AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of FFBL POWER COMPANY LIMITED as at 31 December 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion:

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

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

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

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(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 31 December 2015 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

Riaz Ahmad & Co

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Atif Bin Arshad

Date: 25 JAN 2016

Islamabad

FFBL POWER COMPANY LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2015

	NOTE	2015	2014
		Rupees '000	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
750,000,000 (2014: 600,000,000) ordinary shares of Rupees 10 each.		7,500,000	6,000,000
Share capital	3	6,890,000	1,000
Accumulated loss		(59,321)	(21,341)
Advance against issue of share capital	4	397,500	1,355,403
TOTAL EQUITY		7,228,179	1,335,062
LIABILITIES			
NON - CURRENT LIABILITIES			
Long term financing	5	-	-
CURRENT LIABILITIES			
Trade and other payables		13,197	230
Accrued mark-up on short term borrowings		120,400	-
Short term borrowings	6	7,348,500	-
TOTAL LIABILITIES		7,482,097	230
CONTINGENCIES AND COMMITMENTS	7		
TOTAL EQUITY AND LIABILITIES		14,710,276	1,335,292

	NOTE	2015	2014
		Rupees '000	
ASSETS			
NON-CURRENT ASSETS			
Plant and equipment	8	12,068,921	1,321,679
Other asset	9	330,394	-
		12,399,315	1,321,679
CURRENT ASSETS			
Stores and spares		90	12,941
Advance tax recoverable		155,744	3
Advances, deposits and prepayments	10	5,556	70
Bank balances	11	2,149,571	599
		2,310,961	13,613
TOTAL ASSETS		14,710,276	1,335,292

The annexed notes form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

FFBL POWER COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2015

	NOTE	January 01 to December 31, 2015	June 27 to December 31, 2014
		(Rupees '000)	
Administrative expense	12	(15,267)	(21,069)
Finance cost	13	(3,449)	-
		(18,716)	(21,069)
Other income	14	16,258	28
Loss before taxation		(2,458)	(21.041)
Taxation	15	(35,822)	-
Loss after taxation		(38,280)	(21,041)
Loss per share - basic and diluted (Rupees)	16	(0.11)	(210.41)

The annexed notes form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

FFBL POWER COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015

	January 01 to December 31, 2015 Rupees '000	June 27 to December 31, 2014 Rupees '000
Loss after taxation	(38,280)	(21,041)
Other comprehensive income		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss	-	-
Other comprehensive income for the year / period	-	-
Total comprehensive loss for the period	(38,280)	(21,041)

The annexed notes form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

FFBL POWER COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2015

	January 01 to December 31, 2015 Rupees '000	June 27 to December 31, 2014 Rupees '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(2,458)	(21.041)
Adjustments for non-cash charges and other items:		
Depreciation	5,106	1,176
Interest on bank deposits - net	(16,258)	(28)
Finance cost	3,449	-
	(7,703)	1.148
Cash used in operating activities before working capital changes	(10,161)	(19,893)
Changes in working capital:		
Decrease / (increase) in current assets		
Stores and spares	12,851	(12,941)
Advances, deposits and prepayments	(5,486)	(70)
Increase in trade and oth... payables	12,967	230
	20,332	(12,781)
Cash generated from / (used in) operations	10,171	(32.674)
Interest received	111,942	28
Finance cost paid	(83,760)	-
Income taxes paid	(191,563)	(3)
Net cash generated from / (used in) operating activities	(153,210)	(32.649)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on plant and equipment	(10,647,321)	(1,322,855)
Net cash used in investing activities	(10,647,321)	(1,322.855)
CASH FLOWS FROM F...ANCING ACTIVITIES		
Proceeds from issuance of share capital	5,533,897	1.000
Advance against issue of share capital	397,500	1.355.103
Short term borrowings	7,348,500	-
Other asset	(330,394)	-
Net cash from financing activities	12,949,503	1,356,103
Net increase in cash and cash equivalents	2,148,972	599
Cash and cash equivalents at the beginning of the year / period	599	-
Cash and cash equivalents at the end of the year / period	2,149,571	599

The annexed notes form an integral part of these financial statements.

