DIRECTOR'S REVIEW REPORT - FFBL POWER COMPANY LIMITED
Year Ended December 31, 2018

Director's Report

The Board of Directors is pleased to present Operational and Financial overview of FFBL Power Company Limited (FPCL) along with the Audited financial information of the Company for the year ended December 31, 2018.

Principal Activity

FPCL was incorporated as a Public Limited Company on 27 June 2014 with Fauji Fertilizer Bin Qasim Limited and Fauji Foundation subscribing to 75% and 25% of the total paid-up capital, respectively. The principal activity of the Company is to Build, Own and Operate a Coal Based Power Generation Facility at Port Qasim Karachi with a Gross Capacity of 118 MW. The Company commenced its Commercial Operation on 19 May 2017.

Financial Results

During the Period the Company delivered Electricity of 151,537 MWh (98.38% of Budget) to Fauji Fertilizer Bin Qasim Ltd and 408,902 MWh (105.35% of Budget) to K-Electric Ltd. The Company has also delivered 1,453,282 Metric Tons (92.80% of Budget) of Steam to Fauji Fertilizer Bin Qasim Ltd.

The demand of electricity has always been on the rise and the trend is expected to remain the same. Though the Government of Pakistan has been actively pursuing various Power Projects to bridge the gap of demand and supply and many projects being in the pipeline, the gap is not expected to close in the near future.

Current assets mainly comprise of Stock-in-Trade amounting to PKR 1,405 Million, Trade Debt amounting to PKR 1,196 Million includes receivable from FFBL (PKR 883 Million) and K–Electric (PKR 256 Million). Advances, prepayments & other receivables amounting to PKR 599 Million includes receivable from FFBL (PKR 86 Million) and Short Term Investments comprise of Special Musharika Certificates and Interest Receivable of PKR 312 Million.

Current Liabilities mainly comprises of Payable to Coal Supplier PKR 533 Million, Payable to FFBL PKR 87.3 Million, Retention Money payable amounting to PKR 49 Million and PKR 1,719 Million being the current portion of Long Term Finance Facilities.

The seventh principal repayment under the Long Term Finance Facilities amounting to PKR 409 Million has been paid during the quarter ended 31 Dec 2018. Outstanding Long Term Finance Facilities as at 31 Dec 2018 amount to PKR 17,438 Million.

Operational Results

During the Period the Company delivered Electricity of 151,537 MWh (98.38% of Budget) to Fauji Fertilizer Bin Qasim Ltd and 408,902 MWh (105.35% of Budget) to K-Electric Ltd. The Company has also delivered 1,453,282 Metric Tons (92.80% of Budget) of Steam to Fauji Fertilizer Bin Qasim Ltd.

The demand of electricity has always been on the rise and the trend is expected to remain the same. Though the Government of Pakistan has been actively pursuing various Power Projects to bridge the gap of demand and supply and many projects being in the pipeline, the gap is not expected to close in the near future.

Internal Control System

The company's management has adopted internal control policies and procedures to achieve its objective of efficient conduct of business operations. Internal Audit function has also been setup by the board, which reports to the Audit Committee.

Significant Risks

1. **Merit Order Risk**
   - The dispatch of electricity by FPCL to KE is subject to Merit Order Criteria as per NEPRA's decision. To determine the position in merit order dispatch, fuel cost and variable operation & maintenance cost of all power plants connected with KE is taken into consideration. Merit of electricity dispatch to KE is subject to the cheapest fuel cost and variable operation & maintenance cost offered by the pool of power producers i.e. Lowest Fuel and O&M cost power producer to be dispatched at first priority.
   - The associated risk is FPCL not falling under merit order for KE and unable to dispatch electricity due to merit order constraint in KE system resulting in non-recovery of Capacity payments.
   - Merit Order risk has been assessed to be limited due to the following protections available to the Company:

- ✓ Relatively high position in KE's merit order along with dispatch guarantees from KE;
- ✓ The risk is mitigated unless coal power plants with higher efficiency comes online under KE tariff and reach high in the economic merit order.

