The Hub Power Company Limited

Unaudited Financial Statements

for the Half-Year ended

December 31, 2015

Contents

Company Information

Board of Directors	Hussain Dawood	Chairman
	Khalid Mansoor	Chief Executive
	Andalib Alavi	
	Syed Muhammad Ali	
	Iqbal Alimohamed	
	Ahmed Iqbal Ashraf	NBP Nominee
	Abdul Fattah Bhangar	GOB Nominee
	Abdul Samad Dawood	
	Shahzada Dawood	
	Shahid Ghaffar	
	Qaiser Javed	
	Ruhail Muhammed	
	Muhammad Waseem Mukhtar	
	Owais Shahid	
	Syed Khalid Siraj Subhani	
Audit Committee	Iqbal Alimohamed	Chairman
	Andalib Alavi	
	Syed Ahmed Iqbal Ashraf	
	Abdul Fattah Bhangar	
	Shahid Ghaffar	
	Qaiser Javed	
	Owais Shahid	
	Ruhail Muhammed	
Company Secretary	Shamsul Islam	

Management Committee	Khalid Mansoor Tahir Jawaid Abdul Nasir Nazoor Baig Syed Hasnain Haider Saleemullah Memon Shamsul Islam Mohammad Kaleem Khan M. Inam Ur Rehman Siddiqui
Registered & Head Office	11th Floor, Ocean Tower Block-9, main Clifton road, Karachi Email: Info@hubpower.com Website: http://www.hubpower.com
Principal Bankers	Allied Bank of Pakistan Askari Bank Limited Bank Alfalah Limited Bank Al-Habib Limited Bank Islami Pakistan Limited Bank of Punjab Burj 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 MCB Bank Limited Meezan Bank Limited

	National Bank of Pakistan NIB Bank Limited Pak Brunei Investment Company Limited Pak China Investment Company Limited Pak Kuwait Investment Company (Pvt) Ltd. Samba Bank Limited Standard Chartered Bank (Pakistan) Ltd. Sumitomo Mitsui Banking Corp. Europe Ltd, London United Bank Limited
Inter-Creditor Agents	National Bank of Pakistan Habib Bank Limited Allied Bank Limited NIB Bank Limited
Legal Advisors	RIAA Barker Gillette
Auditors	Ernst & Young Ford Rhodes Sidat Hyder
Registrar	Famco Associates (Pvt) Limited
Hub Plant	Mouza Kund, Post Office Gaddani, District Lasbela, Balochistan
Narowal Plant	Mouza Poong, 5 KM from Luban Pulli Point on Mureedkay-Narowal Road, District Narowal, Punjab
Laraib Energy Limited (Subsidiary)	12-B/1, Multi Mansion Plaza, G-8, Markaz, Islamabad

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The Hub Power Company Ltd.

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Block-9, Main Clifton Road
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Report of the Directors on the Consolidated and Unconsolidated Financial Statements for the Half Year ended December 31, 2015

The Board of Directors of the Company is pleased to present the consolidated and unconsolidated unaudited financial statements for the half year ended on December 31, 2015.

The Company

The Hub Power Company is the largest Independent Power Producer (IPP) in the Country with a combined power generation capacity of over 1600 MW. Our Hub Plant, situated at Mouza Kund, Hub in Balochistan, is one of the most efficient RFO fired thermal power plants in Pakistan. It 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 owns and operates a run-off-the-river hydel power plant near the New Bong Escape, 8 km downstream of Mangla Dam in Azad Jammu and Kashmir. The Company has also recently established wholly owned subsidiaries for its future initiatives. Hub Power Holdings Limited (HPHL) have been incorporated to invest in the imported coal based 2x660 MW power project while Hub Power Services Limited (HPSL) has been incorporated to manage O&M of its existing power assets, its upcoming coal project and explore O&M business opportunities onshore and offshore. The Company is also investing USD 20 million in Sindh Engro Coal Mining Company Limited (SECMC), a joint venture between Engro, Thal Limited, HBL, CMEC, Hubco and Government of Sindh, to develop a coal mine at Thar which has the seventh largest reserve of coal in the world.

The Hub Power Company is listed on the Pakistan Stock Exchange and its Global Depository Receipts (GDRs) are listed on the Luxembourg Stock Exchange.

Financial Highlights

Financial highlights of the holding company and its subsidiary during the period under review are as follows:

	Quarter ended December 31, 2015	Quarter ended December 31, 2014	Half year ended December 31, 2015	Half year ended December 31, 2014
				Rs. In Million
Turnover	**23,319**	33,831	**50,281**	80,851
Operating costs	**19,001**	28,827	**41,510**	71,409
Net Profit*	**2,757**	3,074	**5,308**	5,403
Earnings per share (Rs.)	**2.38**	2.66	**4.59**	4.67

*Attributable to the owners of holding company

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Consolidated earnings per share for the period under review was Rs. 4.59 compared to Rs. 4.67 last year. The decrease in consolidated earnings is mainly due to net effect of higher repair and maintenance expenditure due to boiler rehabilitation work, savings due to self-operation and maintenance of Hub Plant and recognition of revenue based on adjusted tariff for Laraib as compared to revenue based on reference tariff in corresponding period last year. The tariff true up of LEL by NEPRA has progressed well and approval is expected within this quarter and differential amount will be recognized in the period in which it is approved.

Unconsolidated net profit earned by the Company during the six month period under review was Rs. 4,522 million, resulting in earnings per share of Rs. 3.91 compared to a net profit of Rs. 4,745 million and earnings per share of Rs. 4.10 last year. The decrease in profit is mainly due to net effect of higher repair and maintenance expenditure due to boiler rehabilitation work and savings due to self-operation and maintenance of Hub Plant.

Operational Highlights

Operational highlights of all the three plants during the period under review are as follows:

	Unit	Quarter ended December 31, 2015	Quarter ended December 31, 2014	Half year ended December 31, 2015	Half year ended December 31, 2014
Hub Plant					
Generation	GWh	**1,876**	1,405	**3,688**	3,447
Load Factor	%	**71**	53	**70**	65
Narowal Plant					
Generation	GWh	**276**	**331**	**569**	745
Load Factor	%	**59**	**70**	**60**	79
Laraib Energy					
Generation	GWh	**147**	147	**290**	239
Load Factor	%	**79**	79	**78**	64

Hub Plant

During the second quarter, the plant operated at an average Load Factor of 71% against the plan of 61%. Available capacity was 73% against the plan of 74%. Electricity sold to WAPDA was 1,876 GWh as compared to planned dispatch of 1,628 GWh. The higher generation during the quarter was due to lesser curtailment from WAPDA.

During the scheduled outage of Unit 3, which started in September 2015, a portion of Re-heater and complete Secondary Super Heater and Final Super Heater tube bundles were replaced. Steam blowing and Hydro test of the Boiler was also carried out. Complete inspection of LP/HP-IP Rotor of steam turbine including blast-cleaning, replacement of stage 16 & 19 blades and NDT tests were also performed during

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this major overhaul. All planned outage activities were successfully completed. The Unit returned to service on December 18, 2015. Generator stator and rotor's four yearly inspection was also carried out.

Narowal Plant

During the period under review, the Annual Dependable Capacity test was performed successfully at 215.513MW. Narowal Plant's Net Electrical Output for Q2 was 276 GWh (2013-14 Q2: 331 GWh) vs planned 366 GWh. The load factor for Narowal Plant for Q2 was 59% (2013-14: 70%) vs plan of 78% due to higher curtailment by WAPDA.

Laraib Energy New Bong Escape Hydro Power Project

During the half year under review, the average availability of Laraib Plant was 99% against the plan of 93%, reflecting operational reliability of the Complex. Higher generation, for the half year under review, was due to better hydrology received from Mangla Power Plant and availability of all the three reliable units as compared to the same period last year.

2x660 MW Coal Project

Hubco through its wholly owned subsidiary Hub Power Holdings Limited (HPHL), which is responsible for all Project related expenses, is developing the 2x660MW imported Coal based Power Project to be constructed at its existing Hub site. The project company China Power Hub Generation Company (Pvt.) Ltd. (CPHGC) is a joint venture between HPHL and China Power International (Pakistan) Investment Limited (a Hong Kong based company formed by China Power International Holdings Limited) for the investment in the Project.

CPHGC has accepted the upfront tariff announced by NEPRA for the coal based power project and it is expected to receive the tariff approval soon. CPHGC would then provide the Letter of Support (LoS) guarantee to PPIB within the next thirty days.

CPHGC is currently evaluating the EPC bids and will shortlist two bidders leading to selection of a preferred EPC contractor. Bids for coal jetty have been received, technical and commercial viability of the bids are being evaluated. CPHGC is also engaged with leading Chinese banks to arrange timely Financial close and has inducted China Development Bank as the lead arranger. CPHGC has also approached major coal suppliers and is evaluating various suitable options.

Investment in Sindh Engro Coal Mining Company (SECMC)

Post the Shareholders Agreement between Engro, Thal Limited, HBL, CMEC and Hubco, SECMC has signed key financing agreements with Chinese and Pakistani lenders for loan amount of USD 634 million. SECMC is currently completing procedural drawdown requirements and is expected to declare financial close within first half of 2016.

