standby Letter of Credit and for the said purpose do or cause to do all acts, deeds and things that may be necessary or required in connection therewith and to negotiate and execute agreements, security documents, confirmations, notices, filings and certificates as may be agreed with the lenders, including any amendments to the Amended and Restated Tripartite Amendment Agreement dated 12 January 2018, or required by law.”

h. INITIAL DSRA AND DSRA LC

“RESOLVED THAT subject to the approval of the Shareholders, the Company is hereby authorized to issue a sponsor standby letter of credit to cover for the Initial Debt Service Reserve Account Shortfall, of an amount estimated not to exceed USD 20 million (or PKR equivalent), but which could be higher as detailed in the explanation. Such SBLC shall be for a period up till the first payment of the installment of the loan or such other date that may be prescribed under the Sponsor Support Agreement.

FURTHER RESOLVED THAT subject to the approval of the Shareholders, the Company is hereby authorized to issue a sponsor standby letter of credit to cover for the Debt Service Reserve Account, of an amount estimated not to exceed USD 20 million (or PKR equivalent), but which could be higher as detailed in the explanation. Such sponsor obligation shall be for a period of the tenure of the project loan or such other date that may be prescribed under the Sponsor Support Agreement.

FURTHER RESOLVED THAT the CEO, CFO and the Company Secretary, acting jointly or severally are authorized to negotiate and procure the Standby Letter of Credit from banks/ financial institution(s); provide security on such terms and conditions as may be deemed appropriate (including creation of charge, or hypothecation for the guarantee amount with appropriate margin over (movable and immovable) assets of the Company) for the issuance of Standby Letter of Credit and for the said purpose negotiate and execute agreements, security documents, confirmations, notices, filings and certificates as may be agreed with the lenders, including any amendments thereto, or required by law."

i. TEL PUT OPTION

"RESOLVED THAT, subject to Shareholder approval, the Company be and is hereby authorized to participate in the Put Option / Commercial Risk Guarantee ("Put Option / CRG") to be provided by local banks and financial institutions (including Habib Bank Limited) ("Put Option / CRG Financiers") to the foreign lenders and contributing payment of a sum not exceeding USD 15 million, ("Put Option / CG Contribution Amount") under the same as primary obligor in accordance with the terms of the Put Option / CRG Agreement. Such sponsor obligation shall be valid till December 2032 or such period until the liabilities / obligations of the Sponsors remain undischarged, whichever is later.

FURTHER RESOLVED THAT the Company be and is hereby authorized to provide sponsor support to the Put Option / CRG Financiers for various exposures being assumed by the Put Option / CRG Financiers in respect of the Put Option / CRG to cover any shortfall that TEL is unable to provide to the Put Option / CRG Financiers (which includes any foreign exchange risk and mark-up / interest) up to the extent of USD 10 million, or such other amount as maybe agreed with the Put Option / CRG Financiers from time to time ("Put Option / CRG Support Amount"). Such sponsor obligation shall be valid till December 2034 or such period until the liabilities / obligations of the Sponsors remain undischarged, whichever is later.

FURTHER RESOLVED THAT the Company is authorized to create a first ranking pari passu charge and/or mortgage over assets or such other alternate security as the lenders may reasonably require from time to time in favor of Put Option / CRG Financiers for the Put Option / CRG Support Amount and Put Option / CRG Contribution Amount with such margin and on such terms as may be deemed appropriate by the Authorized Persons (defined below).

FURTHER RESOLVED THAT the CEO, CFO and the Company Secretary ("Authorized Persons"), acting jointly or severally are authorized to negotiate and finalize the terms of the Put Option / CRG and to execute all necessary documents and agreements in relation to the same including but not limited to the security, sponsor support and other related documents and do all other matters incidental thereto, and carry out any other act or step which may be ancillary and / or incidental to do the above and necessary, including any amendments to the Amended and Restated Tripartite Amendment Agreement dated 12 January 2018, to fully achieve the object of the aforesaid resolutions."

j. EXCESS DEBT SUPPORT

"RESOLVED THAT subject to Shareholder approval, the Company be and is hereby authorized to provide contractual commitments up to USD 22 million (or PKR equivalent) to Lenders for the purpose of TEL taking excess debt, which is over and above the cost approved by NEPRA. Such sponsor obligation shall be for a period the earlier of the tenure of the project loan or December 2034 or such period until the liabilities / obligations of the Sponsors remain undischarged, whichever is later.

FURTHER RESOLVED THAT the CEO, CFO and the Company Secretary, acting jointly or severally are authorized to negotiate and finalize finance documents containing certain commitments in the form reasonably required by Lenders, to provide excess debt support to TEL with banks / financial institution(s); provide security on such terms and conditions as may be deemed appropriate (including creation of charge, or hypothecation for the guarantee amount with appropriate margin over (movable and immovable) assets of the Company) and for the said purpose negotiate and execute agreements, security documents, confirmations, notices, filings and certificates as may be agreed with the Lenders, including any amendments thereto, or required by law."

C. OTHER BUSINESS

1. To transact any other business with the permission of the Chair

By Order of the Board

Place: Karachi
Date: September 12, 2019

Shaharyar Nashat
Company Secretary

NOTES:

i. All members are entitled to attend and vote at Meeting.

ii. The Share Transfer Books of the Company will remain closed from Thursday, October 17, 2019 to Thursday October 24, 2019 (both days included).

iii. 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.

iv. Duly completed forms of proxy must be deposited with the Company Secretary at the Head Office of the Company no later than 48 hours before the time appointed for the meeting.

v. 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, 8F, Next to Hotel Faran, Nursery, Block 6, PECHS, Shahra-e-Faisal, 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.

A. For Attending the Meeting

i. In case of individuals, the Account Holders of Sub-account Holders and / or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate their identity by showing original Computerized National Identity (CNIC) or original passport at the time of attending the Meeting.

ii. In case of a corporate entity, the Board of Directors resolution / Power of Attorney with specimen signature of the nominee shall be produced (if it has not been provided earlier) at the time of attending the Meeting.

B. For Appointing Proxies

i. In case of individuals, the Account Holders of Sub-account Holders and / or the persons whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit their proxy forms as per the above mentioned requirements.

ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be stated on the form.

iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.

iv. In case of a corporate entity, the Board of Directors resolution / Power of Attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

C. Consent for Video Conference Facility

i. In compliance with Section 134(1)(b) of the Companies Act, 2017, if the Company receive consent from members holding aggregate 10% or more shareholding residing at geographical location to participate in the meeting through video link facility at least 10 days prior to the date of general meeting, the Company will arrange video link facility in that city. To avail this facility, please provide following information and submit to registered address of the Company.

ii. The Company will intimate members regarding venue of video conference facility at least 5 days before the date of the general meeting along with complete information necessary to enable them to access the facility

I/We, ____________________ of _____________ being a member of The Hub Power Company Limited, holder of __________ Ordinary Shares as per Register Folio No. ______ hereby opt for video conference facility at _______

Signature of member

STATEMENT PURSUANT **TO SECTION 134(3) OF THE COMPANIES ACT, 2017**

Pursuant to Section 134 (3) of the Companies Act, 2017, this Statement sets forth the material facts concerning the special business listed hereinabove, to be transacted at the Annual General Meeting of The Hub Power Company Limited (the "Company") to be held on Thursday, October 24, 2019.

1. INVESTMENT IN THAR ENERGY LIMITED ("TEL")

TEL was incorporated in Pakistan on May 17, 2016 as a wholly owned subsidiary of the Company under the repealed Companies Ordinance, 1984. The principal activities of TEL are to develop, own, operate and maintain a 330 MW mine-mouth coal fired power plant to be established at Thar Block II, Thar Coal Mine, Sindh **("Project").**

TEL has received commitment from Sindh Engro Coal Mining Company Limited **("SECMC")** for mining of coal in Thar Block II (Phase II) for supply of 1.9 million ton per annum of Thar Lignite coal for sustainable operations of the Thar Plant.

Pursuant to the proposal submitted by TEL on April 05, 2016 for setting up the Project, Private Power & Infrastructure Board **("PPIB")** issued Letter of Support ("LOS") on December 9, 2016 and accordingly TEL executed the Implementation Agreement with PPIB on November 10, 2017. TEL has also executed the Power Purchase Agreement, Water Use Agreement and Coal Supply Agreement in respect of the Project on July 27, 2017, October 17, 2017 and May 13, 2017 respectively. PPIB has approved extension in LOS deadline to achieve the financial close of the project by March 8, 2020.