2. **Uncertainty over Fuel Supply (Coal)**
    - In case of shortage / non-availability of coal, the Company cannot declare its availability to the power purchasers i.e. K-Electric and FFBL which can lead to non-recovery of Capacity payments. Furthermore, increase in coal price can also affect the profitability of the Company.
    - The Company is adequately insulated against both risks i.e. shortage / non-availability of coal for production and price in coal price risk. The mitigation available to the Company is as under:
    - Plant has the capacity to operate on imported and locally produced coal through which production loss risk can be managed;
    - Confirm supplies under long-term supply contract with one of the leading international coal suppliers;
    - Incase coal supplier is unable to supply coal, FPCL is allowed to purchase coal from any alternate source to meet its requirements and the differential in price i.e. price allowed under the tariff to be passed on to the power purchaser vs price charged by spot sale supplier shall be recovered from the coal supplier under long-term supply contract.
    - Coal price risk exposure is mitigated since the actual cost of coal purchase by FPCL is allowed to be recovered from the power purchaser i.e. KE and FFBL as per the Power / Steam Purchase Agreement(s) tariff subject to achieving the PPA stipulated parameters of heat rate.

Board of Directors

The Board exercises the power conferred to it by the Companies Act, 2017 and the Memorandum and Articles of Association of the Company, through Board meetings, which are held in Every Quarter for reviewing and approving the adoption of Company's Financial Statements, Formulating Strategies, Providing Guidance to the Company's Management and Monitoring their performance.

List of Directors of the Company

- Lt Gen Syed Tariq Nadeem Gilani, HI (M), (Retd)
- Lt Gen Javed Iqbal, HI (M),(Retd)
- Lt Gen Tariq Khan, HI (M), (Retd)
- Dr. Nadeem Inayat
- Mr. Rehan Laiq
- Maj Gen Tahir Ashraf Khan, HI (M), (Retd)
- Brig Raashid Wali Janjua (Retd)
- Syed Aamir Ahsan
- Mr. Anwar Mahmood Shahid

Pattern of Shareholding

Categories	No. of Shares	%
Directors & CEO	9	
Fauji Fertilizer Bin Qasim Limited (FFBL)	644,062,491	75%
Fauji Foundation (FF)	214,687,500	25%

Acknowledgements

The Board acknowledges and appreciates with thanks the continued efforts and contributions of all stakeholders in smooth operations of the Company and expects the same to continue in the future.

For and on behalf of the Board

Lt Gen Syed Tariq Nadeem Gilani, HI (M), (Retd)
Chairman

Lt Gen Javed Iqbal, HI (M), (Retd)
Chief Executive & Managing Director

Islamabad

January 29, 2019

DIRECTOR'S REVIEW REPORT – FFBL POWER COMPANY LIMITED
Period Ended March 31, 2019

Directors' Report

The Board of Directors is pleased to present Operational and Financial overview of FFBL Power Company Limited (FPCL) along with the Un-audited financial information of the Company for the quarter ended March 31, 2019.

Principal Activity

FPCL was incorporated as a Public Limited Company on 27 June 2014 with Fauji Fertilizer Bin Qasim Limited and Fauji Foundation subscribing to 75% and 25% of the total paid-up capital, respectively. The principal activity of the Company is to Build, Own and Operate a Coal Based Power Generation Facility at Port Qasim Karachi with a Gross Capacity of 118 MW. The Company commenced its Commercial Operation on 19 May 2017.

Financial Results

During the quarter ended March 31, 2019 FPCL has recorded Revenue amounting to PKR 3,669 Million (3,517 million in 2018) against Cost of Sales of PKR 2,258 Million (2,330 million in 2018). Profit after Taxation stood at PKR 709 Million as against Profit of PKR 715 Million posted during the quarter ended 31 Mar 2018 resulting in Earnings per share (EPS) of PKR 0.83 (PKR 0.83 in 2018).

The decrease in fixed asset by PKR 86.8 million is mainly attributable to depreciation for the period of PKR 244.7 million netted off by addition in Property Plant & Equipment of PKR 9.9 million and increase in Capital Work in Progress of PKR 148 million.

Current assets mainly comprise of Stock-in-Trade amounting to PKR 1,626 Million, Trade Debt amounting to PKR 1,605 Million which includes receivable from FFBL (PKR 803 Million) and K–Electric (PKR 782 Million) and Advances, prepayments & other receivables amounting to PKR 522 Million.

Current Liabilities mainly comprises of Payable to GE Oil & Gas PKR 59.9 Million, Payable to FFBL PKR 80.2 Million, Retention Money payable amounting to PKR 18.9 Million and PKR 1,754 Million being the current portion of Long Term Finance Facilities.

The eighth principal repayment under the Long Term Finance Facilities amounting to PKR 417 Million have been paid during the quarter ended 31 Mar 2019. Outstanding Long Term Finance Facilities as at 31 Mar 2019 amount to PKR 18,740 Million.