Narowal Demerger

Following the approval of the Board, Narowal Energy Limited (NEL) has been incorporated for the demerger of the Narowal Plant into a separate legal entity. The draft Scheme of Arrangement for the demerger of the Narowal Plant into NEL will be filed in Court after obtaining requisite approvals, for sanctioning the proposed demerger.

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Health, Safety and Environment (HSE)

Under the DuPont Safety Management System Alignment Program, Safe Operations Committees were launched and functionalized at Hub, Narowal and Laraib Plants during the period under review.

To monitor Site HSE Performance, leading indicators were introduced at Hub Site. Trainings on some critical elements of the DuPont PSM System like "Incident Investigation" & "Contractor Safety Management" were conducted on Sites and the plan for future training requirements were also developed. For head office staff, training sessions on "Basic First Aid", "Fire Fighting" and "Defensive Driving" were conducted.

Corporate Social Responsibility

The Company and its subsidiaries actively participated in contributing towards the welfare of the society at large and remained focused on their ethical values of improving the living standards of the local communities. During the period under review, the Company continued undertaking initiatives of developing the Community Physical Infrastructure (CPI); provision of Basic and Technical Education; Health and various Livelihood Interventions.

Information in relation to Luxembourg Stock Exchange

The Directors, in compliance with the requirements of the "Commission De Surveillance Du Secteur Financier, Societe de Bourse de Luxembourg SA", are pleased to confirm that to the best of their knowledge, the condensed interim consolidated and unconsolidated financial statements for the half year ended December 31, 2015 give a true and fair view of the assets, liabilities, financial position and financial results of the Company and are in conformity with approved accounting standards as applicable in Pakistan. Further, the aforementioned management report includes a fair review of the development and performance of the Company together with the potential risks and uncertainties faced, if any.

The Company remains grateful to its shareholders, operators, employees and contractors for their confidence in the company and their tireless efforts in driving the Company on the path of growth and prosperity.

By Order of the Board

Khalid Mansoor

Khalid Mansoor
Chief Executive

Karachi – February 17, 2016

Building a better working world

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AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim unconsolidated balance sheet of **The Hub Power Company Limited** as at **31 December 2015**, the related condensed interim unconsolidated profit and loss account, condensed interim unconsolidated statement of comprehensive income, condensed interim unconsolidated cash flow statement, condensed interim unconsolidated statement of changes in equity and notes to the accounts for the six months period then ended (here-in-after referred to as "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Engagement Partner: Riaz A. Rehman Chamdia
Date: 17 February 2016
Place: Karachi

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THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	Note	3 months ended Dec 2015 (Rs. '000s)	3 months ended Dec 2014 (Rs. '000s)	6 months ended Dec 2015 (Rs. '000s)	6 months ended Dec 2014 (Rs. '000s)
Turnover		22,239,379	32,565,481	47,901,459	78,319,609
Operating costs	4	(18,706,140)	(28,474,834)	(40,889,019)	(70,669,974)
GROSS PROFIT		3,533,239	4,090,647	7,012,440	7,649,635
General and administration expenses		(264,483)	(200,602)	(532,430)	(365,498)
Other income		22,475	13,310	29,345	19,902
Other operating expenses	5	(1,627)	-	(365,948)	-
PROFIT FROM OPERATIONS		3,289,604	3,903,355	6,143,407	7,304,039
Finance costs	6	(809,319)	(1,251,415)	(1,620,458)	(2,557,525)
PROFIT BEFORE TAXATION		2,480,285	2,651,940	4,522,949	4,746,514
Taxation		(201)	(1,233)	(778)	(1,742)
PROFIT FOR THE PERIOD		2,480,084	2,650,707	4,522,171	4,744,772
Basic and diluted earnings per share (Rupees)		2.14	2.29	3.91	4.10

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

Khalid Mansoor
Chief Executive

Iqbal Alimohamed
Director

THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	3 months ended Dec 2015 (Rs. '000s)	3 months ended Dec 2014 (Rs. '000s)	6 months ended Dec 2015 (Rs. '000s)	6 months ended Dec 2014 (Rs. '000s)
Profit for the period	2,480,084	2,650,707	4,522,171	4,744,772
Other comprehensive income for the period				
Items that will not be reclassified to profit or loss in subsequent periods				
(Loss) / gain on remeasurements of post employment benefit obligation	(2,993)	3,797	(10,568)	527
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,477,091	2,654,504	4,511,603	4,745,299

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

Khalid Mansoor
Chief Executive

Iqbal Alimohamed
Director

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THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2015

	Note	Dec 2015 (Rs. '000s) (Unaudited)	Jun 2015 (Rs. '000s) (Audited)
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	7	37,860,273	38,818,196
Intangibles		45,892	3,395
Long term investments	8	5,217,476	4,917,976
Long term deposits and prepayments		19,434	18,593
CURRENT ASSETS			
Stores, spares and consumables		2,271,995	2,110,612
Stock-in-trade		3,574,929	3,469,528
Trade debts	9	74,577,920	72,683,318
Loan and advances		233,087	108,516
Prepayments and other receivables		4,060,405	3,335,174
Cash and bank balances		353,796	483,767
		85,072,132	82,190,915
TOTAL ASSETS		128,215,207	125,949,075
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Share Capital			
Authorised		12,000,000	12,000,000
Issued, subscribed and paid-up		11,571,544	11,571,544
Revenue Reserve			
Unappropriated profit		18,210,611	20,063,357
		29,782,155	31,634,901
NON-CURRENT LIABILITIES			
Long term loans		16,135,893	18,418,942
CURRENT LIABILITIES			
Trade and other payables	10	62,439,522	60,053,365
Interest / mark-up accrued		621,448	762,679
Short term borrowings	11	14,700,208	10,963,045
Current maturity of long term loans		4,535,981	4,116,143
		82,297,159	75,895,232
COMMITMENTS AND CONTINGENCIES	12		
TOTAL EQUITY AND LIABILITIES		128,215,207	125,949,075

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

Khalid Mansoor
Chief Executive

Iqbal Alimohamed
Director

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THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	Note	6 months ended Dec 2015 (Rs. '000s)	6 months ended Dec 2014 (Rs. '000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		4,522,949	4,746,514
Adjustments for:			
Depreciation		1,406,117	1,363,286
Amortisation		10,085	5,534
Gain on disposal of fixed assets		(7,839)	(749)
Write-off of fixed assets		26,830	-
Staff gratuity		12,739	10,301
Interest income		(10,727)	(16,800)
Interest / mark-up		1,535,761	2,459,584
Amortisation of transaction costs		40,857	44,280
Operating profit before working capital changes		7,536,772	8,611,950
Working capital changes		(657,233)	4,004,127
Cash generated from operations		6,879,539	12,616,077
Interest received		10,877	7,277
Interest / mark-up paid		(1,676,992)	(2,522,504)
Staff gratuity paid		(1,500)	-
Taxes paid		(778)	(1,742)
Net cash generated from operating activities		5,211,146	10,099,108
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(537,277)	(102,089)
Proceeds from disposal of fixed assets		17,510	5,276
Long term investments		(299,500)	(243,087)
Long term deposits and prepayments		(841)	1,410
Net cash used in investing activities		(820,108)	(338,490)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(6,354,105)	(4,621,966)
Proceeds from long term loans		-	2,500,000
Repayment of long term loans - Hub plant		(489,531)	(489,531)
Repayment of long term loans - Narowal plant		(941,255)	(809,360)
Repayment of long term loans - Laraib's investment		(473,281)	(473,280)
Net cash used in financing activities		(8,258,172)	(3,894,137)
Net (decrease) / increase in cash and cash equivalents		(3,867,134)	5,866,481
Cash and cash equivalents at the beginning of the period		(10,479,278)	(14,201,941)
Cash and cash equivalents at the end of the period	14	(14,346,412)	(8,335,460)

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

Khalid Mansoor
Chief Executive

Iqbal Alimohamed
Director

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THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM UNCONSOLIDATED
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	6 months ended Dec 2015 (Rs. '000s)	6 months ended Dec 2014 (Rs. '000s)
Issued capital		
Balance at the beginning of the period	11,571,544	11,571,544
Balance at the end of the period	11,571,544	11,571,544
Unappropriated profit		
Balance at the beginning of the period	20,063,357	19,473,218
Total comprehensive income for the period	4,511,603	4,745,299
Transactions with owners in their capacity as owners		
Final dividend for the fiscal year 2014-2015 @ Rs. 5.50 (2013-2014: @ Rs. 4.00) per share	(6,364,349)	(4,628,618)
	(6,364,349)	(4,628,618)
Balance at the end of the period	18,210,611	19,589,899
Total equity	29,782,155	31,161,443

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

Khalid Mansoor
Chief Executive

Iqbal Alimohamed
Director

1. THE COMPANY AND ITS OPERATIONS

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

The Company also has two wholly owned subsidiaries, Hub Power Services Limited (HPSL) and Hub Power Holdings Limited (HPHL). The principle activities of HPSL are to manage operation & maintenance of the power plants and the principle activities of HPHL are to invest in new business opportunities in the power sector.