CHAIRMAN CHIEF EXECUTIVE DIRECTOR

FFBL POWER COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015

	Share capital	Advance against issue of share capital	Accumulated loss	Total equity
	(Rupees '000)			
Balance as at June 27, 2014	-	-	-	-
Total comprehensive loss for the period				
Loss for the period	-	-	(21,041)	(21,041)
Other comprehensive loss for the period	-	-	-	-
	-	-	(21,041)	(21,041)
Transactions with owners:				
Ordinary shares issued during the period	1,000	-	-	1,000
Advance against issue of share capital	-	1,355.103	-	1,355,103
	1,000	1,355,103	-	1,356,103
Balance as at December 31, 2014	1,000	1,355,103	(21,041)	1,335,062
Loss for the year	-	-	(38,280)	(38,280)
Other comprehensive income for the year	-	-	-	-
	-	-	(38,280)	(38,280)
Transactions with owners:				
Ordinary shares issued during the year	5,533,897	-	-	5.533,897
Ordinary shares issued against advance	1,355,103	(1,355,103)	-	-
Advance against issue of share capital	-	397,500	-	397,500
	6,889,000	(957,603)	-	5,931,397
Balance as at December 31, 2015	6,890,000	397,500	(59,321)	7,228,179

The annexed notes form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

FFBL POWER COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

1. THE COMPANY AND ITS OPERATIONS

FFBL Power Company Limited ("the Company") is a public limited company incorporated on June 27, 2014 in Pakistan under the Companies Ordinance, 1984. The registered office of the Company is situated at 73 Harley Street, Rawalpindi. The principal activity of the Company is generation and supply of electricity and all other forms of energy. However, the Company has not started its commercial operations as the Company is in its pre-commencement phase. The Company has achieved financial close in December 2015 and will start its commercial operations within 24 months. The Company is a subsidiary of Fauji Fertilizer Bin Qasim Limited (the holding company) with shareholding of 75% (2014: 99.99%).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below:

2.1 Basis of preparation

a) Statement of compliance

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

b) Accounting convention

These financial statements have been prepared under the historical cost convention.

c) Functional and presentation currency

These financial statements are presented in Pak Rupees, which is the Company's functional currency.

d) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the 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 accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are discussed in the ensuing paragraphs.

Plant and equipment

The Company reviews the useful lives and residual value of plant and equipment on a regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of plant and equipment with a corresponding effect on the depreciation charge and the impairment.

Provision for inventory obsolescence

The Company reviews the carrying amount of stock, stores and spares on a regular basis and as appropriate inventory is written down to its net realizable value or provision is made for obsolescence if there is any change in usage pattern and physical form of related inventory. Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature is in accordance with the law, the amounts are shown as contingent liabilities.

Contingencies

The Company reviews the status of all the legal cases on a regular basis. Based on the expected outcome and lawyers' judgments, appropriate disclosure or provision is made.

Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, recoverable amount is estimated in order to determine the extent of impairment loss, if any.

Provisions for doubtful debts

The Company reviews its receivable against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

e) **Amendments to published approved standards and interpretation that are effective in current year and are relevant to the Company**

The following amendments to published approved standards and interpretation are mandatory for the Company's accounting periods beginning on or after 01 January 2015:

IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for

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use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard is not expected to have a material impact on the Company's financial statements.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2010 – 2012 Cycle, incorporating amendments to seven IFRSs more specifically in IFRS 8 'Operating Segments' and IFRS 13 'Fair Value Measurement', which are considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 12 December 2013, IASB issued Annual Improvements to IFRSs: 2011 – 2013 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 13 'Fair Value Measurement', that is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 July 2014. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

The application of the above amendments and interpretation does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

f) **Amendments to published standards that are effective in current year but not relevant to the Company**

There are other amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2015 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

g) **Standards, interpretations and amendments to published approved standards that are not yet effective but relevant to the Company**

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 January 2016 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2017). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. However, the amendments are not expected to have a material impact on the Company's financial statements.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

h) **Standards and amendments to published standards that are not yet effective and not considered relevant to the Company**

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 January 2016 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Taxation

Current

The profits and gains of the company derived from electric power generation are exempt from tax in terms of Clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the conditions and limitations provided therein.

Under clause (11A) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001, the company is also exempt from levy of minimum tax on 'turnover' under section 113 of the Income Tax Ordinance, 2001.

However, full provision is made in the profit and loss account on income from sources not covered under the above clauses at current rates of taxation after taking into account, tax credits and rebates available, if any.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction neither affects accounting nor taxable profit or loss.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to other comprehensive income or equity in which case it is included in other comprehensive income or equity.

Deferred tax has not been provided in these financial statements as the Company's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the profits and gains of the Company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

2.3 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.4 Plant and equipment and capital work in progress

Cost

Plant and equipment except capital work-in-progress are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of plant and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets, other directly attributable cost of bringing the asset to working condition and cost of dismantling and removing the items and restoring the site on which they are located. Capital work-in-progress is stated at cost less allowance for impairment, if any.