Furthermore, TEL has executed term loan facility agreements for both US Dollar Loan Facility and Rupees Facility on December 20 2018. The Company entered into the US Dollar Facility Agreement with Cinna Development Bank and China Minsheng Bank Corporation Limited (USD Lenders) and executed the Rupees Facility Agreement with a syndicate of local banks including Habib Bank Limited, Bank AlFalah Limited, Bank Al—Habib Limited, National Bank of Pakistan, Soneri Bank Limited Faysal Bank limited and Sindh Bank Limited (PKR Lenders)

The Company has entered into the Shareholders' Agreement on March 15, 2018 with Fauji Fertilizer Company Limited **("FFC")**, CMEC TEL Power Investments Limited **("CMEC Dubai")** as shareholder and China Everbest Development International Limited **("CMEC HK")** as Sponsor. The Shareholders' Agreement provides for investment in equity of TEL by each of the shareholders such that the shares of TEL will be distributed as follows: the Company holds 60% of the total shareholding of TEL, FFC holds 30% and CMEC Dubai holds 10%. The Company, FFC and CMEC HK would be collectively referred as **("Sponsors")**

As a condition precedent to the availability of finance facilities for the development of the Project, the lenders of TEL require the Company to enter into a sponsor support agreement **("SSA")**. Under the SSA several guarantees, undertakings and commitments are required from the Sponsors which have for which shareholders' approval is being sought. The above-mentioned approvals have already been sought by the Company's Shareholders, in its Extra Ordinary General Meeting held on June 22, 2018. Since, the construction of the Project has been extended, the approval pertaining to the guarantees, undertakings and commitments under the SSA is sought again reflecting the change in timeline and to meet the requirements under the Finance Documents.

a. Equity

Investment in Equity of TEL

In the Extraordinary General Meeting of the Company held on June 22, 2018 the members of the Company approved the following investments in TEL, by way of a special resolution, as required by Section 199 of the Companies Act, 2017: "RESOLVED THAT, the approval of the members of the Company be and is hereby accorded in terms of Section 199 to make "investments" in Thar Energy Limited ('TEL') up to an amount not exceeding USD 78 million (or PKR equivalent) by way of a subscription of shares at the rate of Rs. 10 per share plus premium, if any, finalized by the Board of TEL. Such investment shall be for a period up till December 2022.

Since, the time line for the construction of the Project has been extended; revised approval for Sponsor Support LC is sought to the extent required under the Finance Documents.

*Standby letter of credit in an amount not exceeding US$ 78 million (**"Equity SBLC"**)*

With regards to the Equity SBLC, the same shall secure the obligations of the Company in respect of the equity contribution pursuant to the Shareholders Agreement dated March 15, 2018. For the purpose of clarity, please note that the SBLC forms part of the US$ 78 Million equity investment for which the approval is sought from the members of the Company and is not a standalone facility. However, given that the SBLC amounts to a separate "investment" for the purposes of the Act and the Regulations, the Company is required to obtain separate approvals for the same from its members. The SBLC amount will be reduced on each subsequent investment made in the project pursuant to SSA.

In the Extraordinary General Meeting of the Company held on June 22, 2018 the members of the Company approved the following investments in TEL, by way of a special resolution, as required by Section 199 of the Companies Act, 2017:

RESOLVED that the approval of the members of the Company be and is hereby accorded in terms of Section 199 to arrange and provide a Standby Letter of Credit to the Lenders of TEL or TEL to cover for the equity investment of (and up to an amount not exceeding) USD 78 million (or PKR equivalent) to guarantee the subscription of equity. Such SBLC shall be for a period up till December 2022"

Since, the time line for the construction of the Project has been extended; revised approval for investment in TEL is sought to the extent required under the Finance Documents.

b. Sponsor Support Contribution LC

The Company is required by the lenders of TEL to provide a guarantee/standby letter credit for the PKR equivalent of an amount not exceeding US$ 31 Million to guarantee an investment in the form of subordinated debt to cover (a) cost overrun (b) any obligation under financing documents prior to project completion date of the Project and (c) undertaking to achieve the Commercial Operations Date of the Project.

In the Extraordinary General Meeting of the Company held on June 22, 2018 the members of the Company approved the following investments in TEL, by way of a special resolution, as required by Section 199 of The Companies Act, 2017

RESOLVED that that the approval of the members of the Company be and is hereby accorded in terms of Section 199 to provide a guarantee (in the form of standby letter of credit) for the benefit of TEL and Intercreditor Agent for an aggregate amount of US$ 31 million (or PKR equivalent) to guarantee an investment in the form of equity or subordinated debt to cover (a) cost overrun, (b) any obligation under financing documents prior to Project Completion Date ("PCD"), and (c) Commercial Operation Date ("COD") undertakings. Such 'investment' shall be for a period up till the earlier of Project Completion Date or December 2025

Since, the time line for the construction of the Project has been extended; revised approval for Sponsor Support LC is sought to the extent required under the Finance Documents.

c. Working Capital Undertaking

With regards to the working capital financing, it is a contingent obligation of the Company pursuant to the Sponsor Support Agreement, which shall arise only if TEL is unable to arrange working capital, and in any case such obligation will not arise before the commencement of the operations of the Project, the expected date of which is March 31, 2021. The maximum amount of the working capital financing to be disbursed at the relevant time shall not exceed US$ 36 Million.

In the Extraordinary General Meeting of the Company held on June 22, 2018 the members of the Company approved the following investments in TEL, by way of a special resolution, as required by Section 199 of the Companies Act, 2017

RESOLVED that the approval of the members of the Company be and is hereby accorded in terms of Section 199 to undertake to the Lenders of TEL and to arrange and/or provide working capital financing to TEL equivalent to an aggregate amount of US$ 36 million. Such 'investment' shall be for a period up till December 2032.

Since, the time line for the construction of the Project has been extended; revised approval for Working Capital Undertaking is sought to the extent required under the Finance Documents.

d. DSRA Support

Support from the Sponsors is required in the form of Standby Letter of Credit ("SBLC") for an amount not exceeding the PKR equivalent of US$ 20 million in TEL either in the form of investment in equity or by way of debt/loan if there is a shortfall in DSRA or the project completion date of TEL has not been achieved for the purpose of repaying outstanding obligations owed by TEL to its lenders, including any financing costs (the "**Initial DSRA Support**"), and to create security on the assets of the Company as may be required by the relevant lenders that will issue the requisite letter(s) of credit.

After the project completion date of the Project, the lenders of TEL have allowed Sponsors to withdraw the cash from the DSRA account provided Sponsors issue "DSRA LC" for the amount of the current DSRA. After the final maturity date of project loan, the TEL lenders will issue instructions to the Facility Agent to release the **DSRA LC**. That amount can also vary depending on the then prevailing LIBOR/KIBOR rate so the estimation is that, Hubco's share will not exceed US$ 20 million, although it can be slightly higher or lower. Upon a demand being made for payment under the DSRA LC and receiving such payment, the said amount may be treated as equity or at the option of the Sponsors collectively, subordinated debt advanced in favor of TEL in an amount equal to such portion of the DSRA LC that is called upon.

In the Extraordinary General Meeting of the Company held on June 22, 2018 the members of the Company approved the following investments in TEL, by way of a special resolution, as required by Section 199 of the Companies Act, 2017

RESOLVED that that the approval of the members of the Company be and is hereby accorded in terms of Section 199 to authorize the Company to issue a sponsor standby letter of credit to cover for the Initial Debt Service Reserve Account Shortfall, of an amount estimated not to exceed USD 20 million (or PKR equivalent), but which may be higher. Such SBLC shall be for a period up till the earlier of first payment of the installment of the loan or December 2023.

FURTHER RESOLVED that the Company is hereby authorized to issue a sponsor standby letter of credit to cover for the Debt Service Reserve Account, of an amount estimated not to exceed USD 20 million (or PKR equivalent), but which could be higher as detailed in the explanation. Such sponsor obligation shall be for a period earlier of the tenure of the project loan or December 2032.

Since, the time line for the construction of the Project has been extended; revised approval for Initial DSRA support and DSRA LC is sought to the extent required under the Finance Documents.

e. Commercial Risk Guarantee

In order to secure the residual commercial risk post ex-Sinosure Policy (as Sinosure Policy would only cover 65% commercial risk), a Commercial Risk Guarantee structure has been finalized among the Chinese lenders, local lenders and Sponsors. Under the arrangement, Chinese lenders required some additional coverage from the local lenders. Since Sinosure has agreed to take 65% commercial risk, and the Chinese lenders have agreed to take 15% commercial risk, Sponsors are required to provide additional coverage to Chinese Banks for the residual 20% commercial risk. This 'Put Option' Facility shall be available for a period of 14 years, with Sponsors Portion to be secured by a charge over Sponsors assets. In addition, Sponsors have to provide conditional / contingent support to lenders to cover for (a) any differential of the amount payable to the amount received from CDB in lieu of markup on the forced loan not settled by project company (if any); and (b) any excess exposure of the Commercial Risk Guarantee provider because of PKR devaluation against US$. Therefore, the Company's exposure (60% share) as Sponsor Support for the Put Option would US$ 15 Million as primary obligor and US$ 10 Million as markup on the forced loan not settled by project company (if any) and any excess exposure on account of US$ / PKR devaluation.

In the Extraordinary General Meeting of the Company held on June 22, 2018 the members of the Company approved the following investments in TEL, by way of a special resolution, as required by Section 199 of the Companies Act, 2017

RESOLVED THAT the approval of the members of the Company be and is hereby accorded in terms of Section 199 to participate in the Put Option / Commercial Risk Guarantee ("Put Option / CRG") to be provided by local banks and financial institutions (including Habib Bank Limited) ("Put Option / CRG Financiers") to the foreign lenders and contributing payment of a sum not exceeding USD 15 million, ("Put Option / CG Contribution Amount") under the same as primary obligor in accordance with the terms of the Put Option / CRG Agreement. Such sponsor obligation shall be valid till December 2032"

FURTHER RESOLVED that the Company be and is hereby authorized to provide sponsor support to the Put Option / CRG Financiers for various exposures being assumed by the Put Option / CRG Financiers in respect of the Put Option / CRG to cover any shortfall that TEL is unable to provide to the Put Option / CRG Financiers (which includes any foreign exchange risk and mark-up / interest) up to the extent of USD 10 million, or such other amount as maybe agreed with the Put Option / CRG Financiers from time to time ("Put Option / CRG Support Amount"). Such sponsor obligation shall be valid till December 2032.