HPSL provides operation and maintenance services for the Hub Plant under the terms of 'Operation and Maintenance Agreement' (the "O&M Agreement") dated November 2, 2015 for the term until March 31, 2027, unless terminated earlier through mutual consent. The service commencement date as per the O&M agreement is August 1, 2015.

Proposed Narowal Demerger

Under the tax laws of Pakistan, if Narowal were demerged into a separate legal entity, it would have lost its tax exempt status from taxation on the income from power generation. The Company requested the Private Power and Infrastructure Board (PPIB) for the appropriate changes in the tax laws so that Narowal could be demerged into a separate legal entity. The Company has received the Economic Coordination Committee's (ECC) approval for the changes in tax laws enabling the Company to demerge Narowal into a separate legal entity having the same tax exempt status, after demerger, as it enjoys now. During the period, the Company has incorporated a wholly owned subsidiary, Narowal Energy Limited (NEL), however, the said demerger is subject to approval of the Scheme of Arrangement for demerger by the Board of Directors, shareholders and the High Court of Sindh.

Narowal Plant O&M takeover

During the period, the Company served notice to the Operator of its Narowal Plant for the non-renewal of the Operations & Maintenance (O&M) Agreement. As per the terms of the O&M Agreement, the Company is required to serve six months prior written notice. With effect from the completion of notice period i.e. April 21, 2016, the Company will manage the Operations & Maintenance of the Narowal Plant through its wholly owned subsidiary, HPSL.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these condensed interim unconsolidated financial statements are same as those applied in preparing the unconsolidated financial statements for the year ended June 30, 2015.

3. BASIS OF PREPARATION

These condensed interim unconsolidated financial statements of the Company for the half year ended December 31, 2015 are unaudited but subject to limited scope review by the statutory auditors as required by the Code of Corporate Governance. These condensed interim unconsolidated financial statements have been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions of and directives issued under the Ordinance have been followed.

The figures of the condensed interim unconsolidated profit and loss account for the quarters ended December 31, 2015 and 2014 have not been reviewed by the external auditors of the Company as they have reviewed the cumulative figures for the half years ended December 31, 2015 and 2014. These condensed interim unconsolidated financial statements do not include all the information and disclosures as required in the annual unconsolidated financial statements and should be read in conjunction with the Company's annual unconsolidated financial statements for the year ended June 30, 2015.

These condensed interim unconsolidated financial statements are the separate condensed interim financial statements of the Company in which investments in subsidiaries and investment in an associate have been accounted for at cost less accumulated impairment losses, if any.

4. OPERATING COSTS

	3 months ended Dec 2015 (Rs. '000s)	3 months ended Dec 2014 (Rs. '000s)	6 months ended Dec 2015 (Rs. '000s)	6 months ended Dec 2014 (Rs. '000s)
Fuel cost	16,422,889	26,356,347	36,478,183	66,377,320
Stores and spares	214,042	56,636	394,380	114,484
Operation and Maintenance	416,035	913,448	1,027,552	1,957,734
Insurance	204,693	203,596	409,394	412,083
Depreciation	693,492	675,950	1,380,371	1,349,418
Amortisation	5,612	2,683	9,819	5,366
Repairs, maintenance and other costs	749,377	266,174	1,189,320	453,569
	18,706,140	28,474,834	40,889,019	70,669,974

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5. OTHER OPERATING EXPENSES

	Note	3 months ended Dec 2015 (Rs. '000s)	3 months ended Dec 2014 (Rs. '000s)	6 months ended Dec 2015 (Rs. '000s)	6 months ended Dec 2014 (Rs. '000s)
Write-off of fixed assets		1,627	-	26,830	-
Workers' profit participation fund	5.1	-	-	-	-
Termination compensation	5.2	-	-	339,118	-
		1,627	-	365,948	-

5.1 Workers' profit participation fund

Provision for Workers' profit participation fund	124,015	132,597	226,148	237,326
Workers' profit participation fund recoverable from WAPDA / NTDC	(124,015)	(132,597)	(226,148)	(237,326)
	-	-	-	-

The Company is required to pay 5% of its profit to the Workers' profit participation fund (the "Fund"). The Company is entitled to claim this expense from Water and Power Development Authority (WAPDA) / National Transmission and Despatch Company Limited (NTDC) as a pass through item.

5.2 This represents early Termination Compensation to the ex-operator of the Hub Plant as per the terms of Termination Agreement.

6. FINANCE COSTS

	3 months ended Dec 2015 (Rs. '000s)	3 months ended Dec 2014 (Rs. '000s)	6 months ended Dec 2015 (Rs. '000s)	6 months ended Dec 2014 (Rs. '000s)
Interest / mark-up on long term loans	484,521	720,104	1,018,923	1,468,647
Mark-up on short term borrowings	283,021	477,312	516,838	990,937
Amortisation of transaction costs	20,082	22,314	40,857	44,280
Other finance costs	21,695	31,685	43,840	53,661
	809,319	1,251,415	1,620,458	2,557,525

7. PROPERTY, PLANT AND EQUIPMENT

	Note	Dec 2015 (Rs. '000s) (Unaudited)	Jun 2015 (Rs. '000s) (Audited)
Operating property, plant and equipment		37,782,421	38,732,105
Capital work-in-progress		77,852	86,091
	7.1	37,860,273	38,818,196

7.1 Additions to property, plant and equipment during the period were Rs. 484.697 million and disposals / write-off therefrom at net book value were Rs. 36.501 million.

8. LONG TERM INVESTMENTS

	Note	Dec 2015 (Rs. '000s) (Unaudited)	Jun 2015 (Rs. '000s) (Audited)
Investment in subsidiaries	8.1	4,974,389	4,674,889
Investment in an associate	8.2	243,087	243,087
		5,217,476	4,917,976

8.1 During the period, the Company made investments in HPHL, HPSL and NEL of Rs. 299.3 million, Rs. 0.1 million and Rs. 0.1 million, respectively.

8.2 Pursuant to the Shareholders' Agreement dated July 21, 2014 between Engro Powergen Limited (EPL), Thal Limited (TL) and the Company, the parties agreed to make investments in Sindh Engro Coal Mining Company Limited (SECMC). The Company undertook to invest USD 20 million in PKR equivalent and has invested Rs. 240 million in December 2014 acquiring 16,194,332 ordinary shares having face value of Rs. 10 each at a price of Rs. 14.82 per share. Subsequently, Habib Bank Limited (HBL) and China Everbest Development International Limited (CEDIL) were inducted as investors. Accordingly, a Shareholders' Agreement ('SHA') was entered into on August 17, 2015 between the Company, EPL, TL, HBL, and CEDIL, which terminated and substituted the previous shareholders' agreement dated July 21, 2014.

The Company in the SHA agreed to invest the equivalent of USD 20 million (including the subscription of Rs. 240 million already invested) 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. The number of shares to be acquired shall be subject to the rate of conversion prevailing on the date of payment of each tranche of subscription amounts. It is a term of the SHA that the Company shall have a shareholding of 8.0% upon or soon after Financial Close if CPI Mengdong (directly or through its subsidiary) holds preference shares in SECMC, or 8.5% if CPI Mengdong does not invest in SECMC.

In addition to the USD 20 million equity, the Company may, pursuant to the terms of the Sponsor Support Agreement, make the following investments in SECMC:

8.2.1 Sponsor Support Guarantee to cover cost overruns – for an amount not exceeding USD 4 million (in equivalent Pakistan Rupees), if at any time prior to the Project Completion Date there is funding shortfall. 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 cost overrun support was approved by the members of the Company during the Extraordinary General Meeting held on January 14, 2016.

8.2.2 Letter of credit to cover for the Initial Payment Service Reserve Account Shortfall ('PSRA') – 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. The PSRA support was approved by the members of the Company during the Extraordinary General Meeting held on January 14, 2016.

The investment in SECMC for the purposes of cost overrun and PSRA will only be made if there is an overrun and 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 30 million (in equivalent PKR).

The effective shareholding of the Company in SECMC as at the balance sheet date is 5.60%. Although the Company has less than 20% equity interest in SECMC, the management believes that the significant influence over the associate exists as a result of Company's representation on the Board of Directors of SECMC and participation in policy making process by virtue of Shareholders' Agreement, hence, classified as an associate.

	Note	Dec 2015 (Rs. '000s) (Unaudited)	Jun 2015 (Rs. '000s) (Audited)
9. TRADE DEBTS - Secured			
Considered good	9.1	74,577,920	72,683,318

9.1 These receivables include an overdue amount of Rs. 61,456 million (June 2015: Rs. 56,898 million) from WAPDA and Rs. 5,087 million (June 2015: Rs. 5,586 million) from NTDC. These are not impaired because the trade debts are secured by a guarantee from the Government of Pakistan (GOP) under Implementation Agreements.

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

10. TRADE AND OTHER PAYABLES

This includes Rs. 59,245 million (June 2015: Rs. 55,595 million) payable to Pakistan State Oil Company Limited (PSO), out of which overdue amount is Rs. 55,003 million (June 2015: Rs. 49,563 million).

