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AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed balance sheet of FFBL Power Company Limited (the Company) as at December 31, 2016 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.

(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 December 31, 2016 and of the loss, total 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).

The financial statements of the Company for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those statements on January 25, 2016.

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Chartered Accountants
Islamabad: January 30, 2017

Engagement partner: Asim Masood Iqbal

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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KARACHI ■ LAHORE ■ ISLAMABAD

FFBL POWER COMPANY LIMITED
BALANCE SHEET
AS AT DECEMBER 31, 2016

	Note	2016	2015
		(Rupees '000)	
SHARE CAPITAL AND RESERVES			
Authorised share capital	5	9,000,000	7,500,000
Issued, subscribed and paid up capital	5	7,287,500	6,890,000
Advance against shares to be issued		-	397,500
Accumulated (loss)		(112,259)	(59,321)
		7,175,241	7,228,179
NON-CURRENT LIABILITIES			
Long term finance facilities - secured	6	20,138,722	-
CURRENT LIABILITIES			
Trade and other payables	7	385,114	13,197
Current portion of long-term finance facilities - secured	6	1,100,224	-
Accrued mark-up on finance facilities and borrowings		243,893	120,400
Short term borrowings		-	7,348,500
		1,729,231	7,482,097
CONTINGENCIES AND COMMITMENTS	8		
		29,043,194	14,710,276

	Note	2016	2015
		(Rupees '000)	
NON-CURRENT ASSETS			
Property, plant and equipment	9	24,471,628	12,068,921
Transaction cost of long term finance facilities	10	-	330,394
		24,471,628	12,399,315
CURRENT ASSETS			
Stock in trade - Coal		486,777	-
Stores and spares		-	90
Income tax refundable		116,536	117,281
Advances, prepayments and other receivables	11	833,836	44,019
Short term investments	12	2,635,000	-
Cash and bank balances	13	499,417	2,149,571
		4,571,566	2,310,961
		29,043,194	14,710,276

The annexed notes 1 to 21 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, 2016

	Note	2016	2015
		(Rupees '000)	
Administrative expenses	14	**(33,701)**	(15,267)
Finance cost	15	**(140)**	(3,449)
		(33,841)	(18,716)
Other income	16	**10,238**	16,258
(Loss) before taxation		**(23,603)**	(2,458)
Provision for taxation - current			
- for the year		**(36,737)**	(35,822)
- for prior period		**7,402**	-
		(29,335)	(35,822)
(Loss) after taxation		**(52,938)**	(38,280)

The annexed notes 1 to 21 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, 2016

	2016	2015
	(Rupees '000)	
(Loss) after taxation	**(52,938)**	(38,280)
Other comprehensive income/(loss) for the year	-	-
Total comprehensive (loss) for the year	**(52,938)**	(38,280)

The annexed notes 1 to 21 form an integral part of these financial statements.

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CHAIRMAN CHIEF EXECUTIVE DIRECTOR

FFBL POWER COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
	(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) before taxation	(23,603)	(2,458)
Adjustments for:		
Depreciation & amortisation	6,682	5,106
Foreign exchange gain - unrealised	(800)	-
Other income	(10,238)	(16,258)
Finance cost	940	3,449
	(3,416)	(7,703)
	(27,019)	(10,161)
Changes in working capital:		
(Increase) in stock in trade	(486,777)	-
Decrease in stores and spares	90	12,851
(Increase) in advances, prepayments and other receivables	(787,110)	(5,486)
Increase in trade and other payables	371,917	12,967
	(901,880)	20,332
	(928,899)	10,171
Interest received	137,115	111,942
Finance cost paid	(987,337)	(83,760)
Income tax paid	(28,590)	(191,563)
Net cash used in operating activities	(1,807,711)	(153,210)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in capital work in progress	(11,431,369)	(10,647,321)
Additions to operating fixed assets - direct	(7,152)	-
Proceeds from disposal of scrap	10,238	-
Net cash used in investing activities	(11,428,283)	(10,647,321)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance facilities - received	21,569,340	-
Short term borrowings (repaid)/received	(7,348,500)	7,348,500
Proceeds from issuance of shares	-	5,533,897
Advance against issue of shares	-	397,500
Transaction cost of long term finance facilities	-	(330,394)
Net cash generated from financing activities	14,220,840	12,949,503
Net increase in cash and cash equivalents	984,846	2,148,972
Cash and cash equivalents at beginning of the year	2,149,571	599
Cash and cash equivalents at end of the year	3,134,417	2,149,571
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents comprise of the following:		
- Short term investments	2,635,000	-
- Cash and bank balances	499,417	2,149,571
	3,134,417	2,149,571