Operational Results

During the Period FPCL delivered Electricity of 25,805 MWh (76.26% of Budget) to Fauji Fertilizer Bin Qasim Ltd and 95,954 MWh (105.99% of Budget) to K-Electric Ltd. The Company has also delivered 248,084 Metric Tons (89.54% of Budget) of Steam to Fauji Fertilizer Bin Qasim Ltd.

The demand of electricity has always been on the rise and the trend is expected to remain the same. Though the Government of Pakistan has been actively pursuing various Power Projects to bridge the gap of demand and supply and many projects being in the pipeline, the gap is still expected to remain in the near future.

Internal Control System

The company's management has adopted internal control policies and procedures to achieve its objective of efficient conduct of business operations. Internal Audit function has also been setup by the board which reports to the Audit Committee.

Board of Directors

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- Lt Gen Javed Iqbal, HI (M),(Retd)
- Lt Gen Tariq Khan, HI (M), (Retd)
- Dr Nadeem Inayat
- Maj Gen Tahir Ashraf Khan, HI (M), (Retd)
- Maj Gen Kaleem Saber Taseer (Retd)
- Brig Raashid Wali Janjua (Retd)
- Mr. Rehan Laiq
- Syed Aamir Ahsan

Pattern of Shareholding

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Directors & CEO	9	
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Acknowledgements

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For and on behalf of the Board

Lt Gen Syed Tariq Nadeem Gilani, HI (M), (Retd) **Chairman**	**Lt Gen Javed Iqbal, HI (M), (Retd)** **Chief Executive & Managing Director**

Islamabad

April 23, 2019

FFBL Power Company Limited

Directors' Report

The Board of Directors is pleased to present Operational and Financial overview of FFBL Power Company Limited (FPCL) along with the Un-Audited condensed interim financial information of the Company for the nine months ended 30 Sept 2018.

Principal Activity

FPCL was incorporated as a Public Limited Company on 27 June 2014 with Fauji Fertilizer Bin Qasim Limited and Fauji Foundation subscribing to 75% and 25% of the total paid-up capital, respectively. The principal activity of the Company is to Build, Own and Operate a Coal Based Power Generation Facility at Port Qasim Karachi with a Gross Capacity of 118 MW. The Company commenced its Commercial Operation on 19 May 2017.

Financial Results

During the nine months ended 30 Sept 2018 the Company has recorded Revenue amounting to PKR 11,852 Million (4,572 million in 2017) against Cost of Sales of PKR 7,938 Million (2,782 million in 2017). Profit after Taxation stood at PKR 2,166 Million as against Profit of PKR 1,087 Million posted during the nine months ended 30 Sept 2017 resulting in Earnings per share (EPS) of PKR 2.52 (PKR 1.36 in 2017).

The decrease in fixed asset by PKR 174.9 million is mainly attributable to depreciation for the period of PKR 746.4 million netted off by addition in Property Plant & Equipment of PKR 384 million and increase in Capital Work in Progress of 189.5 million.

Current assets mainly comprise of Stock-in-Trade amounting to PKR 1,919 Million, Trade Debt amounting to PKR 1,015 Million includes receivable from FFBL (PKR 633 Million) and K–Electric (PKR 328 Million). Advances, prepayments & other receivables amounting to PKR 1,050 Million and Short Term Investments comprise of Term Deposits Receipts of PKR 1,600 Million.

Current Liabilities mainly comprises of Payable to Coal Supplier PKR 1,249 Million, Payable to FFBL PKR 87.9 Million, Retention Money payable amounting to PKR 108 Million and PKR 1,687 Million being the current portion of Long Term Finance Facilities.

The sixth principal repayment under the Long Term Finance Facilities amounting to PKR 401 Million have been paid during the quarter ended 30 Sept 2018. Outstanding Long Term Finance Facilities as at 30 Sept 2018 amount to PKR 19,567 Million.

Operational Results

During the Period the Company delivered Electricity of 112,348 MWh (100.19% of Budget) to Fauji Fertilizer Bin Qasim Ltd and 296,141 MWh (104.07% of Budget) to K-Electric Ltd. The Company has also delivered 1,079,836 Metric Tons (94.82% of Budget) of Steam to Fauji Fertilizer Bin Qasim Ltd.

The demand of electricity has always been on the rise and the trend is expected to remain the same. Though the Government of Pakistan has been actively pursuing various Power Projects to bridge the gap of demand and supply and many projects being in the pipeline, the gap is not expected to close in the near future.