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

	Note	Dec 2015 (Rs. '000s) (Unaudited)	Jun 2015 (Rs. '000s) (Audited)
11. SHORT TERM BORROWINGS - Secured			
Finances under mark-up arrangements	11.1 to 11.4	14,700,208	10,963,045

11.1 The facilities for running finance available from various banks / financial institutions amounted to Rs. 26,825 million (June 2015: Rs. 27,365 million) at mark-up ranging between 0.50% 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 March 14, 2016 to September 30, 2016. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate.

11.1.1 The facilities amounting to Rs. 22,400 million (June 2015: Rs. 22,440 million) are secured by way of charge over the trade debts and stocks of the Company pari passu with the existing charge.

11.1.2 The facilities amounting to Rs. 4,425 million (June 2015: Rs. 4,925 million) are secured by way of:

(a) a first ranking charge on all present and future (i) amounts standing to the credit of the Energy Payment Collection Account and the Master Facility Account, (ii) Fuel, lube, fuel stocks at the Narowal plant and Spares parts; and (iii) the Energy Payment Receivables of Narowal plant.

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

11.1.3 These include facilities amounting to Rs. 2,275 million (June 2015: Rs. 775 million) out of which Rs. 2,200 million (June 2015: Rs. 275 million) are payable to associated undertakings. These facilities are secured by way of securities mentioned in note 11.1.1 and 11.1.2.

11.2 The Company also has Murabaha facility agreements with banks for an amount of Rs. 625 million (June 2015: Rs. 625 million) at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrear. These facilities will expire on August 26, 2016. 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 11.1.2.

11.3 The Company entered into a Musharaka agreement amounting to Rs. 1,135 million (June 2015: Rs. 635 million) at a mark-up of 0.75% and 2.00% per annum above three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrear. These facilities will expire during the period from September 30, 2016 to November 30, 2016. 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 11.1.2.

11.4 The Company also entered into a Musharaka agreement amounting to Rs. 400 million (June 2015: Rs. 400 million) at a mark-up of 0.5% per annum above three month KIBOR. The mark-up on the facility is payable on quarterly basis in arrear. This facility will expire on June 30, 2016. Any late payment by the Company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. This facility is secured by way of securities mentioned in note 11.1.1.

12. COMMITMENTS AND CONTINGENCIES

There is no material change in the status of contingencies and commitments as disclosed in the annual unconsolidated financial statements of the Company for the year ended June 30, 2015, except as follows:

12.1 Commitments in respect of capital and revenue expenditures amount to Rs. 772.997 million (June 2015: Rs. 832.196 million). This includes commitments of Rs. 327.333 million (June 2015: Rs. Nil) to associated undertakings.

12.2 Due to continuous delay in payments by NTDC in connection with the Narowal plant, the Company had called on the Sovereign Guarantee for recovery of overdue receivables. Subsequently, the Company also filed a petition in the Honourable 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 February 15, 2013, the SCP passed an interim order that there shall be no reduction in capacity payment. On June 28, 2013, the Company and other IPPs agreed with GOP that on settlement of all overdue amounts, the Company and other Independent Power Producers (IPPs) would withdraw the SCP case and pursue expert adjudication and arbitration in accordance with the PPA with regards to the LDs imposed by power purchaser. Expert's decision is non-binding on both the Company as well as NTDC and any party may decide to pursue arbitration pursuant to the PPA. During the period, the decision of the expert was received which was generally in favour of IPPs. However, due to NTDC/GOP's unwillingness to implement the expert's decision, the IPPs commenced arbitration proceedings in the London Court of International Arbitration (LCIA) which has appointed an arbitrator and proceedings are in progress. If the matter is decided in favour of the Company, an amount of Rs. 802 million deducted by power purchaser (out of which LDs amounting to Rs. 567 million pertaining to the period prior to January 2013 charged to Profit & Loss account as a matter of prudence) will become refundable.

12.3 Pursuant to the SSA in connection with the investment in LEL, the Company has provided an LC of USD 23 million to LEL's lenders, which is also an associated undertaking, for cost overruns and debt repayment. After meeting certain conditions by the subsidiary, the LC amount will be reduced to USD 17 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 in Demerged Company (special purpose vehicle that the Company may incorporate under the laws of Pakistan for the purpose of construction, ownership, operations & maintenance of Narowal project); and (iv) present and future shares acquired in LEL including bonus shares and right shares.

12.4 The Company entered into a Joint Venture Agreement (JVA) with the China Power International Holdings Limited (CPIH) to target the development of 2 x 660 MW Coal based Power Plant (the project) at Hub Site. As per the terms of JVA, the Company will have 49% equity interest and CPIH will have 51% equity interest in the project through their 100% owned Subsidiary Companies (Hub Power Holdings Limited and China Power International (Pakistan) Investment Limited). On June 29, 2015, the Sponsors (the Company and CPIH) have obtained Letter of Intent (LOI) for the project from the PPIB.

Pursuant to terms of LOI, Sponsors were required to obtain tariff and generation licence by September 17, 2015 failing which the PPIB would have been entitled to encash the bank guarantee. However, by its letter dated January 26, 2016 PPIB has informed the Company that the LOI has been extended till March 29, 2016.

12.5 In order to provide bank guarantee for the issuance of LOI, the Company entered into a facility agreement with MCB Bank Limited for issuance of guarantee in favour of the PPIB for an amount of USD 0.647 million (Company's share). This facility is valid for one year from the date of agreement (i.e. April 03, 2016) and is secured by way of securities mentioned in note 11.1.1. As a consequence of the extension of the LOI till March 29, 2016, the Performance Guarantee provided by the Company is required to be extended till June 29, 2016.

12.6 In connection with development of the Coal based power plant and ancillary jetty, both sponsors have agreed to fund up to USD 29 million (Company's share is approximately USD 14.5 million) from the signing of the JDF till the financial close.

12.7 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 January 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 the nature of technical fees which were subject to FED. After dismissal of the Company's appeal at the Commissioner Inland Revenue – Appeal, the Company filed appeal with the Appellate Tribunal Inland Revenue (ATIR) which decided the case against the Company. The Company will pursue this case with the Islamabad High Court. The Company's maximum exposure as at December 31, 2015 including the principal amount, penalty and default surcharge is approximately Rs. 1,734 million.

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

13. RELATED PARTY TRANSACTIONS AND BALANCES

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

13.1 Details of Transactions

	6 months ended Dec 2015 (Rs. '000s)	6 months ended Dec 2014 (Rs. '000s)
Subsidiaries		
Interest income on subordinated loan to LEL	-	7,248
Reimbursement of expenses from LEL	39,403	16,781
Reimbursement of expenses from HPHL	99,572	-
Reimbursement of expenses from HPSL	70,994	-
O&M services rendered by HPSL	644,845	-
Advances to HPSL against O&M fee	261,379	-
Advances repaid / adjusted	231,379	-
Reimbursement of expenses from NEL	15	-
Associated Undertakings		
Amounts paid for services rendered	2,118	6,969
Donation	1,500	5,000
Repayment of long term loans	80,371	72,223
Interest / mark-up on long term loans	98,020	77,624
Mark-up on short term borrowings	47,830	23,367
Other finance costs	398	51

	Note	6 months ended Dec 2015 (Rs. '000s)	6 months ended Dec 2014 (Rs. '000s)
Other related parties			
Other income		-	327
Proceeds from disposal of an asset	13.1.1	6,625	-
Remuneration to key management personnel			
Salaries, benefits and other allowances		88,256	47,218
Retirement benefits		4,492	3,688
	13.1.2	92,748	50,906
Directors' fee	13.1.3	11,000	7,050
Contribution to staff retirement benefit plans		9,637	5,717

13.1.1 This represents gain on disposal of an asset having book value of Rs. Nil to CEO under normal commercial terms and conditions.

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

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

13.2 Details of Outstanding Balances

	Dec 2015 (Rs. '000s) (Unaudited)	Jun 2015 (Rs. '000s) (Audited)
Subsidiaries		
Receivable from LEL	154,397	123,375
Receivable from HPHL	194,112	159,524
Receivable from HPSL	66,325	-
Receivable from NEL	15	-
Payable to HPSL	84,110	-
Payable to NEL	100	-
Associated Undertakings		
Outstanding balance of long term loans	3,226,646	1,116,698
Accrued markup on long term loans	73,208	29,165
Accrued markup on short term borrowings	27,851	2,115

14. CASH AND CASH EQUIVALENTS

	Dec 2015 (Rs. '000s)	Dec 2014 (Rs. '000s)
Cash and bank balances	353,796	1,705,040
Finances under mark-up arrangements	(14,700,208)	(10,040,500)
	(14,346,412)	(8,335,460)

15. DIVIDEND

The Board of Directors declared an interim dividend for the half year ended December 31, 2015 of Rs. 4.50 per share, amounting to Rs. 5,207.195 million, at their meeting held on February 17, 2016. These condensed interim unconsolidated financial statements do not reflect this dividend payable which will be accounted for in the period in which it is approved.

16. SUBSEQUENT EVENT

Subsequent to the period end, the Company received cash dividend from the subsidiary, Laraib Energy Limited, amounting to Rs. 904.015 million. These condensed interim unconsolidated financial statements do not reflect this dividend which will be accounted for in the period in which it is approved.