The annexed notes 1 to 21 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, 2016

	Issued, subscribed and paid up capital	Advance against shares to be issued	Accumulated (loss)	Total
	(Rupees '000)			
Balance as at January 1, 2015	1,000	1,355,103	(21,041)	1,335,062
Total comprehensive (loss) for the year				
(Loss) for the year	-	-	(38,280)	(38,280)
Other comprehensive income/(loss) 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 shares to be issued	-	397,500	-	397,500
	6,889,000	(957,603)	-	5,931,397
Balance as at January 1, 2016	6,890,000	397,500	(59,321)	7,228,179
Total comprehensive (loss) for the year				
(Loss) for the year	-	-	(52,938)	(52,938)
Other comprehensive income/(loss) for the year	-	-	-	-
	-	-	(52,938)	(52,938)
Transactions with owners:				
Ordinary shares issued against advance	397,500	(397,500)	-	-
Balance as at December 31, 2016	**7,287,500**	**-**	**(112,259)**	**7,175,241**

The annexed notes 1 to 21 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

FFBL POWER COMPANY LIMITED
NOTES TO AND FORMING PART OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. THE COMPANY AND ITS OPERATIONS

FFBL Power Company Limited (the Company), a public limited company incorporated on June 27, 2014 in Pakistan under the Companies Ordinance, 1984. The Company has been established to build, own and operate a 118 megawatt coal based power generation facility at Port Qasim Karachi. The registered office of the Company is situated at FFBL Tower, Plot No. C1&C2, Sector B, Jinnah Boulevard, Phase II, DHA, Islamabad. The Company achieved its financial close in December 2015. The management anticipates the Commercial Operation by March 31, 2017.

The Company is a subsidiary of Fauji Fertilizer Bin Qasim Limited (FFBL) and its ultimate parent is Fauji Foundation (FF).

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the 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.

3. USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated and are based on the historical experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

i) Capital work in progress - Note 4.4
ii) Estimated useful life and residual value of Property, Plant and Equipment - Note 4.3
iii) Provision for taxation - Note 4.17

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Accounting convention

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

4.2 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Pakistani Rupees, the Company's functional and presentation currency.

4.3 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. 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.

Depreciation on property, 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 9.1.

Depreciation on additions is charged for the full month in which an asset is available for use and on disposals up to the month immediately preceding the disposals. Gains and losses on disposals are taken to the profit and loss account.

The residual value, depreciation method and the useful lives of the significant items of property, plant and equipment are reviewed and adjusted, if required, at each balance sheet date.

4.4 Capital work-in-progress

This represents cost incurred during the construction phase of the project before commencement of commercial operations. Capital work-in-progress is stated at cost. Items are transferred to operating property, plant and equipment as and when they are available for use.

4.5 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation or depreciation and are tested annually for impairment. Assets that are subject to depreciation / amortisation are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Reversals of the impairment losses are restricted to the extent that assets carrying amount does not exceed carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised. An impairment loss or reversal of impairment loss is recognised in the profit and loss account.

4.6 Stock in trade

Stock in trade is valued at lower of cost, calculated on weighted average cost basis and net realisable value.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realisable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management's best estimate.

4.7 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.

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4.8 Trade and other receivables

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

4.9 Borrowings

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

4.10 Borrowing costs

Interest, mark up and other charges on long term finances are capitalised up to date of commissioning of respective qualifying assets acquired out of the proceeds of such long term finances. All other interest, markup and other charges are recognised in profit and loss account. Qualifying assets are assets that necessarily take substantial period of time to get ready for their intended use. Investment income earned on the temporary income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing cost eligible for capitalisation.