FURTHER RESOLVED that the Company is authorized to create a first ranking pari passu charge and/or mortgage over assets or such other alternate security as the lenders may reasonably require from time to time in favor of Put Option / CRG Financiers for the Put Option / CRG Support Amount and Put Option / CRG Contribution Amount with such margin and on such terms as may be deemed appropriate by the Authorized Persons (defined below).

FURTHER RESOLVED THAT the CEO, CFO and the Company Secretary ("Authorized Persons"), acting jointly or severally are authorized to negotiate and finalize the terms of the Put Option / CRG and to execute all necessary documents and agreements in relation to the same including but not limited to the security, sponsor support and other related documents and do all other matters incidental thereto, and carry out any other act or step which may be ancillary and / or incidental to do the above and necessary, including any amendments to the Amended and Restated Tripartite Amendment Agreement dated January 12, 2018, to fully achieve the object of the aforesaid resolutions."

Since, the time line for the construction of the Project has been extended; revised approval for Commercial Risk Guarantee is sought to the extent required under the Finance Documents.

f. Excess Debt Support

In the event TEL requires excess debt, which is over and above the cost approved by NEPRA in the tariff awarded to the Company dated October 18, 2016, the Company is required to provide support in the form of contractual commitments to the lenders of TEL (and/or the security trustee) for TEL taking such excess debt. The excess debt support shall not exceed the PKR equivalent of US$ 22 million plus unpaid markup, if any.

In the Extraordinary General Meeting of the Company held on June 22, 2018 the members of the Company approved the following investments in TEL, by way of a special resolution, as required by Section 199 of the Companies Act, 2017

RESOLVED that that the approval of the members of the Company be and is hereby accorded in terms of Section 199 to authorize the Company to provide contractual commitments up to USD 22 million (or PKR equivalent) to Lenders for the purpose of TEL taking excess debt, which is over and above the cost approved by NEPRA. Such sponsor obligation shall be for a period earlier of the tenure of the project loan or December 2032

Since, the time line for the construction of the Project has been extended; revised approval for Excess Debt Support is sought to the extent required under the Finance Documents.

g. Share Pledge

With regards to the share pledge, the same does not entail any additional financial commitment of the Company towards TEL and is being provided as an additional form of security to the lenders of TEL, to secure TEL's repayment obligations under the financing documents.

As per the requirements of Section 134(3) of the Companies Act, 2017, the Sponsor Support Agreement (when executed) will be available for inspection at the registered office i.e. 11th Floor, Ocean Tower, Main Clifton Road, Block 9, Clifton, Karachi of the Company on working days between normal business hours.

In the Extraordinary General Meeting of the Company held on June 22, 2018 the members of the Company approved the following investments in TEL, by way of a special resolution, as required by Section 199 of the Companies Act, 2017 is sought

RESOLVED that the approval of the members of the Company be and is hereby accorded in terms of Section 199 to pledge its shares (if any) in TEL with the Lenders of TEL, whether such shares are acquired directly by way of subscription or otherwise. Such 'investment' shall be for a period up till December 2032."

Since, the time line for the construction of the Project has been extended; revised approval for Share Pledge is sought to the extent required under the Finance Documents.

INFORMATION PURSUANT **TO THE COMPANIES**

(Investment in Associated Companies Associated or Associated Undertakings) Regulations 2017 (the "Regulations")

INVESTMENT IN TEL

A. INVESTMENT IN EQUITY:

Investments in TEL up to an amount not exceeding US$ 78 Million (US$ Seventy Eight Million) (or PKR equivalent) by way of subscription of shares in TEL

(a) Disclosures required under Regulations 3(a):

Information Required	Information Provided
Name of the "associated company"	Thar Energy Limited (TEL)
Basis of relationship;	The Company holds 60% of the total issued shares of TEL. Mr. Khalid Mansoor, CEO, Director of the Company, is also on the Board of TEL.
Earnings per share for the last three years;	2019: 0.071 2018: (0.17) 2017: (2.27)
Break-up value per share, based on latest audited financial statements;	23.16 per share as of June 2019
Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	Position as of June 30, 2019 In '000' Total Assets 21,536,553 Equity 9,214,214 Current Liabilities 12,322,339 General and Administration Expenses 116,400 Profit for the Period 66,488
In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,- (I) Description of the project and its history since conceptualization; (II) Starting date and expected date of completion of work; (III) Time by which such project shall become commercially operational; (IV) Expected time by which the project shall start paying return on investment; and (V) Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;	(I) Please see preamble above for project description (II) Work has commenced on the Project, and the Project is expected to achieve Commercial Operations Date ("COD") by March 31, 2021 (III) The Project is expected to achieve Commercial Operations Date around March 2021 (IV) The Project is expected to start paying return on investment after the project completion date and subject to TEL lenders' approval. (V) As at June 30, 2019, the Company has invested US$ 45.27 Million in TEL. The Company will further invest US$ 32.73 Million **Non-Funded:** Equity SBLC of US$ 78 Million

Information Required	Information Provided
Maximum amount of investment to be made;	Where the Board of TEL decides that TEL requires additional funding, the Board shall raise funds by issuance of further shares to the shareholders in proportion to the percentage of Shares owned by them at such time. The Company may invest an amount not exceeding US$ 78million (in equivalent Pakistan Rupees) in cash.
Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To construct, own, and operate 330 MW at the Thar Site in the province of Sindh, Pakistan ('Project') at a total cost of about US$ 520 Million. In terms of Commercial Operations Date of the Project, the commissioning of the facility is anticipated by March 2021. In terms of the benefits to the Company, the Project is being set under the 2015 Power Policy which is anticipated to offers an IRR of 20% in US$ following the COD. The investment would be made as and when needed till the project completion date of the Project being set up by TEL as required by the lenders of TEL.
Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,- (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis;	(I) The cost of funds if provided through borrowings would be much less than 20% IRR. Further where the Company takes long term debt to fund such investments, the Company is able to share the risk of loss with the lenders (II) Pari-passu charge on all the present and future fixed assets of the Company (III) Project is anticipated to offer an IRR of 20% in US$ following COD
Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Equity investment equivalent to 60% of the total issued shares of TEL The Shareholders' Agreement contemplates investment in equity of TEL by each of the shareholders such that the shares of TEL are distributed as follows: the Company holds 60% of the total shareholding of TEL, FFC holds 30% and CMEC Dubai holds 10%
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Mr. Khalid Mansoor, is the CEO of the Company and Director of TEL. Mr. Tahir Jawaid is an employee of Hub Power Services Ltd. (which is a wholly-owned subsidiary of Hubco) and a Director of TEL. Mr. Saleemullah Memon is an employee of the Company and has been seconded as the CEO of TEL.

INFORMATION PURSUANT **TO THE COMPANIES**

(Investment in Associated Companies Associated or Associated Undertakings) Regulations 2017 (the “Regulations”)

Information Required	**Information Provided**
In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/ justification for any impairment or write offs;	All major project agreements, including offshore supply contract, onshore construction contract, coal supply agreement, power purchase agreement, implementation agreement and supplemental implementation agreement have been signed. With regards to achievement of financial close of the project, financing documents have been signed and TEL is expected to achieve the financial close within the timelines required. TEL is committed to ensuring Commercial Operations Date of the Project by March 2021. In terms of the benefits to the Company, the Project is being set up under the 2015 Power Policy. Project is offering an IRR of 20% in US$, following the Commercial Operations Date. No impairment conditions exist on the investment; accordingly, no charge/write offs have been made till date.
Any other important details necessary for the members to understand the transaction;	The Shareholders’ Agreement entered between the Company, CMEC Dubai, CMEC HK, and FFC is available for your perusal.

(b) Disclosures required under Regulation 3(b):

Maximum price at which securities will be acquired	Rs. 10/ per share or such other rate as may be decided by the board of directors of TEL
In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	N/A
Maximum number of securities to be acquired	Number of securities would be determined by converting the US$ investment amount into PKR on the date of subscription and dividing the same by the rate of the shares as decided by the board of directors of TEL
Number of securities and percentage thereof held before and after the proposed investment	Present holding – 60% (equivalent PKR).The number of securities would depend upon the call made under difference commitments specified above in preamble whether or not the Company opts to satisfy the call by way of subscription of shares in TEL. It is anticipated that the holding to stay 60%.
Current and preceding twelve weeks’ weighted average market price where investment is proposed to be made in listed securities; and	N/A
Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities;	Regulation 5(1) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2017 provides that in case of investment in unlisted equity securities of an associated company or undertaking, the fair value for such securities shall be determined based on the generally accepted valuation techniques and latest financial statements of the associated company. TEL is currently not an operational company therefore, the determination of fair value of its shares, provided for in the Regulation cannot be made at this time. PKR 10 per share is the par value of the share and the latest offer price of TELs’ shares. The Company, CMEC and FFC shall subscribe to shares of TEL at PKR 10 per share.