Depreciation

Depreciation on plant and equipment is charged to profit and loss account applying the straight line method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 8.1.

Depreciation on additions is charged from the month of acquisition while no depreciation is charged in the month of disposal.

De-recognition

An item of plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is derecognized.

2.5 Stores and spares

These are valued at lower of weighted average cost and net realizable value, less provision for slow moving and obsolete items, if any.

2.6 Trade and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

2.7 Borrowings

Borrowings are recognised initially at fair value and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

2.8 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognised in profit and loss account. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing costs eligible for capitalization. Exchange differences relating to foreign currency borrowings are included in borrowing costs.

2.9 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for the goods and/or services received, whether or not billed to the Company.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks on deposit accounts. These are carried at book values which approximate their fair values.

2.11 Share capital

Ordinary shares are classified as share capital.

2.12 Revenue recognition

Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

2.13 Foreign currency transactions

Transactions in foreign currency are accounted for at exchange rates prevailing on the date of transaction. All monetary assets and liabilities denominated in foreign currencies at the year-end are translated at exchange rates prevailing at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Exchange differences are included in profit and loss account for the year.

2.14 Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction cost directly attributable to the quotation of financial assets or financial liabilities at fair value through profit and loss are recognized immediately in profit and loss.

2.15 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

2.16 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3 SHARE CAPITAL

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2015	2014		2015	2014
(Number of shares)			(Rupees '000)	
		Issued, subscribed and paid up capital:		
		Ordinary shares of Rupees 10/- each		
689,000,000	100,000	fully paid in cash	6,890,000	1,000

3.1 **Movement in number of shares**

	(Number of shares)	
Number of shares at beginning of the year / period	100,000	-
Ordinary shares issued during the year / period	688,900,000	100,000
Number of shares at end of the year / period	689,000,000	100,000

3.2 Fauji Fertilizer Bin Qasim Limited ("FFBL") has a controlling interest in the Company by holding 516.75 million (75%) ordinary shares (December 2014: 0.10 million ordinary shares (99.99%)).

3.3 Fauji Foundation ("FF") holds 172.25 million (25%) ordinary shares (December 2014: Nil ordinary shares).

4 ADVANCE AGAINST ISSUE OF SHARE CAPITAL

This represents share deposit money by Fauji Fertilizer Bin Qasim Limited (Holding Company) amounting to Rupees 298,125 thousand (December 31, 2014: Rupees 1,355,103 thousand) and from Fauji Foundation (an Associated Undertaking) amounting to Rupees 99,375 thousand (December 31, 2014: Rupees Nil).

5 LONG TERM FINANCING

During the year the Company entered into the following long term financing agreements comprised of Commercial Facility and Musharika Facility. Details of these financing facilities are as follows:

Commercial Facility:

Commercial Financiers:	Total Amount (Rupees '000)	Mark-up Rate
National Bank of Pakistan	3,962,500	3 month KIBOR plus1.75%
United Bank Limited	1,100,000	3 month KIBOR plus1.75%
Bank Alfalah Limited	2,500,000	3 month KIBOR plus1.75%
Soneri Bank Limited	1,000,000	3 month KIBOR plus1.75%
Bank of Punjab	1,000,000	3 month KIBOR plus1.75%
NIB Bank Limited	1,500,000	3 month KIBOR plus1.75%
	11,062,500	

Musharika Facility

Musharika Participants:	Total Amount (Rupees '000)	Mark-up Rate
National Bank of Pakistan	1,000,000	3 month KIBOR plus1.75%
Habib Bank Limited	3,500,000	3 month KIBOR plus1.75%
United Bank Limited	1,100,000	3 month KIBOR plus1.75%
Dubai Islamic Bank Limited	1,500,000	3 month KIBOR plus1.75%
Meezan Bank Limited	1,500,000	3 month KIBOR plus1.75%
Faysal Bank Limited	1,200,000	3 month KIBOR plus1.75%
Sindh Bank Limited	1,000,000	3 month KIBOR plus1.75%
	10,800,000	

These financing facilities have availability period starting from facility effective date upto early of 24 months following the facility effective date or the commercial operation date or any earlier date (if any) specified in the PPA-KE.

The financing facilities are payable in 40 quarterly installments. The disbursement under the facility is subject to certain conditions precedents. No amount has been withdrawn upto December 31, 2015.