4.11 Trade and other payables

Liabilities for trade and other accounts 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.

4.12 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments.

4.13 Provisions

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

4.14 Profit on bank deposits/short term investments

Profit on bank deposits with banks and Term Deposit Receipts is recognised on time proportion basis using the effective yield method.

4.15 Foreign currency transactions and translation

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.

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4.16 Staff retirement benefits

Defined benefit scheme

The Company has established a funded gratuity scheme for all its eligible employees, however, separate bank account has not yet been opened for this purpose. Provision for gratuity is calculated based on the basis of one month basic salary for each completed year of service. Actuarial valuation for gratuity, using the Projected Unit Credit method, has not been carried out since the impact is not considered material to the financial statements.

Defined contribution plan

The Company operates a funded provident fund plan for its employees. Equal monthly contributions are made by the employees and the Company respectively at the rate of 10% of basic salary. Company's contribution for the year was Rs 6,709 thousand (2015: Rs Nil).

4.17 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 has not been provided in these financial statements as the Company's management believes that 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.

4.18 Financial instruments

Financial assets

Recognition and measurement

Financial assets are recognized on the trade-date i.e. the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are charged to profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account.

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Classification

The Company classifies its financial assets in the following categories: held to maturity, financial assets at fair value through profit or loss, available for sale investments and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Held to maturity

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held to maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less impairment losses, if any.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'Advances, prepayments and other receivables', 'short term investments' and ' cash and bank balances' in the balance sheet. Loans and receivables are recorded at amortized cost using the effective interest method less allowance for any doubtful amounts.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Financial liabilities

The Company initially recognizes financial liabilities on the date that they are originated or the date that the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

4.19 Off setting

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

4.20 New and amended standards and interpretations

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company:

		Effective date (annual periods beginning on or after)
IAS 1	Presentation of Financial Statements (Amendments)	January 1, 2017
IAS 7	Statement of Cash Flows (Amendments)	January 1, 2017
IAS 12	Income Taxes (Amendments)	January 1, 2017
IFRS 2	Share-based Payment (Amendments)	January 1, 2018
IFRS 4	Insurance Contracts (Amendments)	January 1, 2018
IFRS 5	Non-current assets held for sale and discontinued operations (Amendments)	July 1, 2016
IFRS 7	Financial Instruments: Disclosures (Amendments)	July 1, 2016
IFRS 9	Financial Instruments	January 1, 2018
IFRS 16	Leases	January 1, 2019

The Company anticipates that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than in presentation/disclosures.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 9	Financial Instruments
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from Contracts with Customers

The following interpretations issued by the IASB have been waived off by SECP:

IFRIC 4	Determining whether an arrangement contains lease
IFRIC 12	Service concession arrangements

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5. SHARE CAPITAL

AUTHORISED SHARE CAPITAL

This represents 900,000,000 (2015: 750,000,000) ordinary shares of Rs 10 each amounting to Rs 9,000,000 thousand (2015: Rs 7,500,000 thousand).

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2016	2015		2016	2015
(Number of shares)			(Rupees '000)	
728,750,000	689,000,000	Ordinary shares of Rs 10 each, issued for consideration in cash.	7,287,500	6,890,000

5.1 Movement in number of shares

	2016	2015
	Number of shares	
Number of shares at the beginning of year	689,000,000	100,000
Ordinary shares issued during the year	39,750,000	688,900,000
Number of shares at end of the year	728,750,000	689,000,000

5.2 Fauji Fertilizer Bin Qasim Limited (FFBL) has a controlling interest in the Company by holding 546,563 thousand (75%) ordinary shares as at December 31, 2016 (December 31,2015: 516,750 thousand (75%)).

5.3 Fauji Foundation (FF) holds 182,187 thousand (25%) ordinary shares of the Company as at December 31, 2016 (December 31, 2015: 172,250 thousand (25%)).

5.4 9 Shares (2015: 9 Shares) are held by nominee directors.

6. LONG TERM FINANCE FACILITIES - SECURED

The Company entered into the following long term finance facilities under Commercial and Islamic Facility arrangements.