Internal Control System

The company's management has adopted internal control policies and procedures to achieve its objective of efficient conduct of business operations. Internal Audit function has also been setup by the board which reports to the Audit Committee.

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- Lt Gen Tariq Khan, HI (M), (Retd)
- Maj Gen Tahir Ashraf Khan, HI (M), (Retd)
- Mr Qaiser Javed
- Dr Nadeem Inayat
- Syed Aamir Ahsan
- Mr. Anwar Mahmood Shahid
- Brig Raashid Wali Janjua (Retd)

Pattern of Shareholding

Categories	No of Shares	%
Directors & CEO	9	
Fauji Fertilizer Bin Qasim Limited (FFBL)	644,062,491	75%
Fauji Foundation (FF)	214,687,500	25%

Acknowledgements

The Board acknowledges and appreciates with thanks the continued efforts and contributions of all stakeholders in smooth operations of the Company and expects the same to continue in the future.

For and on behalf of the Board

Lt Gen Syed Tariq Nadeem Gilani, HI (M), (Retd)
Chairman

Lt Gen Javed Iqbal, HI (M), (Retd)
Chief Executive & Managing Director

Islamabad
October 24, 2018

KPMG Taseer Hadi & Co.
Chartered Accountants

FFBL Power Company Limited

Financial Statements

For the year ended

31 December 2018

KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building, Blue Area
Islamabad, Pakistan
Telephone 92 (51) 282 3558, Fax 92 (51) 282 2671

INDEPENDENT AUDITORS' REPORT

To the Members of FFBL Power Company Limited

Report on the audit of the Financial Statements

We have audited the annexed financial statements of FFBL Power Company Limited, which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to explanations given to us, the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

Other matter

The financial statements of the Company for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on 25 January 2018.

The engagement partner on the audit resulting in this independent auditors' report is Inam Ullah Kakra.

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants

Islamabad

29 January 2019

FFBL Power Company Limited

Statement of financial position

As at 31 December 2018

	Note	2018	2017
		(Rupees '000)	
Equity			
Share capital	4	**8,587,500**	8,587,500
Accumulated profit		**3,177,418**	1,625,673
Total equity		**11,764,918**	10,213,173
Liabilities			
Long term finance facilities	5	**17,212,444**	18,861,196
Deferred employee benefits		**69,579**	22,745
Deferred taxation	6	**103,950**	-
Non current liabilities		**17,385,973**	18,883,941
Current portion of long term finance facilities	5	**1,719,909**	1,590,646
Short term borrowings	7	**2,087,258**	1,316,798
Trade and other payables	8	**1,305,242**	2,604,269
Current liabilities		**5,112,409**	5,511,713
Total liabilities		**22,498,382**	24,395,654
Total equity and liabilities		**34,263,300**	34,608,827
Contingencies and commitments	9		

	Note	2018	2017
		(Rupees '000)	
Assets			
Property, plant and equipment	10	**27,042,383**	27,910,392
Intangible assets	11	**25,828**	-
Non current assets		**27,068,211**	27,910,392
Stores and spares		**300,045**	48,479
Stock in trade	12	**1,405,998**	779,972
Trade debts	13	**1,196,296**	1,382,058
Advances, prepayments and other receivables	14	**599,407**	480,985
Income tax refundable		**418,692**	431,706
Sales tax refundable		**134,062**	81,672
Short term investments	15	**312,863**	2,906,484
Cash and bank balances	16	**2,827,726**	587,079
Current assets		**7,195,089**	6,698,435
Total assets		**34,263,300**	34,608,827

The annexed notes 1 to 29 form an integral part of these financial statements.

CHAIRMAN | CHIEF EXECUTIVE | DIRECTOR | CHIEF FINANCIAL OFFICER

FFBL Power Company Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2018

	Note	2018	2017
		(Rupees '000)	
Sales	17	**16,245,240**	7,956,722
Cost of sales	18	**(10,700,750)**	(4,952,347)
Gross profit		**5,544,490**	3,004,375
Administrative and general expenses	19	**(197,729)**	(112,901)
Other income	20	**250,884**	73,504
Profit from operations		**5,597,645**	2,964,978
Finance cost	21	**(2,137,234)**	(1,088,734)
Workers' profit participation fund		**(161,132)**	(94,372)
Profit before taxation		**3,299,279**	1,781,872
Taxation	22	**(246,583)**	(41,914)
Profit for the year		**3,052,696**	1,739,958
Other comprehensive income			
Items that will not be classified to profit or loss			
Remeasurement gain/(loss) on defined benefit obligation		**1,862**	(2,026)
Total comprehensive income for the year		**3,054,558**	1,737,932

The annexed notes 1 to 29 form an integral part of these financial statements.