(B) SPONSOR SUPPORT CONTRIBUTION LC

Investment in an amount not exceeding US$ 31 Million (US$ Thirty One Million) (or PKR equivalent)

(i) investment in the form of equity

(a) Disclosures required under Regulations 3(a):

Information Required	**Information Provided**
Name of the "associated company"	Thar Energy Limited (TEL)
Basis of relationship;	The Company holds 60% of the total issued shares of TEL. Mr. Khalid Mansoor, CEO, Director of the Company, is also on the Board of TEL.
Earnings per share for the last three years;	2019: 0.071 2018: (0.17) 2017: (2.27)
Break-up value per share, based on latest audited financial statements;	Rs. 23.16 per share as of June 2019
Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	Position as of June 30, 2019 In '000' Total Assets 21,536,553 Equity 9,214,214 Current Liabilities 12,322,339 General and Administration Expenses 116,400 Profit for the Period 66,488
In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,- (I) Description of the project and its history since conceptualization; (II) Starting date and expected date of completion of work; (III) Time by which such project shall become commercially operational; (IV) Expected time by which the project shall start paying return on investment; and (V) Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;	(I) Please see preamble above for project description (II) Work has commenced on the Project, and the Project is expected to achieve Commercial Operations Date ("COD") by March 31, 2021 (III) The Project is expected to achieve Commercial Operations Date around March 2021 (IV) The Project is expected to start paying return on investment after the project completion date and subject to TEL lenders' approval. (V) **Non-Funded:** Sponsor Support Contribution SBLC of US$ 31 Million

INFORMATION PURSUANT
TO THE COMPANIES

(Investment in Associated Companies Associated or Associated Undertakings) Regulations 2017 (the "Regulations")

Information Required	**Information Provided**
Maximum amount of investment to be made;	US$ 31 Million (in equivalent Pakistan Rupees)
Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To construct, own, and operate 330 MW at the Thar Site in the province of Sindh Pakistan ('Project') at a total cost of about US$ 520 Million. In terms of Commercial Operations Date of the Project, the commissioning of the facility is anticipated by March 2021. In terms of the benefits to the Company, the Project is being set under the 2015 Power Policy which is anticipated to offers an IRR of 20% in US$ following the COD. The investment would be made as and when needed till the project completion date of the Project being set up by TEL as required by the lenders of TEL.
Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,- (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis;	(I) The cost of funds if provided through borrowings would be much less than 20% IRR. Further where the Company takes long term debt to fund such investments, the Company is able to share the risk of loss with the lenders (II) Pari-passu charge on all the present and future fixed assets of the Company (III) Project is anticipated to offers an IRR of 20% in US$ following COD
Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Equity investment equivalent to 60% of the total issued shares of TEL The Shareholders' Agreement contemplates investment in equity of TEL by each of the shareholders such that the shares of TEL are distributed as follows: the Company holds 60% of the total shareholding of TEL, FFC holds 30% and CMEC Dubai holds 10%)
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Mr. Khalid Mansoor, is the CEO of the Company and Director of TEL. Mr. Tahir Jawaid is an employee of Hub Power Services Ltd. (which is a wholly-owned subsidiary of Hubco) and a Director of TEL. Mr. Saleemullah Memon is an employee of the Company and has been seconded as the CEO of TEL.

Information Required	Information Provided
In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/ justification for any impairment or write offs;	All major project agreements including offshore supply contract, onshore construction contract, coal supply agreement, power purchase agreement, implementation agreement and supplemental implementation agreement have been signed. With regards to achievement of financial close of the project, foreign and local term sheets have been signed and TEL is expected to achieve the financial close within the timelines required. TEL is committed to ensuring Commercial Operations Date of the Project by March 2021. In terms of the benefits to the Company, the Project is being set up under the 2015 Power Policy. Project is offering an IRR of 20% in US$, following the Commercial Operations Date. No impairment conditions exist on the investment; accordingly, no charge/write offs have been made till date.
Any other important details necessary for the members to understand the transaction;	The Shareholders' Agreement entered between the Company, CMEC Dubai, CMEC HK, and FFC is available for your perusal.

(b) Disclosures required under Regulation 3(b):

Maximum price at which securities will be acquired	Rs. 10/ per share or such other rate as may be decided by the board of directors of TEL
In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	N/A
Maximum number of securities to be acquired	Number of securities would be determined by converting the US$ investment amount into PKR on the date of subscription and dividing the same by the rate of the shares as decided by the board of directors of TEL
Number of securities and percentage thereof held before and after the proposed investment	Present holding – 60% (equivalent PKR). The number of securities would depend upon the call made under difference commitments specified above in preamble whether or not the Company opts to satisfy the call by way of subscription of shares in TEL. It is anticipated that the holding will to stay 60%
Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and	N/A
Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities;	Regulation 5(1) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2017 provides that in case of investment in unlisted equity securities of an associated company or undertaking, the fair value for such securities shall be determined based on the generally accepted valuation techniques and latest financial statements of the associated company. TEL is currently not an operational company therefore, the determination of fair value of its shares, provided for in the Regulation cannot be made at this time. PKR 10 per share is the par value of the share and the latest offer price of TELs' shares. The Company, CMEC and FFC shall subscribe to shares of TEL at PKR 10 per share.

INFORMATION PURSUANT TO THE COMPANIES

(Investment in Associated Companies Associated or Associated Undertakings) Regulations 2017 (the "Regulations")

(B) SPONSOR SUPPORT CONTRIBUTION LC

(ii) investment in the form of subordinated debt

(a) Disclosures under Regulation 3(a)

Information Required	**Information Provided**
Name of the "associated company"	Thar Energy Limited (TEL)
Basis of relationship;	The Company holds 60% of the total issued shares of TEL. Mr. Khalid Mansoor, CEO, Director of the Company, is also on the Board of TEL.
Earnings per share for the last three years;	2019: 0.071 2018: (0.17) 2017: (2.27)
Break-up value per share, based on latest audited financial statements;	Rs. 23.16 per share as of June 2019
Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	Position as of June 30, 2019 In '000' Total Assets 21,536,553 Equity 9,214,214 Current Liabilities 12,322,339 General and Administration Expenses 116,400 Profit for the Period 66,488
In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,- (I) Description of the project and its history since conceptualization; (II) Starting date and expected date of completion of work; (III) Time by which such project shall become commercially operational; (IV) Expected time by which the project shall start paying return on investment; and (V) Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;	(I) Please see preamble above for project description (II) Work has commenced on the Project, and the Project is expected to achieve Commercial Operations Date ("COD") by March 31, 2021 (III) The Project is expected to achieve Commercial Operations Date around March 2021 (IV) The Project is expected to start paying return on investment after the project completion date and subject to TEL lenders' approval. (V) **Non-Funded:** Sponsor Support Contribution SBLC of US$ 31 Million

Information Required	Information Provided
Maximum amount of investment to be made;	US$ 31 Million (in equivalent Pakistan Rupees)
Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To construct, own, and operate 330 MW at the Thar Site in the province of Sindh Pakistan ('Project') at a total cost of about US$ 520 Million. In terms of Commercial Operations Date of the Project, the commissioning of the facility is anticipated by March 2021. In terms of the benefits to the Company, the Project is being set under the 2015 Power Policy which is anticipated to offers an IRR of 20% in US$ following the COD. The investment would be made as and when needed till the project completion date of the Project being set up by TEL as required by the lenders of TEL.
Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,- (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis;	(I) The cost of funds if provided through borrowings would be much less than 20% IRR. Further where the Company takes long term debt to fund such investments, the Company is able to share the risk of loss with the lenders (II) Pari-passu charge on all the present and future fixed assets of the Company (III) Project is anticipated to offers an IRR of 20% in US$ following COD
Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Equity investment equivalent to 60% of the total issued shares of TEL The Shareholders' Agreement contemplates investment in equity of TEL by each of the shareholders such that the shares of TEL are distributed as follows: the Company holds 60% of the total shareholding of TEL, FFC holds 30% and CMEC Dubai holds 10%)
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Mr. Khalid Mansoor, is the CEO of the Company and Director of TEL. Mr. Tahir Jawaid is an employee of Hub Power Services Ltd. (which is a wholly-owned subsidiary of Hubco) and a Director of TEL. Mr. Saleemullah Memon is an employee of the Company and has been seconded as the CEO of TEL.

INFORMATION PURSUANT
TO THE COMPANIES

(Investment in Associated Companies Associated or Associated Undertakings) Regulations 2017 (the "Regulations")

Information Required	Information Provided
In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/ justification for any impairment or write offs;	All major project agreements including offshore supply contract, onshore construction contract, coal supply agreement, power purchase agreement, implementation agreement and supplemental implementation agreement have been signed. With regards to achievement of financial close of the project, foreign and local term sheets have been signed and TEL is expected to achieve the financial close within the timelines required. TEL is committed to ensuring Commercial Operations Date of the Project by March 2021. In terms of the benefits to the Company, the Project is being set up under the 2015 Power Policy. Project is offering an IRR of 20% in US$, following the Commercial Operations Date. No impairment conditions exist on the investment; accordingly, no charge/write offs have been made till date.
Any other important details necessary for the members to understand the transaction;	The Shareholders' Agreement entered between the Company, CMEC Dubai, CMEC HK, and FFC is available for your perusal.