	2016	2015
	(Rupees '000)	
Commercial facility		
National Bank of Pakistan	3,962,500	-
United Bank Limited	1,100,000	-
Bank Alfalah Limited	2,500,000	-
Soneri Bank Limited	1,000,000	-
Bank of Punjab	1,000,000	-
NIB Bank Limited	1,500,000	-
	11,062,500	-
Islamic facility		
National Bank of Pakistan	1,000,000	-
Habib Bank Limited	3,206,840	-
United Bank Limited	1,100,000	-
Dubai Islamic Bank Limited	1,500,000	-
Meezan Bank Limited	1,500,000	-
Faysal Bank Limited	1,200,000	-
Sindh Bank Limited	1,000,000	-
	10,506,840	-
Total outstanding	21,569,340	
Less:		
Current portion of long term finance facilities	(1,100,224)	
Unamortised transaction cost of long term finance facilities - note 10	(330,394)	-
	20,138,722	-

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6.1 The Company has entered into long term finance facilities under commercial facility of Rs 11,062,500 thousand and musharika facility of Rs 10,800,000 thousand with various banks / financial institutions, as enumerated above, at an interest / variable rental rate of 3 months KIBOR plus 1.75% per annum. The interest / variable rental rate is payable on quarterly basis. Any delay in payments to banks by the Company is subject to liquidated damages at the rate of applicable interest rate plus 2% per annum. These facilities have availability period of 24 months following the facility effective date i.e. April 28, 2016, or the commercial operation date or any earlier date (if any) specified in the Power Purchase Agreement with K-Electric (PPA-KE). The principal amounts are repayable in 40 quarterly installments, expected to commence on June 30, 2017. The total unavailed amount as at December 31, 2016 was Rs 293,160 thousand (December 31, 2015: Rs 21,862,500 thousand). The Company is also required to maintain certain financing ratios during the period of the facility.

6.2 Facilities mentioned above are secured by way of, inter alia,:

(a) First ranking pari passu charge over:

i all the movable and immovable property (excluding land and building) of the Company comprising of present and future fixed assets (excluding land and building);

ii all the present and future current assets of the Company excluding the assigned project receivables;

(b) Assignment of assigned project receivables in favor of financiers excluding working capital security assets;

(c) Lien over project accounts opened with various banks.

(d) Undertaking by the Holding Company to fund the following:

i All completion cost overruns till project completion date;

ii Uncapped support to fund any payment shortfall i.e. amount less than the required finance payment balance up to technical completion date and thereafter up to financing service cap i.e. up to Rs. 8,000 million till project completion date;

iii In case of event of default and termination before technical completion date uncapped support to fund the payment of the outstanding secured obligations as defined in common term agreement; and

iv Debt service support up to Rs. 300 million per annum (subject to revision due to changes in KIBOR) as result of a shortfall in revenues owing to below par dispatch under the PPA-KE.

(e) Share representing 100% of the paid up share capital of the Company have been pledged till achievement of project completion date and thereafter shares not exceeding 51% of the paid up capital.

7. TRADE AND OTHER PAYABLES

	2016	2015
	(Rupees '000)	
Creditors	8,390	13,197
Accrued expenses	1,189	-
Retention money payable	332,785	-
Provident fund payable	13,419	-
Provision for gratuity	3,178	-
Tax withheld at source	12,600	-
Others	13,553	-
	385,114	13,197

8. CONTINGENCIES AND COMMITMENTS

Commitments

(i) Commitments in respect of capital expenditure amount to Rs 2,969,730 thousand (2015: Rs 10,584,480 thousand).

(ii) The amount outstanding of various Letter of Credits (LCs) at December 31, 2016 is Rs 1,470,336 thousand (2015: Rs 5,134,735 thousand) out of total facility of Rs 6,426,000 thousand (2015: Rs 12,576,000 thousand). The aggregate facilities for opening LCs are secured by lien on valid import documents and undertaking from the parent company FFBL that in case FPCL is unable to retire the documents through own sources, then FFBL would require the retire the documents. The facilities will expire by October 26, 2017.