17. DATE OF AUTHORISATION

These condensed interim unconsolidated financial statements were authorised for issue on February 17, 2016 in accordance with the resolution of the Board of Directors.

18. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Khalid Mansoor
Chief Executive

Iqbal Alimohamed
Director

HUBCO

THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	Note	3 months ended Dec 2015 (Rs. '000s)	3 months ended Dec 2014 (Rs. '000s)	6 months ended Dec 2015 (Rs. '000s)	6 months ended Dec 2014 (Rs. '000s)
Turnover		23,318,511	33,831,481	50,280,903	80,581,307
Operating costs	4	(19,000,697)	(28,826,747)	(41,509,774)	(71,408,838)
GROSS PROFIT		4,317,814	5,004,734	8,771,129	9,172,469
General and administration expenses		(347,342)	(230,199)	(670,630)	(419,000)
Other income		58,309	21,833	90,921	56,813
Other operating expenses	5	(2,566)	-	(368,522)	-
PROFIT FROM OPERATIONS		4,026,215	4,796,368	7,822,898	8,810,282
Finance costs	6	(1,079,807)	(1,575,909)	(2,144,789)	(3,179,084)
Share of loss from an associate	8.1	(529)	-	(276)	-
Share of loss from a joint venture	8.2	(52,697)	-	(52,697)	-
PROFIT BEFORE TAXATION		2,893,182	3,220,459	5,625,136	5,631,198
Taxation		(26,818)	(1,233)	(52,766)	(1,742)
PROFIT FOR THE PERIOD		2,866,364	3,219,226	5,572,370	5,629,456
Attributable to:					
- Owners of the holding company		2,756,781	3,074,331	5,307,525	5,402,881
- Non-controlling interest		109,583	144,895	264,845	226,575
		2,866,364	3,219,226	5,572,370	5,629,456
Basic and diluted earnings per share attributable to owners of the holding company (Rupees)		2.38	2.66	4.59	4.67

The annexed notes from 1 to 20 form an integral part of these condensed interim consolidated financial statements.

Khalid Mansoor
Chief Executive

Iqbal Alimohamed
Director

HUBCO

THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	3 months ended Dec 2015 (Rs. '000s)	3 months ended Dec 2014 (Rs. '000s)	6 months ended Dec 2015 (Rs. '000s)	6 months ended Dec 2014 (Rs. '000s)
Profit for the period	2,866,364	3,219,226	5,572,370	5,629,456
Other comprehensive income for the period				
Items that will not be reclassified to profit or loss in subsequent periods				
(Loss) / gain on remeasurements of post employment benefit obligation	(7,237)	3,797	(14,812)	527
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,859,127	3,223,023	5,557,558	5,629,983
Attributable to:				
- Owners of the holding company	2,749,544	3,078,128	5,292,713	5,403,408
- Non-controlling interest	109,583	144,895	264,845	226,575
	2,859,127	3,223,023	5,557,558	5,629,983

The annexed notes from 1 to 20 form an integral part of these condensed interim consolidated financial statements.

Khalid Mansoor
Chief Executive

Iqbal Alimohamed
Director

THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM CONSOLIDATED
BALANCE SHEET
AS AT DECEMBER 31, 2015

	Note	Dec 2015 (Rs. '000s) (Unaudited)	Jun 2015 (Rs. '000s) (Audited)
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	7	57,012,208	58,038,964
Intangibles		1,460,810	1,418,377
Long term investments	8	485,150	244,234
Long term deposits and prepayments		40,999	28,183
CURRENT ASSETS			
Stores, spares and consumables		2,425,679	2,218,881
Stock-in-trade		3,574,929	3,469,528
Trade debts	9	75,702,216	74,895,994
Loans and advances		261,998	187,469
Deposits, prepayments and other receivables		4,032,368	3,268,411
Cash and bank balances		4,467,945	2,346,924
		90,465,135	86,387,207
TOTAL ASSETS		149,464,302	146,116,965
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVE			
Share Capital			
Authorised		12,000,000	12,000,000
Issued, subscribed and paid-up		11,571,544	11,571,544
Revenue Reserve			
Unappropriated profit		22,286,437	23,358,073
Attributable to owners of the holding company		33,857,981	34,929,617
NON-CONTROLLING INTEREST		2,175,001	1,910,156
		36,032,982	36,839,773
NON-CURRENT LIABILITIES			
Long term loans		25,686,474	28,329,348
Liabilities against assets subject to finance lease		2,823,800	2,895,625
Deferred liability		6,795	6,125
CURRENT LIABILITIES			
Trade and other payables	10	63,088,242	60,243,868
Interest / mark-up accrued		1,062,636	1,241,932
Short term borrowings	11	14,700,208	10,963,045
Current maturity of long term loans		5,732,225	5,283,616
Current maturity of liabilities against assets subject to finance lease		324,336	313,633
Taxation-net		6,604	-
		84,914,251	78,046,094
COMMITMENTS AND CONTINGENCIES	12		
TOTAL EQUITY AND LIABILITIES		149,464,302	146,116,965

The annexed notes from 1 to 20 form an integral part of these condensed interim consolidated financial statements.

Khalid Mansoor
Chief Executive

Iqbal Alimohamed
Director

HUBCO

THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	Note	6 months ended Dec 2015 (Rs. '000s)	6 months ended Dec 2014 (Rs. '000s)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		5,625,136	5,631,198
Adjustments for:			
Depreciation		1,910,900	1,829,288
Amortisation		10,149	5,534
Gain on disposal of fixed assets		(9,646)	(779)
Write-off of fixed assets		26,830	-
Share of loss from an associate		276	-
Share of loss from a joint venture		52,697	-
Loss on dilution of interest in an associate		111	-
Staff retirement benefits		62,318	10,914
Interest income		(70,496)	(53,676)
Interest / mark-up		1,977,391	2,980,897
Amortisation of transaction costs		73,283	78,972
Operating profit before working capital changes		9,658,949	10,482,348
Working capital changes		518,454	3,932,552
Cash generated from operations		10,177,403	14,414,900
Interest received		66,414	46,431
Interest / mark-up paid		(2,156,687)	(3,057,467)
Staff gratuity paid		(1,500)	-
Taxes paid		(52,273)	(6,283)
Net cash generated from operating activities		8,033,357	11,397,581
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(627,363)	(163,320)
Proceeds from disposal of fixed assets		20,707	5,307
Investment in an associate		-	(243,087)
Long term deposits and prepayments		(12,816)	2,924
Net cash used in investing activities		(619,472)	(398,176)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to owners of the holding company		(6,354,105)	(4,621,966)
Proceeds from long term loans		-	2,500,000
Repayment of long term loans - Hub plant		(489,531)	(489,531)
Repayment of long term loans - Narowal plant		(941,255)	(809,360)
Repayment of long term loans - Laraib's investment		(473,281)	(473,280)
Repayment of long term loans - LEL		(615,213)	(602,605)
Repayment of liabilities against assets subject to finance lease		(156,642)	(151,191)
Net cash used in financing activities		(9,030,027)	(4,647,933)
Net (decrease) / increase in cash and cash equivalents		(1,616,142)	6,351,472
Cash and cash equivalents at the beginning of the period		(8,616,121)	(11,862,480)
Cash and cash equivalents at the end of the period	15	(10,232,263)	(5,511,008)

The annexed notes from 1 to 20 form an integral part of these condensed interim consolidated financial statements.

Khalid Mansoor
Chief Executive

Iqbal Alimohamed
Director

HUBCO

THE HUB POWER COMPANY LIMITED
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2015

	6 months ended Dec 2015 (Rs. '000s)	6 months ended Dec 2014 (Rs. '000s)
Attributable to owners of the holding company		
Issued capital		
Balance at the beginning of the period	11,571,544	11,571,544
Balance at the end of the period	11,571,544	11,571,544
Unappropriated profit		
Balance at the beginning of the period	23,358,073	21,543,374
Total comprehensive income for the period	5,292,713	5,403,408
Transactions with owners in their capacity as owners		
Final dividend for the fiscal year 2014-2015 @ Rs. 5.50 (2013-2014: @ Rs. 4.00) per share	(6,364,349)	(4,628,618)
	(6,364,349)	(4,628,618)
Balance at the end of the period	22,286,437	22,318,164
Attributable to owners of the holding company	33,857,981	33,889,708
Non-controlling interest		
Balance at the beginning of the period	1,910,156	1,486,794
Total comprehensive income for the period	264,845	226,575
Balance at the end of the period	2,175,001	1,713,369
Total equity	36,032,982	35,603,077

The annexed notes from 1 to 20 form an integral part of these condensed interim consolidated financial statements.

Khalid Mansoor
Chief Executive

Iqbal Alimohamed
Director

1. STATUS AND NATURE OF BUSINESS

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

The Group consists of:

- The Hub Power Company Limited (the holding company);
- Laraib Energy Limited (LEL) - Holding of 74.95%;
- Hub Power Holdings Limited (HPHL) - Holding of 100%;
- Hub Power Services Limited (HPSL) - Holding of 100%; and
- Narowal Energy Limited (NEL) - Holding of 100%.