(b) Disclosures under Regulation 3(c)

Category-wise amount of investment;	As mentioned above in preamble
Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and	1% approximately
Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	The commission on the guarantee and any other charge would have to be agreed with the bank providing the Guarantee. In the event any amount is invested as a loan the Company shall require TEL to pay interest at the standard bank rates, to be mutually agreed between the parties
Particulars of collateral or security to be obtained in relation to the proposed investment	No security will be obtained from the borrowing company as it will be a subordinated loan from the Company to TEL
if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable;	N/A
Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking	Any amount paid as loan to TEL or its lenders pursuant to the Sponsor Support LC shall be marked as debt subordinated to that of TEL's Lenders and assignable to TEL's Lenders which shall be repayable after the repayment of amounts due to the Lenders of TEL

(C) WORKING CAPITAL UNDERTAKING

Investment to provide working capital financing to TEL in an amount not exceeding US$ 36 Million (US$ Thirty Six Million)

(i) Investment in the form of equity

(a) Disclosures under Regulation 3(a)

Information Required	Information Provided
Name of the "associated company"	Thar Energy Limited (TEL)
Basis of relationship;	The Company holds 60% of the total issued shares of TEL. Mr. Khalid Mansoor, CEO, Director of the Company, is also on the Board of TEL.
Earnings per share for the last three years;	2019: 0.071 2018: (0.17) 2017: (2.27)
Break-up value per share, based on latest audited financial statements;	Rs. 23.16 per share as of June 2019
Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	Position as of June 30, 2019 In '000 Total Assets 21,536,553 Equity 9,214,214 Current Liabilities 12,322,339 General and Administration Expenses 116,400 Profit for the Period 66,488
In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,- (I) Description of the project and its history since conceptualization; (II) Starting date and expected date of completion of work; (III) Time by which such project shall become commercially operational; (IV) Expected time by which the project shall start paying return on investment; and (V) Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;	(I) Please see preamble above for project description. (II) Work has commenced on the Project, and the Project is expected to achieve Commercial Operations Date ("COD") by March 31, 2021. (III) The Project is expected to achieve Commercial Operations Date around March 2021. (IV) The Project is expected to start paying return on investment after the project completion date and subject to TEL lenders' approval. (V) **Non-Funded:** Contractual commitment of US$ 36 Million

INFORMATION PURSUANT **TO THE COMPANIES**

(Investment in Associated Companies Associated or Associated Undertakings) Regulations 2017 (the "Regulations")

Information Required	**Information Provided**
Maximum amount of investment to be made;	US$ 36 Million (in equivalent Pakistan Rupees)
Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To construct, own, and operate 330 MW at the Thar Site in the province of Sindh Pakistan ('Project') at a total cost of about US$ 520 Million. In terms of Commercial Operations Date of the Project, the commissioning of the facility is anticipated by March 2021. In terms of the benefits to the Company, the Project is being set under the 2015 Power Policy which is anticipated to offers an IRR of 20% in US$ following the COD. The investment would be made as and when needed till the project completion date of the Project being set up by TEL as required by the lenders of TEL.
Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,- (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis;	(I) The cost of funds if provided through borrowings would be much less than 20% IRR. Further where the Company takes long term debt to fund such investments, the Company is able to share the risk of loss with the lenders (II) Pari-passu charge on all the present and future fixed assets of the Company (III) Project is anticipated to offer an IRR of 20% in US$ following COD
Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Equity investment equivalent to 60% of the total issued shares of TEL The Shareholders' Agreement contemplates investment in equity of TEL by each of the shareholders such that the shares of TEL are distributed as follows: the Company holds 60% of the total shareholding of TEL, FFC holds 30% and CMEC Dubai holds 10%
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Mr. Khalid Mansoor, is the CEO of the Company and Director of TEL. Mr. Tahir Jawaid is an employee of Hub Power Services Ltd. (which is a wholly-owned subsidiary of Hubco) and a Director of TEL. Mr. Saleemullah Memon is an employee of the Company and has been seconded as the CEO of TEL.

Information Required	Information Provided
In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/ justification for any impairment or write offs;	All major project agreements including offshore supply contract, onshore construction contract, coal supply agreement, power purchase agreement, implementation agreement and supplemental implementation agreement have been signed. With regards to achievement of financial close of the project, foreign and local term sheets have been signed and TEL is expected to achieve the financial close within the timelines required. TEL is committed to ensuring Commercial Operations Date of the Project by March 2021. In terms of the benefits to the Company, the Project is being set up under the 2015 Power Policy. Project is offering an IRR of 20% in US$, following the Commercial Operations Date. No impairment conditions exist on the investment; accordingly, no charge/write offs have been made till date.
Any other important details necessary for the members to understand the transaction;	The Shareholders' Agreement entered between the Company, CMEC Dubai, CMEC HK, and FFC is available for your perusal.

(b) Disclosures required under Regulation 3(b):

Maximum price at which securities will be acquired	Rs. 10/ per share or such other rate as may be decided by the board of directors of TEL
In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	N/A
Maximum number of securities to be acquired	Number of securities would be determined by converting the US$ investment amount into PKR on the date of subscription and dividing the same by the rate of the shares as decided by the board of directors of TEL
Number of securities and percentage thereof held before and after the proposed investment	Present holding – 60% (equivalent PKR). The number of securities would depend upon the call made under difference commitments specified above in preamble whether or not the Company opts to satisfy the call by way of subscription of shares in TEL. It is anticipated that the holding will go down to 60%
Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and	N/A
Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities;	Regulation 5(1) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2017 provides that in case of investment in unlisted equity securities of an associated company or undertaking, the fair value for such securities shall be determined based on the generally accepted valuation techniques and latest financial statements of the associated company. TEL is currently not an operational company therefore, the determination of fair value of its shares, provided for in the Regulation cannot be made at this time. PKR 10 per share is the par value of the share and the latest offer price of TELs' shares. The Company, CMEC and FFC shall subscribe to shares of TEL at PKR 10 per share.

INFORMATION PURSUANT **TO THE COMPANIES**

(Investment in Associated Companies Associated or Associated Undertakings) Regulations 2017 (the "Regulations")

(C) WORKING CAPITAL

(ii) investment in the form of subordinated debt

(a) Disclosures under Regulation 3(a)

<table>
<tr><th>Information Required</th><th>Information Provided</th></tr>
<tr><td>Name of the "associated company"</td><td>Thar Energy Limited (TEL)</td></tr>
<tr><td>Basis of relationship;</td><td>The Company holds 60% of the total issued shares of TEL.

Mr. Khalid Mansoor, CEO, Director of the Company, is also on the Board of TEL.</td></tr>
<tr><td>Earnings per share for the last three years;</td><td><table><tr><td>2019</td><td>0.071</td></tr><tr><td>2018</td><td>(0.17)</td></tr><tr><td>2017</td><td>(2.27)</td></tr></table></td></tr>
<tr><td>Break-up value per share, based on latest audited financial statements;</td><td>Rs. 23.16 per share as of June 2019</td></tr>
<tr><td>Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements</td><td>Position as of June 30, 2019
In '000'
Total Assets 21,536,553
Equity 9,214,214
Current Liabilities 12,322,339
General and Administration Expenses 116,400
Profit for the Period 66,488</td></tr>
<tr><td>In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,-

I. Description of the project and its history since conceptualization;

II. Starting date and expected date of completion of work;

III. Time by which such project shall become commercially operational;

IV. Expected time by which the project shall start paying return on investment; and

V. Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;</td><td>(I) Please see preamble above for project description

(II) Work has commenced on the Project, and the Project is expected to achieve Commercial Operations Date ("COD") by March 31, 2021

(III) The Project is expected to achieve Commercial Operations Date around March 2021

(IV) The Project is expected to start paying return on investment after the project completion date and subject to TEL lenders' approval.

(V) Non-Funded: Contractual commitment of US$ 36 Million</td></tr>
</table>

Information Required	Information Provided
Maximum amount of investment to be made;	US$ 36 Million (in equivalent Pakistan Rupees)
Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To construct, own, and operate 330 MW at the Thar Site in the province of Sindh Pakistan ('Project') at a total cost of about US$ 520 Million. In terms of Commercial Operations Date of the Project, the commissioning of the facility is anticipated by March 2020. In terms of the benefits to the Company, the Project is being set under the 2015 Power Policy which is anticipated to offers an IRR of 20% in US$ following the COD. The investment would be made as and when needed till the project completion date of the Project being set up by TEL as required by the lenders of TEL.
Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,- I. justification for investment through borrowings; II. detail of collateral, guarantees provided and assets pledged for obtaining such funds; and III. cost benefit analysis;	(I) The cost of funds if provided through borrowings would be much less than 20% IRR. Further where the Company takes long term debt to fund such investments, the Company is able to share the risk of loss with the lenders (II) Pari-passu charge on all the present and future fixed assets of the Company (III) Project is anticipated to offer an IRR of 20% in US$ following COD
Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Equity investment equivalent to 60% of the total issued shares of TEL The Shareholders' Agreement contemplates investment in equity of TEL by each of the shareholders such that the shares of TEL are distributed as follows: the Company holds 60% of the total shareholding of TEL, FFC holds 30% and CMEC Dubai holds 10%
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Mr. Khalid Mansoor, is the CEO of the Company and Director of TEL. Mr. Tahir Jawaid is an employee of Hub Power Services Ltd. (which is a wholly-owned subsidiary of Hubco) and a Director of TEL. Mr. Saleemullah Memon is an employee of the Company and has been seconded as the CEO of TEL.