	2016	2015
	(Rupees '000)	

9. PROPERTY, PLANT AND EQUIPMENT

	2016	2015
Operating fixed assets - note 9.1	**1,431,075**	17,800
Capital work in progress - note 9.2	**23,040,553**	12,051,121
	24,471,628	12,068,921

9.1 Operating fixed assets

	Leasehold land	Computer and ancillary equipment	Furniture and fittings	Vehicles	Total
As at January 1, 2015					
Cost	-	6,419	3,578	-	9,997
Accumulated depreciation	-	(970)	(206)	-	(1,176)
Net book amount	**-**	**5,449**	**3,372**	**-**	**8,821**
Year ended December 31, 2015					
Opening net book amount	-	5,449	3,372	-	8,821
Additions	-	7,244	2,135	4,706	14,085
Disposals					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
		-	-	-	-
Depreciation charge	-	(4,087)	(521)	(498)	(5,106)
Closing net book amount	**-**	**8,606**	**4,986**	**4,208**	**17,800**
As at January 1, 2016					
Cost	-	13,663	5,713	4,706	24,082
Accumulated depreciation	-	(5,057)	(727)	(498)	(6,282)
Net book amount	**-**	**8,606**	**4,986**	**4,208**	**17,800**
Year ended December 31, 2016					
Opening net book amount	-	8,606	4,986	4,208	17,800
Additions	1,417,248	650	86	6,416	1,424,400
Disposals					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
	-	-	-	-	-
Depreciation charge	(4,443)	(4,551)	(577)	(1,554)	(11,125)
Closing net book amount	**1,412,805**	**4,705**	**4,495**	**9,070**	**1,431,075**
At December 31, 2016					
Cost	1,417,248	14,313	5,799	11,122	1,448,482
Accumulated depreciation	(4,443)	(9,608)	(1,304)	(2,052)	(17,407)
Net book amount	**1,412,805**	**4,705**	**4,495**	**9,070**	**1,431,075**
Annual rate of depreciation (%)	3.76	33	10	20	

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9.2	Capital work in progress	Note	2015	Additions	Transfers	2016
			(Rupees '000)			
	Plant, machinery and civil works		11,025,254	8,588,495	-	**19,613,749**
	Insurance		138,824	-	-	**138,824**
	Professional services		212,715	351,648	-	**564,363**
	Borrowing costs	15	105,027	970,868	-	**1,075,895**
	Other directly attributable cost	9.2.1	531,148	1,078,421	-	**1,609,569**
	Leasehold land	9.2.2	38,153	1,417,248	(1,417,248)	**38,153**
			12,051,121	12,406,680	(1,417,248)	**23,040,553**

9.2.1	Other directly attributable cost	2015	Additions	2016
		(Rupees '000)		
	Salaries, wages and other benefits - note 9.2.1.1	368,955	433,335	**802,290**
	Stores and spares consumed	1,913	142,319	**144,232**
	Outsourced services	7,929	31,324	**39,253**
	Travelling and conveyance	103,113	64,444	**167,557**
	Legal and professional	24,418	78,127	**102,545**
	Utilities and communication - note 9.2.1.2	356	317,020	**317,376**
	Insurance	633	1,213	**1,846**
	Fee and Subscription	59	248	**307**
	Advertisement	704	119	**823**
	Others	23,068	10,272	**33,340**
		531,148	1,078,421	**1,609,569**

9.2.1.1 Salaries, wages and other benefits - Additions include Rs 197,312 thousand (2015: Rs 188,494 thousand) in respect of employee cost incurred and charged by parent company - FFBL for the project.

9.2.1.2 Utilities and communication - Additions include Rs 296,777 thousand (2015: Rs 341 thousand) in respect of electricity, gas & chemicals etc. cost incurred and charged by parent company - FFBL for the project.

9.2.2 This represents leasehold land of 100 acres allocated, out of 350 acres owned by FFBL, by Port Qasim Authority for the purpose of installation of Coal Power Plant (CPP) situated in the Eastern Industrial Zone Port Qasim. Additions for the year include Rs 1,300,000 thousand paid to parent company - FFBL for the purchase of said land.