LEL was incorporated in Pakistan on August 9, 1995 as a public limited company under the Ordinance 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. The plant commenced operations on March 23, 2013.

These condensed interim consolidated financial statements include results of LEL's operations on the basis of Reference Tariff approved by National Electric Power Regulatory Authority (NEPRA). After achieving Commercial Operation Date (COD), LEL has filed an application with National Transmission Despatch Company (NTDC) for true-up of tariff by the NEPRA and the differential amount of revenue due to tariff adjustment resulting from such true-up will be recognized in the period in which tariff adjustment will be made by the NEPRA. NEPRA has approved indexations relating to interim relief components of the tariff, accordingly, revenue related thereto has been recognised in these condensed interim consolidated financial statements.

The holding company also has two wholly owned subsidiaries, HPSL and HPHL. The principle activities of HPSL are to manage operation & maintenance of the power plants and the principle activities of HPHL are to invest in new business opportunities in the power sector.

HPSL provides operation and maintenance services for the Hub Plant under the terms of 'Operation and Maintenance Agreement' (the "O&M Agreement") dated November 2, 2015 for the term until March 31, 2027, unless terminated earlier through mutual consent. The service commencement date as per the O&M agreement is August 1, 2015.

Proposed Narowal Demerger

Under the tax laws of Pakistan, if Narowal were demerged into a separate legal entity, it would have lost its tax exempt status from taxation on the income from power generation. The holding company requested the Private Power and Infrastructure Board (PPIB) for the appropriate changes in the tax laws so that Narowal could be demerged into a separate legal entity. The holding company has received the Economic Coordination Committee's (ECC) approval for the changes in tax laws enabling the holding company to demerge Narowal into a separate legal entity having the same tax exempt status, after demerger, as it enjoys now. During the period, the holding company has incorporated a wholly owned subsidiary, Narowal Energy Limited (NEL), however, the said demerger is subject to approval of the Scheme of Arrangement for demerger by the Board of Directors, shareholders and the High Court of Sindh.

Narowal Plant O&M Takeover

During the period, the holding company served notice to the Operator of its Narowal Plant for the non-renewal of the Operations & Maintenance (O&M) Agreement. As per the terms of the O&M Agreement, the holding company is required to serve six months prior written notice. With effect from the completion of notice period i.e. April 21, 2016, the holding company will manage the Operations & Maintenance of the Narowal Plant through its wholly owned subsidiary, HPSL.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed for the preparation of these condensed interim consolidated financial statements are same, as those applied in preparing the consolidated financial statements for the year ended June 30, 2015, except for the following:

2.1 Taxation

Income of the holding company 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 LEL is not liable to taxation in Pakistan to the extent provided in the 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 the HPSL is subject to taxation in Pakistan in accordance with the provisions of the Income Tax Ordinance, 2001 (ITO). Accordingly, provision for taxation has been made after taking into account tax credit etc, if any. Presently, the HPSL's major income is being taxed on minimum tax on service income.

2.2 Joint Venture

Investment in joint venture is accounted for using equity method in these condensed interim consolidated financial statements.

3. BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements for the half year ended December 31, 2015 have been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" and provisions of and directives issued under the Ordinance. In case requirements differ, the provisions of and directives issued under the Ordinance have been followed.

These condensed interim consolidated financial statements do not include all the information and disclosures as required in the annual consolidated financial statements and should be read in conjunction with the holding company's annual consolidated financial statements for the year ended June 30, 2015.

		3 months ended Dec 2015 (Rs. '000s)	3 months ended Dec 2014 (Rs. '000s)	6 months ended Dec 2015 (Rs. '000s)	6 months ended Dec 2014 (Rs. '000s)
4. OPERATING COSTS					
Fuel cost		16,430,440	26,356,347	36,485,734	66,377,320
Water use charges		22,002	22,091	43,515	35,904
Salaries, benefits and other allowances		233,882	9,539	376,840	20,160
Stores and spares		213,733	57,061	394,745	115,680
Operation and Maintenance		158,096	990,524	634,133	2,112,021
Insurance		230,281	229,748	458,247	463,693
Depreciation		934,979	885,426	1,882,563	1,813,188
Amortisation		5,612	2,683	9,819	5,366
Repairs, maintenance and other costs		771,672	273,328	1,224,178	465,506
		19,000,697	28,826,747	41,509,774	71,408,838
5. OTHER OPERATING EXPENSES					
Write-off of fixed assets		1,627	-	26,830	-
Workers' Welfare Fund		828	-	2,463	-
Workers' profit participation fund	5.1	-	-	-	-
Termination compensation	5.2	-	-	339,118	-
Loss on dilution of interest in an associate	8.1	111	-	111	-
		2,566	-	368,522	-

5.1 **Workers' profit participation fund**

	3 months ended Dec 2015	3 months ended Dec 2014	6 months ended Dec 2015	6 months ended Dec 2014
Provision for Workers' profit participation fund	124,015	132,597	226,148	237,326
Workers' profit participation fund recoverable from WAPDA / NTDC	(124,015)	(132,597)	(226,148)	(237,326)
	-	-	-	-

The holding company is required to pay 5% of its profit to the Workers' profit participation fund (the "Fund"). The holding company is entitled to claim this expense from Water and Power Development Authority (WAPDA) / National Transmission and Despatch Company Limited (NTDC) as a pass through item.

5.2 This represents early Termination Compensation to the ex-operator of the Hub Plant as per the terms of Termination Agreement.

	3 months ended Dec 2015 (Rs. '000s)	3 months ended Dec 2014 (Rs. '000s)	6 months ended Dec 2015 (Rs. '000s)	6 months ended Dec 2014 (Rs. '000s)
6. FINANCE COSTS				
Interest / mark-up on long term loans	664,290	936,287	1,375,015	1,900,320
Interest on finance lease	43,047	44,952	85,323	89,640
Mark-up on short term borrowings	283,021	477,312	516,838	990,937
Amortisation of transaction costs	36,539	39,025	73,283	78,972
Other finance costs	52,910	78,333	94,330	119,215
	1,079,807	1,575,909	2,144,789	3,179,084

7. PROPERTY, PLANT AND EQUIPMENT	Note	Dec 2015 (Rs. '000s) (Unaudited)	Jun 2015 (Rs. '000s) (Audited)
Operating property, plant and equipment		56,934,356	57,952,873
Capital work-in-progress - Holding company		77,852	86,091
	7.1	57,012,208	58,038,964

7.1 Additions to property, plant and equipment during the period were Rs. 922.037 million and disposals / write-off therefrom at net book value were Rs. 37.891 million.

8. LONG TERM INVESTMENTS	Note	Dec 2015 (Rs. '000s) (Unaudited)	Jun 2015 (Rs. '000s) (Audited)
Investment in an associate	8.1	243,847	244,234
Investment in a joint venture	8.2	241,303	-
		485,150	244,234

8.1 Investment in an associate

	Dec 2015	Jun 2015
Opening balance	244,234	-
Investment made during the period	-	243,087
Share of (loss) / profit from an associate	(276)	1,716
Loss on dilution of interest in an associate	(111)	(569)
Closing balance	243,847	244,234

Pursuant to the Shareholders' Agreement dated July 21, 2014 between Engro Powergen Limited (EPL), Thal Limited (TL) and the holding company, the parties agreed to make investments in Sindh Engro Coal Mining Company Limited (SECMC). The holding company undertook to invest USD 20 million in PKR equivalent and has invested Rs. 240 million in December 2014 acquiring 16,194,332 ordinary shares having face value of Rs. 10 each at a price of Rs. 14.82 per share. Subsequently, Habib Bank Limited (HBL) and China Everbest Development International Limited (CEDIL) were inducted as investors. Accordingly, a Shareholders' Agreement ('SHA') was entered into on August 17, 2015 between the holding company, EPL, TL, HBL, and CEDIL, which terminated and substituted the previous shareholders' agreement dated July 21, 2014.

The holding company in the SHA agreed to invest the equivalent of USD 20 million (including the subscription of Rs. 240 million already invested) 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. The number of shares to be acquired shall be subject to the rate of conversion prevailing on the date of payment of each tranche of subscription amounts. It is a term of the SHA that the holding company shall have a shareholding of 8.0% upon or soon after Financial Close if CPI Mengdong (directly or through its subsidiary) holds preference shares in SECMC, or 8.5% if CPI Mengdong does not invest in SECMC.

In addition to the USD 20 million equity, the holding company may, pursuant to the terms of the Sponsor Support Agreement, make the following investments in SECMC:

- Sponsor Support Guarantee to cover cost overruns – for an amount not exceeding USD 4 million (in equivalent Pakistan Rupees), if at any time prior to the Project Completion Date there is funding shortfall. 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 cost overrun support was approved by the members of the holding company during the Extraordinary General Meeting held on January 14, 2016.

- Letter of credit to cover for the Initial Payment Service Reserve Account Shortfall ('PSRA') – 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. The PSRA support was approved by the members of the holding company during the Extraordinary General Meeting held on January 14, 2016.

The investment in SECMC for the purposes of cost overrun and PSRA will only be made if there is an overrun and 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 30 million (in equivalent PKR).