INFORMATION PURSUANT **TO THE COMPANIES**

(Investment in Associated Companies Associated or Associated Undertakings) Regulations 2017 (the "Regulations")

Information Required	**Information Provided**
In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/ justification for any impairment or write offs;	All major project agreements including offshore supply contract, onshore construction contract, coal supply agreement, power purchase agreement, implementation agreement and supplemental implementation agreement have been signed. With regards to achievement of financial close of the project, foreign and local term sheets have been signed and TEL is expected to achieve the financial close within the timelines required. TEL is committed to ensuring Commercial Operations Date of the Project by March 2021. In terms of the benefits to the Company, the Project is being set up under the 2015 Power Policy. Project is offering an IRR of 20% in US$, following the Commercial Operations Date. No impairment conditions exist on the investment; accordingly, no charge/write offs have been made till date.
Any other important details necessary for the members to understand the transaction;	The Shareholders' Agreement entered between the Company, CMEC Dubai, CMEC HK, and FFC is available for your perusal. Sponsor Support Agreement and Share Pledge Agreement are to be entered between the Sponsors, TEL, TEL's lenders, and other shareholders of TEL on terms to be finalized with the lenders of TEL.

(b) Disclosures under Regulation 3(c)

Category-wise amount of investment;	As mentioned above in preamble
Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and	N/A
Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	The commission on the guarantee and any other charge would have to be agreed with the bank providing the Guarantee. In the event any amount is invested as a loan the Company shall require TEL to pay interest at the standard bank rates, to be mutually agreed between the parties
Particulars of collateral or security to be obtained in relation to the proposed investment	No security will be obtained from the borrowing company as it will be a subordinated loan from the Company to TEL
if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable;	N/A
Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking	Any amount paid as loan to TEL or its lenders pursuant to the Working Capital Commitment shall be marked as debt subordinated to that of TEL's Lenders and assignable to TEL's Lenders which shall be repayable after the repayment of amounts due to the Lenders of TEL

(D) DSRA SUPPORT

Investment in TEL of an amount not exceeding US$ 20 Million for Initial DSRA and US$ 20 Million for Final DSRA (or PKR equivalent)

(i) investment in the form of equity

(a) Disclosures under Regulation 3(a)

Information Required	Information Provided
Name of the "associated company"	Thar Energy Limited (TEL)
Basis of relationship;	The Company holds 60% of the total issued shares of TEL. Mr. Khalid Mansoor, CEO, Director of the Company, is also on the Board of TEL.
Earnings per share for the last three years;	2019: 0.071 2018: (0.17) 2017: (2.27)
Break-up value per share, based on latest audited financial statements;	Rs. 23.16 per share as of June 2019
Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements	Position as of June 30, 2019 In '000' Total Assets 21,536,553 Equity 9,214,214 Current Liabilities 12,322,339 General and Administration Expenses 116,400 Profit for the Period 66,488
In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,- I. Description of the project and its history since conceptualization; II. Starting date and expected date of completion of work; III. Time by which such project shall become commercially operational; IV. Expected time by which the project shall start paying return on investment; and V. Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;	(I) Please see preamble above for project description (II) Work has commenced on the Project, and the Project is expected to achieve Commercial Operations Date ("COD") by March 31, 2021 (III) The Project is expected to achieve Commercial Operations Date around March 2021 (IV) The Project is expected to start paying return on investment after the project completion date and subject to TEL lenders' approval. (V) Non-Funded: Contractual commitment to provide Initial DSRA SBLC of US$ 20 Million; and obligation to provide final DSRA SBLC of US$ 20 Million

INFORMATION PURSUANT
TO THE COMPANIES

(Investment in Associated Companies Associated or Associated Undertakings) Regulations 2017 (the "Regulations")

Information Required	Information Provided
Maximum amount of investment to be made;	Initial DSRA SBLC US$ 20 Million (or in equivalent Pakistan Rupees) and final DSRA SBLC US$ 20 Million (in equivalent Pakistan Rupees)
Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To construct, own, and operate 330 MW at the Thar Site in the province of Sindh Pakistan ('Project') at a total cost of about US$ 520 Million. In terms of Commercial Operations Date of the Project, the commissioning of the facility is anticipated by March 2021. In terms of the benefits to the Company, the Project is being set under the 2015 Power Policy which is anticipated to offers an IRR of 20% in US$ following the COD. The investment would be made as and when needed till the project completion date of the Project being set up by TEL as required by the lenders of TEL.
Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,- (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis;	(I) The cost of funds if provided through borrowings would be much less than 20% IRR. Further where the Company takes long term debt to fund such investments, the Company is able to share the risk of loss with the lenders (II) Pari-passu charge on all the present and future fixed assets of the Company (III) Project is anticipated to offer an IRR of 20% in US$ following COD
Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Equity investment equivalent to 60% of the total issued shares of TEL The Shareholders' Agreement contemplates investment in equity of TEL by each of the shareholders such that the shares of TEL are distributed as follows: the Company holds 60% of the total shareholding of TEL, FFC holds 30% and CMEC Dubai holds 10%
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Mr. Khalid Mansoor, is the CEO of the Company and Director of TEL. Mr. Tahir Jawaid is an employee of Hub Power Services Ltd. (which is a wholly-owned subsidiary of Hubco) and a Director of TEL. Mr. Saleemullah Memon is an employee of the Company and has been seconded as the CEO of TEL

Information Required	Information Provided
In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/ justification for any impairment or write offs;	All major project agreements including offshore supply contract, onshore construction contract, coal supply agreement, power purchase agreement, implementation agreement and supplemental implementation agreement have been signed. With regards to achievement of financial close of the project, foreign and local term sheets have been signed and TEL is expected to achieve the financial close within the timelines required. TEL is committed to ensuring Commercial Operations Date of the Project by March 2021. In terms of the benefits to the Company, the Project is being set up under the 2015 Power Policy. Project is offering an IRR of 20% in US$, following the Commercial Operations Date. No impairment conditions exist on the investment; accordingly, no charge/write offs have been made till date.
Any other important details necessary for the members to understand the transaction;	The Shareholders' Agreement entered between the Company, CMEC Dubai, CMEC HK, and FFC is available for your perusal.

(b) Disclosures under Regulation 3(b)

(c) Maximum price at which securities will be acquired	Rs. 10/ per share or such other rate as may be decided by the board of directors of TEL
In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	N/A
Maximum number of securities to be acquired	Number of securities would be determined by converting the US$ investment amount into PKR on the date of subscription and dividing the same by the rate of the shares as decided by the board of directors of TEL
Number of securities and percentage thereof held before and after the proposed investment	Present holding – 60% (equivalent PKR). The number of securities would depend upon the call made under difference commitments specified above in preamble whether or not the Company opts to satisfy the call by way of subscription of shares in TEL. It is anticipated that the holding to stay 60%
Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and	N/A
Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities;	Regulation 5(1) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2017 provides that in case of investment in unlisted equity securities of an associated company or undertaking, the fair value for such securities shall be determined based on the generally accepted valuation techniques and latest financial statements of the associated company. TEL is currently not an operational company therefore, the determination of fair value of its shares, provided for in the Regulation cannot be made at this time. PKR 10 per share is the par value of the share and the latest offer price of TELs' shares. The Company, CMEC and FFC shall subscribe to shares of TEL at PKR 10 per share.

INFORMATION PURSUANT **TO THE COMPANIES**

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(D) DSRA SUPPORT

(ii) investment in the form of subordinated debt

(a) Disclosures under Regulation 3(a)

Information Required	**Information Provided**
Name of the “associated company”	Thar Energy Limited (TEL)
Basis of relationship;	The Company holds 60% of the total issued shares of TEL. Mr. Khalid Mansoor, CEO, Director of the Company, is also on the Board of TEL.
Earnings per share for the last three years;	2019: 0.071 2018: (0.17) 2017: (2.27)
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Information Required	Information Provided
Maximum amount of investment to be made;	For Initial DSRA US$ 20 Million (or in equivalent Pakistan Rupees) and final DSRA US$ 20 Million (or in equivalent Pakistan Rupees)
Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To construct, own, and operate 330 MW at the Thar Site in the province of Sindh Pakistan ('Project') at a total cost of about US$ 520 Million. In terms of Commercial Operations Date of the Project, the commissioning of the facility is anticipated by March 2021. In terms of the benefits to the Company, the Project is being set under the 2015 Power Policy which is anticipated to offers an IRR of 20% in US$ following the COD. The investment would be made as and when needed till the project completion date of the Project being set up by TEL as required by the lenders of TEL.
Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,- (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis;	(I) The cost of funds if provided through borrowings would be much less than 20% IRR. Further where the Company takes long term debt to fund such investments, the Company is able to share the risk of loss with the lenders (II) Pari-passu charge on all the present and future fixed assets of the Company (III) Project is anticipated to offer an IRR of 20% in US$ following COD
Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Equity investment equivalent to 60% of the total issued shares of TEL The Shareholders' Agreement contemplates investment in equity of TEL by each of the shareholders such that the shares of TEL are distributed as follows: the Company holds 60% of the total shareholding of TEL, FFC holds 30% and CMEC Dubai holds 10%
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Information Required	Information Provided
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Any other important details necessary for the members to understand the transaction;	The Shareholders' Agreement entered between the Company, CMEC Dubai, CMEC HK, and FFC is available for your perusal.