6 SHORT TERM BORROWINGS - SECURED

From banking companies and other financial institutions

These represent short term bridge finance facilities obtained from various banks on mark-up basis. These facilities carries mark-up ranging from 7.5% to 8.82% per annum and are secured by hypothecation charge over present and future fixed assets of the Company . It includes finance facility of Rupees 4,000 million (2014: Nil) secured by corporate guarantee of Fauji Fertilizer Bin Qasim Limited (Holding Company). These form part of total credit facilities of Rupees 7,398.50 million (2014: Nil).

	2015	2014
	(Rupees '000)	
7 CONTINGENCIES AND COMMITMENTS		
7.1 Contingencies	Nil	Nil

7.2 Commitments in respect of capital expenditure amount to Rupees 10,584.48 million (2014: Rupees 22.294 million).

8 Plant and equipment

	NOTE	2015	2014
		'(Rupees '000)	
Operating fixed assets	8.1	17,800	8,821
Capital work in progress	8.2	12,051,121	1,312,858
		12,068,921	1,321,679

8.1 Operating fixed assets

	Computer and ancillary equipment	Furniture and fittings	Vehicles	Total
	(Rupees '000)			
As at June 27, 2014				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book value	-	-	-	-
Period ended December 31, 2014				
Opening net book value	-	-	-	-
Additions during the period	6,419	3,578	-	9,997
Depreciation charge	(970)	(206)	-	(1,176)
Closing net book value	5,449	3,372	-	8,821
At December 31, 2014				
Cost	6,419	3,578	-	9,997
Accumulated depreciation	(970)	(206)	-	(1,176)
Net book value	5,449	3,372	-	8,821
Year ended December 31, 2015				
Opening net book value	5,449	3,372	-	8,821
Additions during the year	7,244	2,135	4,706	14,085
Depreciation charge	(4,087)	(521)	(498)	(5,106)
Closing net book value	8,606	4,986	4,208	17,800
At December 31, 2015				
Cost	13,663	5,713	4,706	24,082
Accumulated depreciation	(5,057)	(727)	(498)	(6,282)
Net book value	8,606	4,986	4,208	17,800
Annual rate of depreciation (% per annum)	33	10	20	

8.2 Capital work in progress

	NOTE	Balance as at January 01, 2015	Additions	Closing Balance December 31, 2015
		(Rupees '000)		
Plant, machinery and civil works		1,014,929	10,010,325	11,025,254
Insurance		-	138,824	138,824
Professional services		103,607	109,108	212,715
Borrowing cost	13 & 8.3	-	105,027	105,027
Other directly attributable cost		194,322	336,826	531,148
Advance for purchase of land		-	38,153	38,153
		1,312,858	10,738,263	12,051,121

8.3 Borrowing cost was capitalized during the year using the capitalization rate of 7.84% per annum.

9 OTHER ASSET

This represents directly attributable transaction cost incurred on long term finance facilities which will be netted against proceeds of long term loans and subsequently recognized in the profit and loss account over the period of facilities using the effective interest method.

		Note	2015	2014
			(Rupees '000)	
10	ADVANCES, DEPOSITS AND PREPAYMENTS			
	Prepayments		1,543	70
	Advance to customs authorities		4,013	-
			5,556	70
11	BANK BALANCES			
	On current accounts		35,678	-
	On saving accounts	11.1	2,113,893	599
			2,149,571	599

11.1 The balances in deposit accounts carry interest rates ranging from 6.5% to 7.7% per annum. These include balance of Rupees 0.149 thousand (December 31, 2014: 23.50 thousand) with Askari Bank Limited - an associated company.

		Note	January 01 to December 31, 2015	June 27 to December 31, 2014
			(Rupees '000)	
12	ADMINISTRATIVE EXPENSES			
	Directors' remuneration		480	-
	Registration charges		-	16,294
	Renovation expenses		2,852	1,222
	Depreciation	8.1	5,106	1,176
	Communication		-	141
	Advertisement		372	1,467
	Printing and stationery		1,117	401
	Legal and professional charges		3,934	-
	Auditors' remuneration	12.1	620	230
	Repair and mainte..nce		-	61
	Others		786	77
			15,267	21,069
12.1	Auditors' remuneration			
	Statutory audit fee		75	75
	Special certifications		325	75
	Tax advisory services		200	60
	Out of pocket expenses		20	20
			620	230
13	FINANCE COST			
	Mark-up on short term borrowings		200,711	-
	Interest earned on borrowings	14	(95,684)	-
	Bank charges		3,449	-
			108,476	-
	Less: Amount capitalised under capital work in progress	8.2	(105,027)	
			3,449	-
14	OTHER INCOME			
	Interest on bank deposits		111,942	-
	Less: Amount netted off against mark-up on short term borrowings	13	(95,684)	-
			16,258	-

15 TAXATION

Provision for current tax represents tax on bank profits. Consequently, tax expense reconciliation is not being presented.