The effective shareholding of the holding company in SECMC as at the balance sheet date is 5.60%. Although the holding company has less than 20% equity interest in SECMC, the management believes that the significant influence over the associate exists as a result of the holding company's representation on the Board of Directors of SECMC and participation in policy making process by virtue of Shareholders' Agreement, hence, classified as an associate.

	Dec 2015 (Rs. '000s) (Unaudited)	Jun 2015 (Rs. '000s) (Audited)
8.2 Investment in a joint venture		
Initial subscription of shares	294,000	-
Share of loss from a joint venture	(52,697)	-
Closing balance	241,303	-

As at December 31, 2015, the initial subscription of the holding company through HPHL in China Power Hub Generations Company (Pvt.) Limited (CPHGC) as per the Memorandum of Association have not been paid. Accordingly, the amount of initial subscription is recorded as payable to CPHGC in accordance with section 31(2) of the Companies Ordinance, 1984.

As per the Memorandum of Association, the holding company, through HPHL, has a 49% interest in CPHGC, a joint venture, the principle business of which is to construct, finance, own and operate two coal-fired power generation units of 660 MW each, in the province of Balochistan. CPHGC has been established consequent to the joint venture agreement (JVA) dated April 20, 2015 between China Power International Holding Limited (CPIH) and the holding company. As per the terms of JVA, CPIH through its wholly owned subsidiary China Power International (Pakistan) Investment Limited (CPIIL) and the holding company, through HPHL invested in CPHGC in the proportion as agreed in the Shareholders' Agreement (SHA) dated June 12, 2015.

	Note	Dec 2015 (Rs. '000s) (Unaudited)	Jun 2015 (Rs. '000s) (Audited)
9. TRADE DEBTS - Secured			
Considered good	9.1	75,702,216	74,895,994

9.1 These receivables include an overdue amount of Rs. 61,456 million (June 2015: Rs. 56,898 million) from WAPDA and Rs. 5,493 million (June 2015: Rs. 6,205 million) from NTDC. These are not impaired because the trade debts are secured by a guarantee from the Government of Pakistan (GOP) under Implementation Agreements.

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

10. TRADE AND OTHER PAYABLES

This includes Rs. 59,245 million (June 2015: Rs. 55,595 million) payable to Pakistan State Oil Company Limited (PSO), out of which overdue amount is Rs. 55,003 million (June 2015: Rs. 49,563 million).

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

11. SHORT TERM BORROWINGS - Secured

	Note	Dec 2015 (Rs. '000s) (Unaudited)	Jun 2015 (Rs. '000s) (Audited)
Finances under mark-up arrangements	11.1 to 11.5	14,700,208	10,963,045

11.1 The facilities for running finance available to the holding company from various banks / financial institutions amounted to Rs. 26,825 million (June 2015: Rs. 27,365 million) at mark-up ranging between 0.50% 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 March 14, 2016 to September 30, 2016. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark-up rate.

11.1.1 The facilities amounting to Rs. 22,440 million (June 2015: Rs. 22,440 million) are secured by way of charge over the trade debts and stocks of the holding company pari passu with the existing charge.

11.1.2 The facilities amounting to Rs. 4,425 million (June 2015: Rs. 4,925 million) are secured by way of:

(a) a first ranking charge on all present and future (i) amounts standing to the credit of the Energy Payment Collection Account and the Master Facility Account, (ii) Fuel, lube, fuel stocks at the Narowal plant and Spares parts; and (iii) the Energy Payment Receivables of Narowal plant.

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

11.1.3 These include facilities amounting to Rs. 2,275 million (June 2015: Rs. 775 million) out of which Rs. 2,200 million (June 2015: Rs. 275 million) are payable to associated undertakings. These facilities are secured by way of securities mentioned in note 11.1.1 and 11.1.2.

11.2 The holding company also has Murabaha facility agreements with banks for an amount of Rs. 625 million (June 2015: Rs. 625 million) at a mark-up of 2.00% per annum above three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrear. These facilities will expire on August 26, 2016. 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 11.1.2.

11.3 The holding company entered into a Musharaka agreement amounting to Rs. 1,135 million (June 2015: Rs. 635 million) at a mark-up of 0.75% and 2.00% per annum above three month KIBOR. The mark-up on the facilities is payable on quarterly basis in arrear. These facilities will expire during the period from September 30, 2016 to November 30, 2016. 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 11.1.2.

11.4 The holding company also entered into a Musharaka agreement amounting to Rs. 400 million (June 2015: Rs. 400 million) at a mark-up of 0.5% per annum above three month KIBOR. The mark-up on the facility is payable on quarterly basis in arrear. This facility will expire on June 30, 2016. Any late payment by the holding company is subject to an additional payment of 2.00% per annum above the normal mark-up rate. This facility is secured by way of securities mentioned in note 11.1.1.

11.5 LEL entered into running finance facilities with financial institutions amounting to Rs. 500 million, out of which Rs. 250 million is from an associated undertaking. These facilities carry mark-up at the rate of 1.75% per annum above three month KIBOR payable on quarterly basis in arrear. These facilities are secured by way of subordinated charge over the current assets (receivables, advances, deposits and prepayments) of LEL. These facilities are untilized at period end and will expire on December 31, 2016.

12. COMMITMENTS AND CONTINGENCIES

There is no material change in the status of contingencies and commitments as disclosed in the annual consolidated financial statements of the holding company for the year ended June 30, 2015 except as follows:

12.1 Commitments in respect of capital and revenue expenditures amount to Rs. 976.014 million (June 2015: Rs. 1,137.382 million). This includes commitments of Rs. 327.333 million (June 2015: Rs. Nil) to associated undertakings.

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12.2 Due to continuous delay in payments by NTDC in connection with the Narowal plant, the holding company had called on the Sovereign Guarantee for recovery of overdue receivables. Subsequently, the holding company also filed a petition in the Honourable 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 February 15, 2013, the SCP passed an interim order that there shall be no reduction in capacity payment. On June 28, 2013, the holding company and other IPPs agreed with GOP that on settlement of all overdue amounts, the holding company and other Independent Power Producers (IPPs) would withdraw the SCP case and pursue expert adjudication and arbitration in accordance with the PPA with regards to the LDs imposed by power purchaser. Expert's decision is non-binding on both the holding company as well as NTDC and any party may decide to pursue arbitration pursuant to the PPA. During the period, the decision of the expert was received which was generally in favour of IPPs. However, due to NTDC/GOP's unwillingness to implement the expert's decision, the IPPs commenced arbitration proceedings in the London Court of International Arbitration (LCIA) which has appointed an arbitrator and proceedings are in progress. If the matter is decided in favour of the holding company, an amount of Rs. 802 million deducted by power purchaser (out of which LDs amounting to Rs. 567 million pertaining to the period prior to January 2013 charged to Profit & Loss account as a matter of prudence) will become refundable.

12.3 Pursuant to the SSA in connection with the investment in LEL, the holding company has provided an LC of USD 23 million to LEL's lenders, which is also an associated undertaking, for cost overruns and debt repayment. After meeting certain conditions by the subsidiary, the LC amount will be reduced to USD 17 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 in Demerged Company (special purpose vehicle that the holding company may incorporate under the laws of Pakistan for the purpose of construction, ownership, operations & maintenance of Narowal project); and (iv) present and future shares acquired in LEL including bonus shares and right shares.

12.4 The holding company entered into a Joint Venture Agreement (JVA) with the China Power International Holdings Limited (CPIH) to target the development of 2 x 660 MW Coal based Power Plant (the project) at Hub Site. As per the terms of JVA, the holding company will have 49% equity interest and CPIH will have 51% equity interest in the project through their 100% owned Subsidiary Companies (Hub Power Holdings Limited and China Power International (Pakistan) Investment Limited). On June 29, 2015, the Sponsors (the holding company and CPIH) have obtained Letter of Intent (LOI) for the project from the PPIB.

Pursuant to terms of LOI, Sponsors were required to obtain tariff and generation licence by September 17, 2015 failing which the PPIB would have been entitled to encash the bank guarantee. However, by its letter dated January 26, 2016 PPIB has informed the holding company that the LOI has been extended till March 29, 2016.

12.5 In order to provide bank guarantee for the issuance of LOI, the holding company entered into a facility agreement with MCB Bank Limited for issuance of guarantee in favour of the PPIB for an amount of USD 0.647 million (holding company's share). This facility is valid for one year from the date of agreement (i.e. April 03, 2016) and is secured by way of securities mentioned in note 11.1.1. As a consequence of the extension of the LOI till March 29, 2016, the Performance Guarantee provided by the holding company is required to be extended till June 29, 2016.

12.6 In connection with development of the Coal based power plant and ancillary jetty, both sponsors have agreed to fund up to USD 29 million (the holding company's share is approximately USD 14.5 million) from the signing of the JDF till the financial close.

12.7 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 January 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 the nature of technical fees which were subject to FED. After dismissal of the holding company's appeal at the Commissioner Inland Revenue – Appeal, the holding company filed appeal with the Appellate Tribunal Inland Revenue (ATIR) which decided the case against the holding company. The holding company will pursue this case with the Islamabad High Court. The holding company's maximum exposure as at December 31, 2015 including the principal amount, penalty and default surcharge is approximately Rs. 1,734 million.