		2016	2015
		(Rupees '000)	
10.	**TRANSACTION COST OF LONG TERM FINANCE FACILITIES**		
	Opening balance	**330,394**	-
	Additions during the period	**-**	330,394
	Transferred to long term finance facility	**(330,394)**	-
		-	330,394

11. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	2016	2015
	(Rupees '000)	
Advances - Considered good		
Suppliers	9,083	-
Custom authorities	5,967	42,476
Prepayments	5,844	1,543
Sales tax refundable	445,161	-
Margin against letter of credit	347,017	-
Interest income receivable	2,707	-
Other receivable - note 11.1	18,057	-
	833,836	44,019

11.1 This amount includes Rs 706 thousand (2015: Rs Nil) receivable from related party - Fauji Foods Limited.

12. SHORT TERM INVESTMENTS

These represent investments in Term Deposit Certificates maturing within 3 months from the date of investment at interest rate ranging from 6% to 7% per annum (2015: Rs Nil).

13. CASH AND BANK BALANCES	2016	2015
	(Rupees '000)	
Cash in hand - local currency	20	-
Cash at bank		
- Local currency current accounts	34,933	35,678
- Local currency deposit accounts - note 13.1&13.2	464,464	2,113,893
	499,417	2,149,571

13.1 The balances in deposit accounts carry interest rates ranging from 2% to 6% (2015: 2.5% to 6%) per annum.

13.2 Bank balances of Rs 168,485 thousand (2015: Rs Nil) are under lien with banks as explained in note 6.2(c).

14. ADMINISTRATIVE EXPENSES	2016	2015
	(Rupees '000)	
Salaries, wages and benefits	9,869	480
Depreciation and amortisation	6,682	5,106
Travelling and conveyance	1,944	-
Legal and professional charges	2,740	3,934
Printing, stationery and subscriptions	6,354	1,489
Utilities and communication	1,354	-
Repair and maintenance and insurance	164	-
Auditors' remuneration - note 14.1	4,046	620
Renovation expenses	-	2,852
Others	548	786
	33,701	15,267

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	2016	2015
	(Rupees '000)	
14.1 This includes Auditors' remuneration as follows:		
Statutory audit	**350**	75
Reporting to group auditors	**150**	-
Special certifications	**314**	325
Tax advisory services	**3,207**	200
Out of pocket expenses	**25**	20
	4,046	**620**

15. FINANCE COST

Mark-up on short term borrowings	**256,425**	200,711
Mark-up / variable rental on long term finance facilities	**854,265**	-
Interest earned on borrowings / finance facilities	**(139,822)**	(95,684)
Exchange (gain)/loss	**(800)**	-
Bank charges	**940**	3,449
	971,008	108,476
Less: Amount capitalised under capital work in progress	**970,868**	105,027
	140	3,449

16. OTHER INCOME

Income from financial assets		
Interest on bank deposits	**55,491**	111,942
Interest on term deposits receipts	**84,331**	-
Income from non financial assets		
Income from disposal of scrap	**10,238**	-
	150,060	111,942
Less: Amount netted off against mark-up on short term borrowings / long term finance facilities	**(139,822)**	(95,684)
	10,238	16,258

17. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	Executives	
	2016	2015
	(Rupees '000)	
Managerial remuneration	**76,439**	1,350
Allowances		
House rent	**68,795**	1,215
Contribution to provident and gratuity fund	**3,462**	-
Utilities	**7,644**	135
	156,340	2,700
Number of persons	**86**	26

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17.1 No remuneration was charged in the financial statements in respect of Chief Executive Officer.

17.2 The aggregate amount charged in these financial statements in respect of directors meeting fee was Rs 465 thousand (2015: Rs 480 thousand). No other remuneration was paid to the directors.

17.3 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

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 rata 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.

Financial liabilities include Rs 35,798 thousand (2015: Rs Nil) which were subject to currency risk.