			2015	2014
			Rupees '000	
16	**LOSS PER SHARE - BASIC AND DILUTED**			
	There is no dilutive effect on the basic loss per share which is based on:			
	Loss attributable to ordinary shares	Rupees in thousand	(38,280)	(21,041)
	Weighted average number of ordinary shares	Numbers	349,418,600	100,000
	Loss per share	Rupees	(0.11)	(210.41)

17. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged / capitalized in the financial statements for the year in respect of remuneration, including certain benefits are given below:

	Chief Executive Officer		Directors		Executives	
	2015	2014	2015	2014	2015	2014
	Rupees '000					
Managerial remuneration	-	-	-	-	1,350	
Allowances						
House rent	-	-	-		1,215	
Utilities	-	-	-		135	
	-	-	-	-	2,700	
Number of persons	1	1	9	9	1	-

17.1 The aggregate amount charged in these financial statements in respect of directors' meeting fee was Rupees 480 thousand.

17.2 Certain executives are also provided with the use of Company maintained car and fuel in accordance with the terms of their employment.

18. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk, liquidity risk, use of derivative financial instruments and non derivative financial instruments and investment of excess liquidity.

(a) Market risk

(i) Currency 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. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to currency risk at the balance sheet date.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to equity price risk as it does not have any investments in equity securities. The Company is also not exposed to commodity price risk.

(iii) Interest rate risk

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

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

Floating rate instruments	2015	2014
Financial assets	Rupees '000	
Bank balances	2,113,893	599
Financial liabilities		
Short term borrowings	7,468,900	-

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 rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rupees 53,550 thousand lower / higher, mainly as a result of higher / lower interest expense on floating rate financial instruments. This analysis is prepared assuming the amounts of financial instruments outstanding at balance sheet dates were outstanding for the whole year.

(b) Credit risk

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

	2015	2014
	(Rupees '000)	
Bank balances	2,149,571	599

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2015	2014
	Short term	Long term	Agency	Rupees '000	
Banks					
National Bank of Pakistan	A-1+	AAA	JCR-VIS	2,222	-
Askari Bank Limited	A-1+	AA	JCR-VIS	1	24
Habib Bank Limited	A-1+	AAA	JCR-VIS	578,377	-
NIB Bank Limited	A1+	AA-	PACRA	889,590	575
Meezan Bank Limited	A-1+	AA	JCR-VIS	298,732	-
JS Bank Limited	A1+	A+	PACRA	347,193	-
United Bank Limited	A-1+	AA+	JCR-VIS	33,456	-
				2,149,571	599

Due to Company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(C) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. As at December 31, 2015, the Company had Rupees 50,000 thousand available borrowing limits from financial institutions and Rupees 2,149,571 thousand bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 31 December 2015.

	Carrying amount	Contractual cash flows	Less than one year	More than one year
	......(Rupees '000)......			
Non-derivative financial liabilities:				
Trade and other payables	13,197	13,197	13,197	-
Accrued mark-up on short term borrowings	120,400	120,400	120,400	-
Short term borrowings	7,348,500	7,348,500	7,348,500	-
	7,482,097	7,482,097	7,482,097	-

Contractual maturities of financial liabilities as at 31 December 2014.

	Carrying amount	Contractual cash flows	Less than one year	More than one year
	......(Rupees '000)......			
Non-derivative financial liabilities:				
Trade and other payables	230	230	230	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at December 31. The rates of interest / mark up have been disclosed in Note 6 to these financial statements.

Financial instruments by categories

	Loans and receivables
	Rupees '000
Financial assets as per balance sheet	
Bank balances	2,149,571

18.1 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain as optimal capital structure to reduce the cost of capital.