CHAIRMAN	CHIEF EXECUTIVE	DIRECTOR	CHIEF FINANCIAL OFFICER

FFBL Power Company Limited
Statement of changes in equity
For the year ended 31 December 2018

	Issued, subscribed and paid up capital	Accumulated profit/(loss)	Total
	................(Rupees '000)...................		
Balance at 1 January 2017	7,287,500	(112,259)	7,175,241
Total comprehensive income for the year			
Profit for the year	-	1,739,958	1,739,958
Other comprehensive income for the year	-	(2,026)	(2,026)
Total comprehensive income for the year	-	1,737,932	1,737,932
Transactions with owners of the Company			
Contributions			
Ordinary shares issued against advance	1,300,000	-	1,300,000
Total transactions with owners of the Company	1,300,000	-	1,300,000
Balance at 31 December 2017	8,587,500	1,625,673	10,213,173
Balance at 1 January 2018	**8,587,500**	**1,625,673**	**10,213,173**
Total comprehensive income for the year			
Profit for the year	-	**3,052,696**	**3,052,696**
Other comprehensive income for the year	-	**1,862**	**1,862**
Total comprehensive income for the year	-	**3,054,558**	**3,054,558**
Transactions with owners of the Company			
Distributions			
Interim dividend for the quarter ended 30 September 2018	-	**(1,502,813)**	**(1,502,813)**
Total transactions with owners of the Company	-	**(1,502,813)**	**(1,502,813)**
Balance at 31 December 2018	**8,587,500**	**3,177,418**	**11,764,918**

The annexed notes 1 to 29 form an integral part of these financial statements.

CHAIRMAN **CHIEF EXECUTIVE** **DIRECTOR** **CHIEF FINANCIAL OFFICER**

FFBL Power Company Limited
Statement of cash flows
For the year ended 31 December 2018

	2018	2017
	(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,299,279	1,781,872
Adjustments for:		
Depreciation	974,920	667,509
Provision for staff retirement benefits	87,545	17,541
Foreign exchange loss	281,510	10,946
Loss on sale of fixed assets	3,290	(148)
Interest on bank deposits and short term investments		
Provision for WPPF	161,132	-
Finance cost	1,838,254	1,127,801
	3,346,651	1,823,649
	6,645,930	3,605,521
Changes in working capital:		
(Increase) / decrease in stock in trade	(626,026)	(293,195)
(Increase) / decrease in stores and spares	(251,565)	(48,479)
Decrease) / increase in trade debts	185,762	(1,382,058)
(Increase) / decrease in advances, prepayments and other receivables	(170,600)	268,473
(Decrease) / increase in trade and other payables	(1,361,469)	2,222,333
	(2,223,898)	767,074
Cash generated from operations	4,422,032	4,372,595
Finance cost paid	(2,048,820)	(1,943,708)
Gratuity paid	(24,852)	-
Leave Encashment Paid	(982)	-
WPPF Paid In Fund	(126,873)	-
Income tax paid	(129,619)	(357,084)
Net cash generated in operating activities	2,090,886	2,071,803
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions in capital work in progress	(385,592)	(3,142,488)
Additions to operating fixed assets - net	263,408	(369,818)
Proceeds from sale of fixed assets	1,323	1,010
Net cash used in investing activities	(120,861)	(3,511,296)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term finance facilities - received	-	293,160
Long term finance facilities - paid	(1,590,645)	(1,114,026)
Dividend Paid	(1,502,813)	-
Proceeds from issuance of shares	-	1,300,000
Net cash (paid) / generated in financing activities	(3,093,458)	479,134
Net decrease in cash and cash equivalents during the year	(1,123,434)	(960,359)
Cash and cash equivalents at beginning of the year	2,176,765	3,137,124
Cash and cash equivalents at end of the year	1,053,331	2,176,765
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents comprise of the following:		
- Short term investments	312,863	2,906,484
- Cash and bank equivalents	2,827,726	587,079
- Short term borrowings	(2,087,258)	(1,316,798)
	1,053,331	2,176,765

The annexed notes 1 to 29 form an integral part of these financial statements.