(b) Disclosures under Regulation 3(c)

Category-wise amount of invest-ment;	As mentioned above in preamble
Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and	N/A
Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	The commission on the guarantee and any other charge would have to be agreed with the bank providing the Guarantee. In the event any amount is invested as a loan the Company shall require TEL to pay interest at the standard bank rates, to be mutually agreed between the parties
Particulars of collateral or security to be obtained in relation to the proposed investment	No security will be obtained from the borrowing company as it will be a subordinated loan from the Company to TEL
if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable;	N/A
Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking	Any amount paid as loan to TEL or its lenders pursuant to the DSRA LC shall be marked as debt subordinated to that of TEL's Lenders and assignable to TEL's Lenders which shall be repayable after the repayment of amounts due to the Lenders of TEL

(E) PUT OPTION/COMMERCIAL RISK GUARANTEE

Investment of an amount not exceeding US$ 25 Million (or PKR equivalent)

(i) investment in the form of equity

(a) Disclosures under Regulation 3(a)

<table>
<tr><th>Information Required</th><th>Information Provided</th></tr>
<tr><td>Name of the “associated company”</td><td>Thar Energy Limited (TEL)</td></tr>
<tr><td>Basis of relationship;</td><td>The Company holds 60% of the total issued shares of TEL.

Mr. Khalid Mansoor, CEO, Director of the Company, is also on the Board of TEL.</td></tr>
<tr><td>Earnings per share for the last three years;</td><td><table><tr><td>2019</td><td>0.071</td></tr><tr><td>2018</td><td>(0.17)</td></tr><tr><td>2017</td><td>(2.27)</td></tr></table></td></tr>
<tr><td>Break-up value per share, based on latest audited financial statements;</td><td>Rs. 23.16 per share as of June 2019</td></tr>
<tr><td>Financial position, including main items of statement of financial position and profit and loss account on the basis of its latest financial statements</td><td>Position as of June 30, 2019
<table><tr><td></td><td>In ‘000’</td></tr><tr><td>Total Assets</td><td>21,536,553</td></tr><tr><td>Equity</td><td>9,214,214</td></tr><tr><td>Current Liabilities</td><td>12,322,339</td></tr><tr><td>General and Administration Expenses</td><td>116,400</td></tr><tr><td>Profit for the Period</td><td>66,488</td></tr></table></td></tr>
<tr><td>In case of investment in relation to a project of associated company or associated undertaking that has not commenced operations, following further information, namely,-

(I) Description of the project and its history since conceptualization;

(II) Starting date and expected date of completion of work;

(III) Time by which such project shall become commercially operational;

(IV) Expected time by which the project shall start paying return on investment; and

(V) Funds invested or to be invested by the promoters, sponsors, associated company or associated undertaking distinguishing between cash and non-cash amounts;</td><td>(I) Please see preamble above for project description

(II) Work has commenced on the Project, and the Project is expected to achieve Commercial Operations Date (“COD”) by March 31, 2021

(III) The Project is expected to achieve Commercial Operations Date around March 2021

(IV) The Project is expected to start paying return on investment after the project completion date and subject to TEL lenders’ approval.

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INFORMATION PURSUANT **TO THE COMPANIES**

(Investment in Associated Companies Associated or Associated Undertakings) Regulations 2017 (the "Regulations")

Information Required	**Information Provided**
Maximum amount of investment to be made;	US$ 25 Million (or in equivalent Pakistan Rupees)
Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To construct, own, and operate 330 MW at the Thar Site in the province of Sindh Pakistan ('Project') at a total cost of about US$ 520 Million. In terms of Commercial Operations Date of the Project, the commissioning of the facility is anticipated by March 2021. In terms of the benefits to the Company, the Project is being set under the 2015 Power Policy which is anticipated to offers an IRR of 20% in US$ following the COD. The investment would be made as and when needed till the project completion date of the Project being set up by TEL as required by the lenders of TEL.
Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,- (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis;	(I) The cost of funds if provided through borrowings would be much less than 20% IRR. Further where the Company takes long term debt to fund such investments, the Company is able to share the risk of loss with the lenders (II) Pari-passu charge on all the present and future fixed assets of the Company (III) Project is anticipated to offer an IRR of 20% in US$ following COD
Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Equity investment equivalent to 70% of the total issued shares of TEL The Shareholders' Agreement contemplates investment in equity of TEL by each of the shareholders such that the shares of TEL are distributed as follows: the Company holds 60% of the total shareholding of TEL, FFC holds 30% and CMEC Dubai holds 10%
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Mr. Khalid Mansoor, is the CEO of the Company and Director of TEL. Mr. Tahir Jawaid is an employee of Hub Power Services Ltd. (which is a wholly-owned subsidiary of Hubco) and a Director of TEL. Mr. Saleemullah Memon is an employee of the Company and has been seconded as the CEO of TEL.

Information Required	Information Provided
In case any investment in associated company or associated undertaking has already been made, the performance review of such investment including complete information/ justification for any impairment or write offs;	All major project agreements including offshore supply contract, onshore construction contract, coal supply agreement, power purchase agreement, implementation agreement and supplemental implementation agreement have been signed. With regards to achievement of financial close of the project, foreign and local term sheets have been signed and TEL is expected to achieve the financial close within the timelines required. TEL is committed to ensuring Commercial Operations Date of the Project by March 2021. In terms of the benefits to the Company, the Project is being set up under the 2015 Power Policy. Project is offering an IRR of 20% in US$, following the Commercial Operations Date. No impairment conditions exist on the investment; accordingly, no charge/write offs have been made till date.
Any other important details necessary for the members to understand the transaction;	The Shareholders' Agreement entered between the Company, CMEC Dubai, CMEC HK, and FFC is available for your perusal.

(b) Disclosures under Regulation 3(b)

Maximum price at which securities will be acquired	Rs. 10/ per share or such other rate as may be decided by the board of directors of TEL
In case the purchase price is higher than market value in case of listed securities and fair value in case of unlisted securities, justification thereof	N/A
Maximum number of securities to be acquired	Number of securities would be determined by converting the US$ investment amount into PKR on the date of subscription and dividing the same by the rate of the shares as decided by the board of directors of TEL
Number of securities and percentage thereof held before and after the proposed investment	Present holding – 60% (equivalent PKR). The number of securities would depend upon the call made under difference commitments specified above in preamble whether or not the Company opts to satisfy the call by way of subscription of shares in TEL. It is anticipated that the holding to stay 60%
Current and preceding twelve weeks' weighted average market price where investment is proposed to be made in listed securities; and	N/A
Fair value determined in terms of sub-regulation (1) of regulation 5 for investments in unlisted securities;	Regulation 5(1) of the Companies (Investment in Associated Companies or Associated Undertakings) Regulations 2017 provides that in case of investment in unlisted equity securities of an associated company or undertaking, the fair value for such securities shall be determined based on the generally accepted valuation techniques and latest financial statements of the associated company. TEL is currently not an operational company therefore, the determination of fair value of its shares, provided for in the Regulation cannot be made at this time. PKR 10 per share is the par value of the share and the latest offer price of TELs' shares. The Company, CMEC and FFC shall subscribe to shares of TEL at PKR 10 per share.

INFORMATION PURSUANT
TO THE COMPANIES

(Investment in Associated Companies Associated or Associated Undertakings) Regulations 2017 (the "Regulations")

(E) PUT OPTION/COMMERCIAL RISK GUARANTEE

(ii) investment in the form of subordinated debt

(a) Disclosures under Regulation 3(a)

Information Required	Information Provided
Name of the "associated company"	Thar Energy Limited (TEL)
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Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds,- (I) justification for investment through borrowings; (II) detail of collateral, guarantees provided and assets pledged for obtaining such funds; and (III) cost benefit analysis;	(I) The cost of funds if provided through borrowings would be much less than 20% IRR. Further where the Company takes long term debt to fund such investments, the Company is able to share the risk of loss with the lenders (II) Pari-passu charge on all the present and future fixed assets of the Company (III) Project is anticipated to offer an IRR of 20% in US$ following COD
Salient features of the agreement(s), if any, with associated company or associated undertaking with regards to the proposed investment	Equity investment equivalent to 60% of the total issued shares of TEL The Shareholders' Agreement contemplates investment in equity of TEL by each of the shareholders such that the shares of TEL are distributed as follows: the Company holds 60% of the total shareholding of TEL, FFC holds 30% and CMEC Dubai holds 10%
Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration;	Mr. Khalid Mansoor, is the CEO of the Company and Director of TEL. Mr. Tahir Jawaid is an employee of Hub Power Services Ltd. (which is a wholly-owned subsidiary of Hubco) and a Director of TEL. Mr. Saleemullah Memon is an employee of the Company and has been seconded as the CEO of TEL. Mr. Saleemullah Memon is an employee of the Company and has been seconded as the CEO of TEL

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Any other important details necessary for the members to understand the transaction;	The Shareholders’ Agreement entered between the Company, CMEC Dubai, CMEC HK, and FFC is available for your perusal.