The following significant exchange rates were applied during the year:

	USD	EURO 2016	CHF
Average rate	104.7	112.4	104.3
Reporting date rate	104.8	110.3	102.7

At December 31, 2016, if the currency had weakened or strengthened by 10% against the above mentioned foreign currencies with all other variables at constant, loss after tax would have been Rs 2,470 thousand (2015: Rs Nil) lower /higher.

(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 ecuity securities. The Company is also not exposed to commodity price risk.

(iii) Interest rate risk

This represents the risk than 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	2016	2015
	(Rupees '000)	
Financial assets		
Short term investments	**2,635,000**	-
Bank balances	**464,417**	2,113,893
Financial liabilities		
Short term borrowings	-	7,468,500
Long term finance facilities	**21,569,340**	-

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 Rs 127,442 thousand (2015: Rupees 36,414 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.

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(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:

	2016	2015
	(Rupees '000)	
Advances and other receivables	**367,781**	-
Short term investments	**2,635,000**	-
Bank balances	**499,397**	2,149,571

The credit quality 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 Short Term	Rating Long Term	Agency	2016	2015
				(Rupees '000)	
Advances and other receivables:					
Counterparties with external credit rating					
Margin for letter of credit					
National Bank of Pakistan	A1+	AAA	PACRA	**280,000**	-
Habib Bank Limited	A-1+	AAA	JCR-VIS	**30,526**	-
NIB Bank Limited	A1+	AA-	PACRA	**36,418**	-
Meezan Bank Limited	A-1+	AA	JCR-VIS	**73**	-
				347,017	-
Interest income receivable					
Meezan Bank Limited	A-1+	AA	JCR-VIS	**77**	-
JS Bank Limited	A1+	A+	PACRA	**2,630**	-
				2,707	-
Counterparties without external credit rating					
Other receivable - with no default in the past				**18,057**	-
				367,781	-
Short term investments:					
Meezan Bank Limited	A-1+	AA	JCR-VIS	**235,000**	-
JS Bank Limited	A1+	A+	PACRA	**2,400,000**	-
				2,635,000	-
Banks balances:					
National Bank of Pakistan	A1+	AAA	PACRA	**168,485**	2,222
Askari Bank Limited	A-1+	AA	JCR-VIS	**-**	1
Habib Bank Limited	A-1+	AAA	JCR-VIS	**58,432**	578,377
NIB Bank Limited	A1+	AA-	PACRA	**231,418**	889,590
Meezan Bank Limited	A-1+	AA	JCR-VIS	**4,407**	298,732
JS Bank Limited	A1+	A+	PACRA	**1,722**	347,193
United Bank Limited	A-1+	AA+	JCR-VIS	**34,933**	33,456
				499,397	2,149,571

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Due to Company's standing business relationships with these counter parties and after giving due consideration to their strong financial status, 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, 2016, the Company had Rs 293,160 thousand (2015: 21,862,500 thousand) available borrowing limits from financial institutions, short term investments of Rs 2,635 000 (2015: Rs Nil) and Rs 399,417 thousand (2015: 2,149,571 thousand) cash and bank balances. The management believes the liquidity risk to be low. Following are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities as at 31 December 2016

	Carrying Amount	Less than one year	One to five years	More than five years
	--------------------------(Rupees '000)	--------------------------		
Non-derivative financial liabilities:				
Trade and other payables	372,514	372,514	-	-
Accrued mark up on borrowings	243,893	243,893	-	-
Long term finance facilities	21,238,946	1,100,224	9,084,803	11,053,919
	21,855,353	**1,716,631**	**9,084,803**	**11,053,919**

Contractual maturities of financial liabilities as at 31 December 2015

	Carrying Amount	Less than one year	One to five years	More than five years
	--------------------------(Rupees '000)	--------------------------		
Non-derivative financial liabilities				
Trade and other payables	13,197	13,197	-	-
Accrued mark up on borrowings	120,400	120,400	-	-
Short term borrowings	7,348,500	7,348,500	-	-
	7,482,097	7,482,097	-	-

Financial instruments by categories	2016	2015
	(Rupees '000)	
Financial assets		
Loans and receivable:		
Maturity upto one year		
Advances, prepayments and other receivables	**367,781**	-
Short term investments	**2,635,000**	-
Cash and bank balances	**499,417**	2,149,571
	3,502,198	2,149,571