CHAIRMAN CHIEF EXECUTIVE DIRECTOR CHIEF FINANCIAL OFFICER

FFBL Power Company Limited
Notes to the financial statements
For the year ended 31 December 2018

1 STATUS AND NATURE OF BUSINESS

FFBL Power Company Limited (the Company) is a public limited company incorporated on June 27, 2014 in Pakistan under the Companies Ordinance, 1984. The Company is a subsidiary of Fauji Fertilizer Bin Qasim Limited (FFBL) and its ultimate parent is Fauji Foundation (FF). The Company has been established to build, own and operate a 118 Megawatt coal based power generation facility at Port Qasim Karachi. The Company sells electricity produced to its parent company Fauji Fertilizer Bin Qasim Limited (FFBL) (48 Megawatt) and K-Electric Limited (K-Electric) (52 Megawatt) under a Power Purchase Agreement (PPA) for a period of 30 years. The Company also sells steam produced from the facility to its parent company FFBL under a Steam Supply Agreement (SSA) for a term of 30 years. The Company commenced its commercial operations on 19 May 2017.

The geographical location and address of the Company's business units, including plant is as under:

- 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's power generation facility is located at Port Qasim, Karachi.

Summary of significant events and transactions in the current reporting period:

The Company has paid dividend amounting to Rs. 1,502.813 million during the current year.

The Company has repaid an amount of Rs. 1,590.645 million against in respect of long term finance facilities

The plant of the Company has remained operational for complete year as compared to prior year in which the plant remained operational for seven months (i.e. from 19 May 2017)

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 The Securities and Exchange Commission of Pakistan (SECP) granted waiver from the application of IFRIC interpretation 4 "Determining whether an Arrangement Contains a Lease" to all companies including power sector companies. However, the SECP has made it mandatory to disclose the impact of the application of IFRIC - 4 on the results of the Company.

Under IFRIC 4, the consideration required to be made by lessees FFBL and K-Electric for the right to use the asset is to be accounted for as finance lease under IAS - 17 "Leases". If IFRIC 4 is applied, the effect on the financial statements would be as follows:

	2018	2017
	Rs ('000)	
Increase in unappropriated profit at the beginning of the year	**780,256**	-
Increase in profit for the year	**328,773**	780,256
Increase in unappropriated profit at the end of the year	**1,109,029**	780,256

2.3 Basis of measurement

These financial statements have been prepared under the historical cost convention. The financial statements, except for cash flow information, have been prepared under the accrual basis of accounting.

2.4 Functional and presentation currency

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

2.5 Use of estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting 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.

2.5.1 Property, plant and equipment

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

2.5.2 Taxation

The Company takes into account the current income tax law and decisions taken by the taxation authorities.

2.5.3 Provision against trade debts, advances and other receivables

The Company reviews the recoverability of its trade debts, advances and other receivables to assess amount of bad debts and provision required there against on annual basis.

2.6 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

  - IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  - IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.

- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's financial statements.

3 SIGNIFINCANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the change as indicated below:

The Companies Act, 2017 (the Act) became applicable to the Company for the first time for the preparation of these financial statements. The Act forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. The Act also brought certain changes with regard to preparation and presentation of annual financial statements of the Company. These changes include change in nomenclature of the primary financial statements, reclassification of certain items of financial statements, elimination of duplicative disclosures with the International Financial Reporting Standards (IFRSs) disclosure requirements and incorporation of significant additional disclosures.

Due to enactment of the Act, the accrued markup has been reclassified to short term borrowings and short term investments.

3.1 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 to the extent of receipts from sale of electricity.

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 recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences; the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.2 Property, plant and equipment and capital work in progress

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses except to capital work in progress which stated at cost. 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 10.1.

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.

3.3 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, mark-up 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 investment of specific borrowings pending their expenditure on qualifying assets is deducted from borrowing cost eligible for capitalisation.

3.4 Impairment

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 reporting 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.

3.5 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.

3.6 Stock in trade

Stock in trade is valued at lower of cost, calculated on weighted average cost basis and net realisable value. 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. Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

3.7 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.

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 statement of financial position. 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.

3.8 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.

Trade and other payables

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

3.9 Trade and other receivables

Trade debts and other receivables are stated at original invoice amount as reduced by appropriate provision for impairment. Bad debts are written off when identified while debts considered doubtful of recovery are fully provided for. Provision for doubtful debts is charged to profit or loss.