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

13. SEGMENT INFORMATION

13.1 SEGMENT ANALYSIS

The Group has three reportable segments on the basis of power plants; the Hub plant, Narowal plant and Laraib plant (Hydel power plant); all these plant are operational.

The unallocated items of profit and loss relate to costs incurred by the holding company for investment in Laraib, holding company's share of loss of an associate, HPHL's share of loss of Joint venture and corporate expenses relating to HPHL, HPSL and NEL.

The unallocated assets and liabilities represent the holding company's investment in an associate, investment in a joint venture, amount payable by the holding company for investment in Laraib and liabilities relating to HPHL & HPSL against corporate expenses.

	3 months ended Dec 2015				
	Hub plant	Narowal plant	Laraib plant	Unallocated	Total
	(Rs. '000s)				
Turnover	18,653,801	3,585,578	1,079,132	-	23,318,511
Operating costs	(16,105,100)	(2,520,083)	(375,514)	-	(19,000,697)
GROSS PROFIT	2,548,701	1,065,495	703,618	-	4,317,814
General and administration expenses	(263,405)	(42,875)	(40,406)	(656)	(347,342)
Other income	21,695	751	34,619	1,244	58,309
Other operating expenses	-	(1,627)	-	(939)	(2,566)
PROFIT FROM OPERATIONS	2,306,991	1,021,744	697,831	(351)	4,026,215
Finance costs	(300,645)	(439,066)	(270,276)	(69,820)	(1,079,807)
Share of loss from an associate	-	-	-	(529)	(529)
Share of loss from a joint venture	-	-	-	(52,697)	(52,697)
PROFIT BEFORE TAXATION	2,006,346	582,678	427,555	(123,397)	2,893,182
Taxation	-	(201)	-	(26,617)	(26,818)
PROFIT FOR THE PERIOD	2,006,346	582,477	427,555	(150,014)	2,866,364

	3 months ended Dec 2014				
	Hub plant	Narowal plant	Laraib plant	Unallocated	Total
	(Rs. '000s)				
Turnover	26,081,282	6,484,199	1,266,000	-	33,831,481
Operating costs	(23,517,397)	(4,957,437)	(351,913)	-	(28,826,747)
GROSS PROFIT	2,563,885	1,526,762	914,087	-	5,004,734
General and administration expenses	(164,243)	(36,369)	(29,597)	10	(230,199)
Other income	7,477	2,079	12,277	-	21,833
Other operating expenses	-	-	-	-	-
PROFIT FROM OPERATIONS	2,407,119	1,492,472	896,767	10	4,796,368
Finance costs	(386,301)	(738,134)	(324,494)	(126,980)	(1,575,909)
PROFIT BEFORE TAXATION	2,020,818	754,338	572,273	(126,970)	3,220,459
Taxation	(108)	(714)	-	(411)	(1,233)
PROFIT FOR THE PERIOD	2,020,710	753,624	572,273	(127,381)	3,219,226

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	6 months ended Dec 2015				
	Hub plant	Narowal plant	Laraib plant	Unallocated	Total
	(Rs. '000s)				
Turnover	40,102,288	7,799,171	2,379,444	-	50,280,903
Operating costs	(35,017,821)	(5,706,904)	(785,049)	-	(41,509,774)
GROSS PROFIT	5,084,467	2,092,267	1,594,395	-	8,771,129
General and administration expenses	(503,218)	(73,453)	(93,143)	(816)	(670,630)
Other income	24,523	4,822	60,324	1,252	90,921
Other operating expenses	(339,118)	(26,830)	-	(2,574)	(368,522)
PROFIT FROM OPERATIONS	4,266,654	1,996,806	1,561,576	(2,138)	7,822,898
Finance costs	(537,018)	(924,392)	(524,116)	(159,263)	(2,144,789)
Share of loss from an associate	-	-	-	(276)	(276)
Share of loss from a joint venture	-	-	-	(52,697)	(52,697)
PROFIT BEFORE TAXATION	3,729,636	1,072,414	1,037,460	(214,374)	5,625,136
Taxation	-	(778)	-	(51,988)	(52,766)
PROFIT FOR THE PERIOD	3,729,636	1,071,636	1,037,460	(266,362)	5,572,370

	6 months ended Dec 2014				
	Hub plant	Narowal plant	Laraib plant	Unallocated	Total
	(Rs. '000s)				
Turnover	64,218,190	14,101,419	2,261,698	-	80,581,307
Operating costs	(59,368,364)	(11,301,610)	(738,864)	-	(71,408,838)
GROSS PROFIT	4,849,826	2,799,809	1,522,834	-	9,172,469
General and administration expenses	(304,886)	(60,589)	(53,502)	(23)	(419,000)
Other income	8,702	3,952	44,159	-	56,813
Other operating expenses	-	-	-	-	-
PROFIT FROM OPERATIONS	4,553,642	2,743,172	1,513,491	(23)	8,810,282
Finance costs	(750,012)	(1,540,489)	(621,559)	(267,024)	(3,179,084)
PROFIT BEFORE TAXATION	3,803,630	1,202,683	891,932	(267,047)	5,631,198
Taxation	(108)	(898)	-	(736)	(1,742)
PROFIT FOR THE PERIOD	3,803,522	1,201,785	891,932	(267,783)	5,629,456

13.2 SEGMENT ASSETS & LIABILITIES

	(Unaudited) Dec 2015				
	Hub plant	Narowal plant	Laraib plant	Unallocated	Total
	(Rs. '000s)				
TOTAL ASSETS	95,013,708	28,046,569	25,576,585	827,440	149,464,302
TOTAL LIABILITIES	77,079,136	18,587,362	14,503,134	3,261,688	113,431,320

	(Audited) Jun 2015				
	Hub plant	Narowal plant	Laraib plant	Unallocated	Total
	(Rs. '000s)				
TOTAL ASSETS	90,896,458	30,008,577	24,966,708	245,222	146,116,965
TOTAL LIABILITIES	69,512,816	21,455,051	14,961,739	3,347,586	109,277,192

14. RELATED PARTY TRANSACTIONS AND BALANCES

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

14.1 Details of Transactions

	Note	6 months ended Dec 2015 (Rs. '000s)	6 months ended Dec 2014 (Rs. '000s)
Associated Undertakings			
Amounts paid for services rendered		2,118	6,969
Donation		1,500	5,000
Reimbursement of expenses through HPHL from the joint venture		126,606	-
Repayment of long term loans		80,371	72,223
Interest / mark-up on long term loans		98,020	77,624
Mark-up on short term borrowings		47,830	23,367
Other finance costs		398	51
Other related parties			
Other income		-	327
Proceeds from disposal of an asset	14.1.1	6,625	-
Payments made on behalf of fund		25,189	-
Remuneration to key management personnel			
Salaries, benefits and other allowances		124,515	61,121
Retirement benefits		8,000	4,864
	14.1.2	132,515	65,985
Directors' fee	14.1.3	12,600	9,050
Contribution to staff retirement benefit plans		11,337	7,391

14.1.1 This represents gain on disposal of an asset having book value of Rs. Nil to CEO of the holding company, under normal commercial terms and conditions.

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

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

14.2 Details of Outstanding Balances

	Dec 2015 (Rs. '000s) (Unaudited)	Jun 2015 (Rs. '000s) (Audited)
Associated Undertakings		
Outstanding balance of long term loans	3,226,646	1,116,698
Receivable through HPHL from joint venture	283,729	157,123
Accrued markup on long term loans	73,208	29,165
Accrued markup on short term borrowings	27,851	2,115
Payable against initial subscription of shares through HPHL to joint venture	294,000	-
Other related parties		
Payable to staff retirement funds	28,156	-

15. CASH AND CASH EQUIVALENTS

	Dec 2015 (Rs. '000s)	Dec 2014 (Rs. '000s)
Cash and bank balances	4,467,945	4,529,492
Finances under mark-up arrangements	(14,700,208)	(10,040,500)
	(10,232,263)	(5,511,008)

16. DIVIDEND

The Board of Directors of the holding company declared an interim dividend for the half year ended December 31, 2015 of Rs. 4.50 per share, amounting to Rs. 5,207.195 million, at their meeting held on February 17, 2016. These condensed interim consolidated financial statements do not reflect this dividend payable which will be accounted for in the period in which it is approved.

17. SUBSEQUENT EVENT

Subsequent to the period end, the subsidiary, Laraib Energy Limited, has paid dividend amounting to Rs. 302.129 million to the minority shareholders. These condensed interim consolidated financial statements do not reflect this dividend which will be accounted for in the period in which it is approved.

18. RECLASSIFICATION

Certain prior year's figures have been reclassified to reflect more appropriate presentation of the events and transactions for the purpose of comparison. However, there are no material reclassifications to report.

19. DATE OF AUTHORISATION

These condensed interim consolidated financial statements were authorised for issue on February 17, 2016 in accordance with the resolution of the Board of Directors of the holding company.

20. GENERAL

Figures have been rounded off to the nearest thousand rupees.

Khalid Mansoor
Chief Executive

Iqbal Alimohamed
Director