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Financial liabilities	2016	2015
	(Rupees '000)	
Other financial liabilities		
Maturity upto one year		
Trade and other payables	**372,514**	13,197
Current portion of long term finance facilities	**1,100,224**	-
Accrued markup on finance facilities and borrowings	**243,893**	120,400
Short term borrowings	**-**	7,348,500
	1,716,631	7,482,097
Maturity after one year		
Long term finance facilities	**20,138,722**	-
	21,855,353	7,482,097

Mark - up/interest rate on interest bearing assets/liabilites has been disclosed in respective notes.

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. Under the long term finance facility arrangements, the Company is required to maintain a debt to equity rate of less then or equal to 75:25.

19. Related party transactions

The Company is a subsidiary of Fauji Fertilizer Bin Qasim Limited (FFBL) with 75% holding. The parent 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:

	2016	2015
	(Rupees '000)	
Parent Company - FFBL		
Shares issued during the year	298,125	5,167,500
Salaries, wages and other benefit costs charged for the project	197,312	188,494
Utilities and other costs charged for the project	296,777	341
Sale of lease hold land at Port Qasim for the project	1,300,000	-
Ultimate parent - Fauji Foundation		
Shares issued during the year	99,375	1,722,500
Associates		
Profit on bank deposit - Askari Bank Limited	6	16
Transfer of coal - Fauji Foods Limited	706	-

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20. PROVIDENT FUND TRUST

During the year, the Company has formed a separate Trust for the Provident Fund, however, separate bank account has not yet been opened for this purpose.

21. GENERAL

21.1 Figures have been rounded off to the nearest thousand rupees.

21.2 NUMBER OF EMPLOYEES

	2016	2015
Total number of employees at end of the year	228	44
Average number of employees for the year	162	10

21.3 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, for better presentation and disclosure as follows:

Reclassification from	Reclassification to	(Rupees '000)
Income tax refundable	Advances, prepayments and other receivables	38,463

21.4 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 30 JAN 2017 by the Board of Directors of the Company.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

FFBL Power Company Limited
Directors' Report

The Board of Directors is pleased to present the report for the year ended December 31, 2016.

FFBL Power Company Limited's generation facility of 118 MW is on track for achieving commercial operations in first quarter of year 2017. Engineering and procurement activities are completed and construction work is approaching completion as well. Testing and commissioning of equipment have started and major commissioning milestones have achieved to date which are fully functional. Further, the necessary interconnections with FFBL to support the commissioning and start-up activities of the project have been constructed and commissioned. FPCL is close to completion of its hiring process for the plant operation, maintenance, and administration departments since the project company will operate the plant itself without outsourcing its O&M activities.

The Company has incurred a pre-commercial loss amounts to Rs. 52.938 million during the reporting period, while a profit of Rs. 139.822 million has been earned on bank deposits and short term investments.

Additions in capital work in progress of Rs. 12,406.68 million consist mainly of payments for the purchase of machinery and equipment for the project. Current assets include Rs. 486.777 million on account of stock-in-trade (Coal), Rs. 116.536 on account of income tax refundable, Rs. 15.05 million represents short term advances mainly to the suppliers, Rs. 5.844 million on account of prepayments, Rs. 445.161 million on account of Sales Tax Refundable, Rs. 347.017 million on account of margin against letter of credit, Rs. 2.707 million on account of interest receivable and, Rs. 18.057 million on account of other receivable of which net-receivable from Descon amounts to Rs. 17.129 million. Further Cash and cash equivalents of Rs. 499.417 millions are held in Bank Accounts and Rs. 2,635 million held as short term deposits.

The Company has received total disbursement of Rs. 21,569.34 million under Project finance facilities during the period. This disbursement constitutes 98.66% of the total finance facility of Rs. 21,862 million.

The Board acknowledges and appreciates the contributions made by all stakeholders in the execution of the project.

For and on behalf of the Board

Lt Gen Khalid Nawaz Khan,
HI (M), Sitara-i-Esar, (Retd)
Chairman