3.10 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.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances at banks and short term highly liquid investments with original maturity of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

3.12 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. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

3.13 Revenue Recognition

Revenue represents fair value of the consideration received or receivable for steam and electricity sale to FFBL and K-Electric. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Revenue from generation of electricity and steam is recorded based upon the output delivered whereas on account of capacity is recognized when due, on the basis of rates determined in accordance with the mechanism laid down in PPA/SSA and National Electric and Power Regulatory Authority (NEPRA) notifications.

3.14 Interest on bank deposits and short term investments

Interest on bank deposits and short term investments is recognised on time proportion basis using the effective yield method.

3.15 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.

3.16 Staff retirement benefits

Defined benefit scheme

The Company operates a funded gratuity scheme under an independent trust for its employees as a defined benefit plan. The Company makes contributions or records liability in respect of defined benefit plans on the basis of actuarial valuations, carried out annually by independent actuaries. The latest actuarial valuations were carried out as of 31 December 2018. The calculations of actuaries are based on the Projected Unit Credit Method, net of the assets guaranteeing the plan, if any, with the obligation increasing from year to year, in a manner that it is proportional to the length of service of the employees.

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the net defined benefit liability/(asset).

Past service costs are recognized immediately in profit or loss.

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.

3.17 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 recognized amount and the Company intends either to settle on net basis, or to realize the assets and to settle the liabilities simultaneously.

4 SHARE CAPITAL

AUTHORISED SHARE CAPITAL	2018	2017
	(Rupees '000)	
900,000,000 (2017: 900,000,000) ordinary shares of Rs 10 each	**9,000,000**	**9,000,000**
ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
858,750,000 (2017: 858,750,000) ordinary shares of Rs 10 each issued for consideration in cash	**8,587,500**	**8,587,500**

4.1 Movement in number of shares

	2018	2017
Number of shares at beginning of the year	858,750,000	728,750,000
Ordinary shares issued during the year	-	130,000,000
Number of shares at end of the year	**858,750,000**	858,750,000

4.2 Fauji Fertilizer Bin Qasim Limited (FFBL) has a controlling interest in the Company by holding 644,062,491 (75%) ordinary shares as at 31 December 2018.

4.3 Fauji Foundation (FF) holds 214,687,500 (25%) ordinary shares of the Company as 31 December 2018.

4.4 9 shares (2017: 9 Shares) are held by nominee directors.

5 LONG TERM FINANCE FACILITIES

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

	2018	2017
	(Rupees '000)	
Commercial facility		
National Bank of Pakistan	**3,472,288**	3,760,587
United Bank Limited	**963,916**	1,043,948
Bank Alfalah Limited	**2,190,718**	2,372,610
Soneri Bank Limited	**876,287**	949,044
Bank of Punjab	**876,287**	949,044
MCB Bank Limited (formerly NIB Bank Limited)	**1,314,431**	1,423,566
	9,693,927	10,498,799
Islamic facility		
National Bank of Pakistan	**876,287**	949,044
Habib Bank Limited	**3,067,005**	3,321,654
United Bank Limited	**963,916**	1,043,948
Dubai Islamic Bank Limited	**1,314,431**	1,423,566
Meezan Bank Limited	**1,314,431**	1,423,566
Faysal Bank Limited	**1,051,545**	1,138,853
Sindh Bank Limited	**876,287**	949,044
	9,463,902	10,249,675
Total outstanding	**19,157,829**	20,748,474
Accrued markup	**-**	8,982
Less:		
Current portion of long term finance facilities	**(1,719,909)**	(1,590,646)
Unamortised transaction cost of long term finance facilities - note 5.4	**(225,476)**	(305,614)
	17,212,444	18,861,196

5.1 The Company has entered into long term finance facilities under commercial facility of Rs 11,062.5 million and musharika facility of Rs 10,800 million with various banks, at a mark-up rate of 3 months KIBOR plus 1.75% per annum.The mark-up is payable on quarterly basis. Any delay in payments to banks by the Company is subject to liquidated damages at the rate of applicable mark-up rate plus 2% per annum. The loan is repayable in 40 quarterly instalments, commencing from 30 June 2017.