(b) Disclosures under Regulation 3(c)

Category-wise amount of investment;	As mentioned above in preamble
Average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and average borrowing cost of the investing company, the Karachi Inter Bank Offered Rate (KIBOR) for the relevant period, rate of return for Shariah compliant products and	N/A
Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	The commission on the guarantee and any other charge would have to be agreed with the bank providing the Guarantee. In the event any amount is invested as a loan the Company shall require TEL to pay interest at the standard bank rates, to be mutually agreed between the parties
Particulars of collateral or security to be obtained in relation to the proposed investment	No security will be obtained from the borrowing company as it will be a subordinated loan from the Company to TEL
if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable;	N/A
Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking	Any amount paid as loan to TEL or its lenders pursuant to the Put Option shall be marked as debt subordinated to that of TEL’s Lenders and assignable to TEL’s Lenders which shall be repayable after the repayment of amounts due to the Lenders of TEL

(F) EXCESS DEBT SUPPORT

Investment in TEL of an amount not exceeding US$ 22 Million (or PKR equivalent)

(i) investment in the form of equity

(a) Disclosures under Regulation 3(a)

Information Required	Information Provided
Name of the "associated company"	Thar Energy Limited (TEL)
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Maximum amount of investment to be made;	US$ 22 Million Plus unpaid markup (in equivalent Pakistan Rupees), if any
Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To construct, own, and operate 330 MW at the Thar Site in the province of Sindh Pakistan ('Project') at a total cost of about US$ 520 Million. In terms of Commercial Operations Date of the Project, the commissioning of the facility is anticipated by March 2021. In terms of the benefits to the Company, the Project is being set under the 2015 Power Policy which is anticipated to offers an IRR of 20% in US$ following the COD. The investment would be made as and when needed till the project completion date of the Project being set up by TEL as required by the lenders of TEL.
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Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	The commission on the guarantee and any other charge would have to be agreed with the bank providing the Guarantee. In the event any amount is invested as a loan the Company shall require TEL to pay interest at the standard bank rates, to be mutually agreed between the parties
Particulars of collateral or security to be obtained in relation to the proposed investment	No security will be obtained from the borrowing company as it will be a subordinated loan from the Company to TEL
if the investment carries conversion feature i.e. it is convertible into securities, this fact along with terms and conditions including conversion formula, circumstances in which the conversion may take place and the time when the conversion may be exercisable;	N/A
Repayment schedule and terms and conditions of loans or advances to be given to the associated company or associated undertaking	Any amount paid as loan to TEL or its lenders pursuant to the Put Option shall be marked as debt subordinated to that of TEL's Lenders and assignable to TEL's Lenders which shall be repayable after the repayment of amounts due to the Lenders of TEL

PROXY **FORM**

The Company Secretary,

The Hub Power Company Limited

11th Floor, Ocean Tower, Block 9 Main Clifton Road Karachi

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 for me & on my/our behalf at the 28th Annual General Meeting of the Company to be held on Thursday, October 24, 2019 at 10:15 am at Marriott Hotel, Karachi.

Signature on Revenue Stamp of PKR 5/–

____

Signature of Shareholder
Folio / CDC Nos.

Witnesses:

(1) Signature___________________________	(2) Signature_________________________
Name________________________________	Name______________________________
Address______________________________	Address____________________________
____________________________________	__________________________________
CNIC / Passport No.______________________	CNIC / Passport No.____________________

Notes:

– A member entitled to attend the meeting may appoint a proxy in writing to attend the meeting 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 11th Floor, Ocean Tower, Block–9, Main Clifton Road, Karachi–75600 so as to reach no 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 CNIC numbers shall be stated on the form.

(i) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.

(iii) The proxy shall produce his original CNIC 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 signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

HUBCO

AFFIX
CORRECT
POSTAGE

The Company Secretary
The Hub Power Company Limited
11th Floor, Ocean Tower, Block 9,
Main Clifton Road P.O. Box No. 13841,
Karachi – 75600

تشکیل نیابت داری

جناب کمپنی سیکریٹری
دی حب پاور کمپنی لمیٹڈ
11 فلور، اوشین ٹاور، بلاک 9، مین کلفٹن روڈ، کراچی

میں/ہم ____________________

ساکن ____________ بحیثیت دی حب پاور کمپنی لمیٹڈ کے رکن وحامل ____________

عام حصص بمطابق شیئر رجسٹر ڈ فولیو نمبر ____________ اور/یا سی ڈی سی کے شراکتی آئی ڈی نمبر ____________

اور ذیلی کھاتہ نمبر ____________ محترم/محترمہ ____________

ساکن ____________ یا بصورت دیگر محترم/محترمہ ____________

ساکن ____________ کو اپنی جگہ بروز جمعرات مورخہ 24 اکتوبر 2019 بوقت 10:15 بجے صبح بمقام میریٹ ہوٹل، کراچی میں منعقد

ہونے والے سالانہ اجلاس عام میں رائے دہندگی کیلئے اپنا نمائندہ مقرر کرتا/کرتی ہوں۔

گواہ:

(1) دستخط ____________

نام ____________

پتہ ____________

سی این آئی سی یا پاسپورٹ نمبر ____________

ریونیو ٹکٹ چسپاں کریں۔

(دستخط کمپنی میں پہلے سے موجود
نمونہ کے مطابق ہونے چاہیئے)

____
دستخط

(2) دستخط ____________

نام ____________

پتہ ____________

سی این آئی سی یا پاسپورٹ نمبر ____________

نوٹ: نیابت داروں کے موثر ہونے کے لیے ضروری ہے کہ انکی تفصیل اجلاس شروع ہونے سے 48 گھنٹے قبل کمپنی کو موصول ہو جائے۔
سی ڈی سی شیئر ہولڈرز اوران کے نیابت داروں سے گزارش ہے کہ وہ اپنے سی این آئی سی یا پاسپورٹ کی تصدیق شدہ فوٹو کاپی کمپنی کو پیش کرنے سے قبل اس پراکسی فارم کے ساتھ منسلک کریں۔

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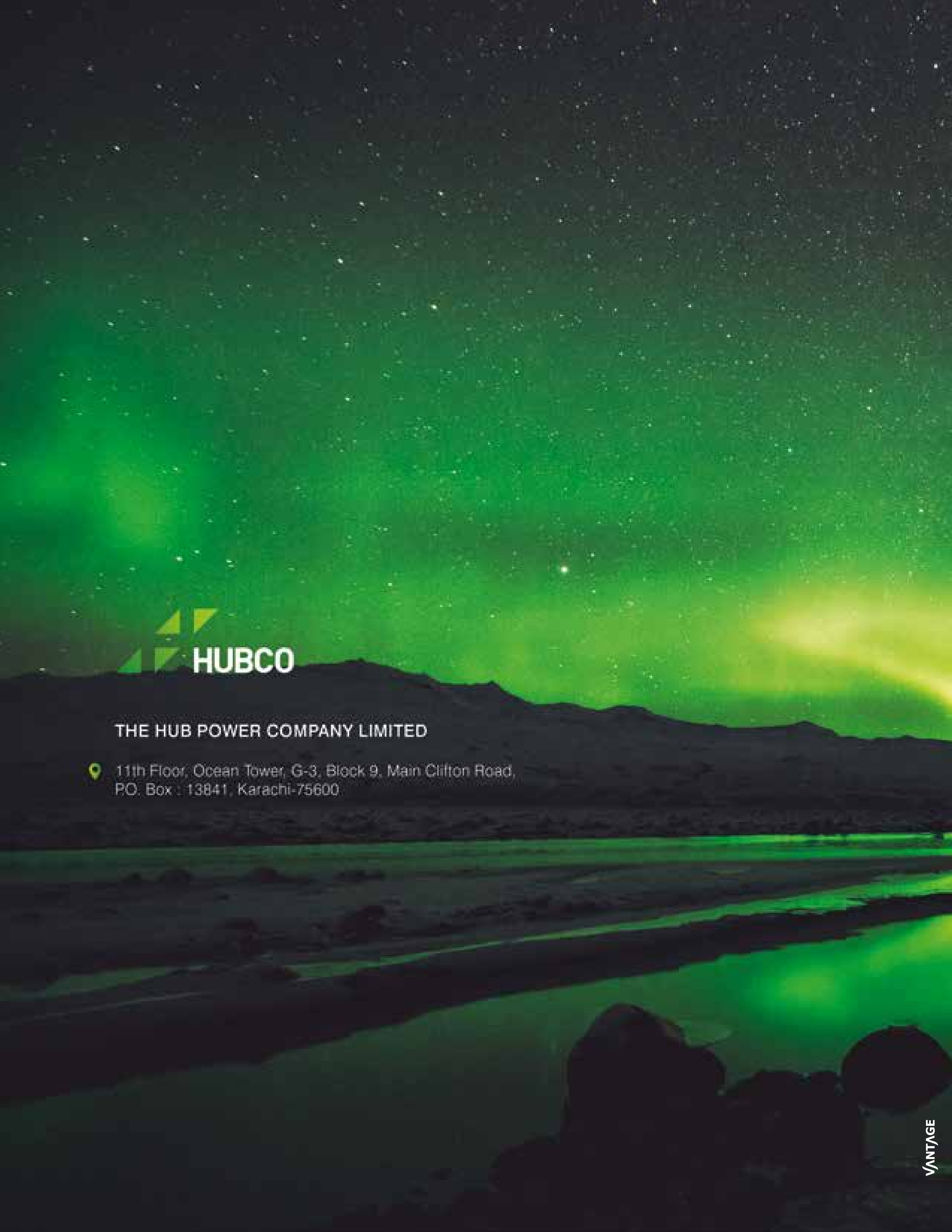
The Company Secretary
The Hub Power Company Limited
11th Floor, Ocean Tower, Block 9,
Main Clifton Road P.O. Box No. 13841,
Karachi – 75600



THE HUB POWER COMPANY LIMITED

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