19. RELATED PARTY TRANSACTIONS

The Company is a subsidiary of Fauji Fertilizer Bin Qasim Limited (FFBL) with 75% holding. The holding company is an associate of Fauji Fertilizer Company Limited (FFCL) with 49.88% holding. FFCL is sponsored by Fauji Foundation (FF) which holds 17.29% shares in the holding company and 25% shares of the Company. Therefore, all subsidiaries and associated undertakings of FF, FFCL and FFBL are related parties of the Company. The Company has related parties which comprise of entities under common directorship, directors and key management personnel. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2015	2014
	(Rupees '000)	
Holding Company		
Investment by Fauji Fertilizer Bin Qasim Limited	4,109,522	1,356,103
Associated Undertakings		
Investment by Fauji Foundation	1,821,875	-
Profit on bank deposit - Askari Bank Limited	16	14

	2015	2014
NUMBER OF EMPLOYEES		
Number of employees as at December 31, 2015	44	-
Average number of employees during the year	10	-

20 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 25 JAN 2016 by the Board of Directors of the Company.

21 CORRESPONDING FIGURES

No significant reclassification / rearrangement of corresponding figures has been made.

22 GENERAL

Figures have been rounded off to the nearest thousand of Rupees unless stated otherwise.

CHAIRMAN CHIEF EXECUTIVE DIRECTOR

Directors' Report – FFBL Power Company Limited

On behalf of the Board of Directors, I am pleased to present 2nd Annual Report along with audited Financial Statements of the Company and the Auditors' report thereon for the year ended December 31, 2015.

The Company and its Operations

FFBL Power Company Limited ("the Company") is a public limited company incorporated on June 27, 2014 in Pakistan under the Companies Ordinance, 1984. The registered office of the Company is situated at 73 Harley Street, Rawalpindi. The Company is setting up a coal fired power generation facility for supply of electricity to K-Electric and Fauji Fertilizer Bin Qasim Limited (FFBL) Karachi along with supply of steam to the later on requirement. The Project is at advance stage of Construction and work is being executed on fast track basis. Expected date of commercial operations is March 2017.

Capital Structure

Equity injection has been made by FFBL and Fauji Foundation (the "Sponsors") having a share of 75% and 25% respectively. The Sponsors have injected their entire share of equity in the project. The detail is as follows:

Fauji Fertilizer Bin Qasim Limited : Rs. 5,465,625,000

Fauji Foundation : Rs. 1,821,875,000

The debt financing has arranged through consortium of local banks for Rs. 21.86 billion. The Company has achieved financial closing and currently is in a process of completing the requirements of lenders for disbursement of debt.

Financial Highlights

Since the company has not started commercial production yet so profit & loss account shows administrative expenses of 15.2 million which mainly includes depreciation, renovation and other expenses. Other income of Rs. 16 million is on bank deposits. The commercial operations is expected to begin in first quarter of year 2017.

Property and equipment mainly comprises of Capital Work in Progress of Rs. 12.05 billion and other assets that include computers, furniture and vehicles of Rs. 17.80 million. Current liabilities comprise of retention money, audit & advisory fee and security refundable of Rs. 13.20 million, short term borrowings (including markup payable) of Rs. 7.47 billion, while current assets include Rs. 0.90 thousand on account of stores items, bank balance of Rs. 2.50 billion, advances and prepayments of Rs. 5.56 million and Rs. 155.74 million on account of advance tax on imports and profit on bank deposits.

Pattern of Shareholding

The pattern of Shareholding as on December 31, 2015 is as following:

Pattern of Shareholding	Number of Shares
1. Holding Company and Related Parties	
Fauji Fertilizer Bin Qasim Limited	516,749,991
Fauji Foundation	172,250,000
2. Directors, CEO, their spouses and minor children	
Lt Gen Khalid Nawaz Khan (Retd)	1
Lt Gen Muhammad Haroon Aslam (Retd)	1
Lt Gen Shafqaat Ahmed (Retd)	1
Mr. Qaiser Javed	1
Dr. Nadeem Inayat	1
Brig Dr. Gulfam Alam (Retd)	1
Maj Gen Syed Jamal Shahid (Retd)	1
Syed Aamir Ahsan	1
Mr. Mokarram Mirza	1

Future Outlook and Strategy

To achieve multifold objective, the company opted for an unconventional challenging strategy that is project execution through package approach counting on in-house technical strength and history of successes. Alhumdollilah, project is progressing in the right direction and on fast-track as per targeted timeline.

The management is striving to undertake projects of larger magnitude in power sector having confidence on the positive future outcome. This will create further job opportunities, skills training, connection with global market opportunities, and capacities to earn an income for transformation of communities.

Acknowledgment

On behalf of the Board, I would like to acknowledge with thanks the efforts and contributions made by the management staff, employees, lenders, regulatory authorities and various government functionaries for the successful implementation of the project.

For and on behalf of the Board

Lt Gen Khalid Nawaz Khan (Retd)

Chairman