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

(a) First ranking pari passu charge up to Rs. 29,150 million by way of hypothecation on all present and future moveable and immoveable fixed assets (other than land and building) of the Company;

(b) Equitable mortgage over land and building with to be created and perfected within 6 months of facility effective date;

(c) First pari passu hypothecation charge on all present and future current assets of the Company (excluding all present and future fuel stock and inventories and any charge over any accounts of the Company opened in relation to working capital or any accounts currently opened by the Company with other banks for the purposes of the letter of credit issuance);

(d) Assignment of assigned project receivables from K-Electric and FFBL in favour of financiers;

(e) An assignment over the Company's present and future rights and benefits under all material projects agreements and any amendment thereto and any performance guarantees and warranties issued under these agreements;

(f) Lien on all project accounts opened with various banks;

(g) An assignment of all insurances as co-loss payee or assignee;

(h) Share representing 100% of the paid up share capital of the Company have been pledged till achievement of commercial operation date and thereafter shares not exceeding 51% of the paid up capital;

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

i. 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;

ii. 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;

iii. Sponsor shall fund 25% of the project costs inclusive of budgeted contingencies, (approx. USD 66.25 million); and

5.3 Significant covenants of above facility are as follows:

- Maintenance of financing service coverage ratio (FSCR), current ratio, financing to equity ratio, financing life coverage ratio and forecast FSCR;
- Restriction on disposal of assets;
- Restriction on modification or amendment in any key project contract;
- Restriction on transfer or allotment of new shares;
- Restriction on incurring any new financial indebtedness;
- Restriction on declaration of dividend; and
- Restriction on creation of further charge on Company's assets.

Further covenants under this loan relate to the operations of the Company.

		Note	2018	2017
			(Rupees '000)	
5.4	**Unamortised transaction cost**			
	Balance at 1 January		**305,614**	330,394
	Amortisation during the period		**(80,139)**	(24,780)
	Balance at 31 December		**225,475**	305,614
6	**DEFERRED TAXATION**			
	The balance of deferred tax is in respect of following temporary differences:			
	Accelerated tax depreciation		**357,433**	-
	Tax losses		**(253,483)**	-
			103,950	-
7	**SHORT TERM BORROWINGS**			
	National Bank of Pakistan		**2,087,258**	1,316,798
			2,087,258	1,316,798

This represents working capital borrowing obtained from National Bank of Pakistan as approved facility of Rs 2,800 million (2017: Rs 2,800 million) out of which Rs 2,070 million was availed during the year. Unavailed balance of the facility at year end is Rs 730 million (2017: Rs 1,484 million). The facility carries mark-up at 3 months KIBOR + 0.35 % per annum.

The facilities is secured by way of the following:

a) Exclusive assignment over present and future energy purchase price receivable under PPA with FFBL, PPA with K-Electric and SSA with FFBL;

b) Exclusive hypothecation charge on all present and future stocks / inventory of the Company;

c) Lien over all accounts established in connection with the facilities;

d) 2nd ranking hypothecation charge over the present and future fixed assets (excluding immoveable properties);

e) Lien over import documentation with respect to c) above, National Bank of Pakistan to have clear right of enforcement (subject to a standstill period) in the event of payment default under the facilities.

8 TRADE AND OTHER PAYABLES

	Note	2018	2017
		(Rupees '000)	
Creditors	8.1	**995,238**	1,447,579
Accrued expenses		**67,505**	868,350
Retention money payable		**49,801**	106,071
Payable to employees' provident fund		-	2,532
Payable to employees' gratuity fund	8.2	**13,013**	-
Workers profit participation fund		**128,631**	94,372
Tax withheld at source		**41,401**	55,498
Others		**9,652**	29,867
		1,305,242	2,604,269

8.1 This includes Rs 87.306 million (2017: 160.166 million) payable to Fauji Fertilizer Bin Qasim Limited.

8.2 Payable to employees' gratuity fund

The details of actuarial valuation of staff gratuity carried out as at year end is as follows:

	Note	2018	2017
		(Rupees '000)	
Present value of defined benefit obligation		**36,199**	22,745
Fair value of plan assets	8.2.1	**(23,186)**	-
Net liability		**13,013**	22,745
Changes in present value of defined benefit obligations			
As at 1 January 2018		**22,745**	-
Current service cost		**13,825**	16,966
Interest cost		**2,100**	575
Remeasurement gain on present value of defined benefit obligation		**(2,396)**	5,204
Benefits paid		**(75)**	-
As at 31 December 2018		**36,199**	22,745
Changes in fair value of plan assets			
As at 1 January 2018		-	-
Contributions		**22,745**	-
Interest income on plan assets		**1,050**	-
Benefits paid		**(75)**	-
Return on plan assets, excluding interest income		**(534)**	-
As at 31 December 2018		**23,186**	-
Expenses recognized in profit and loss account:			
Current service cost		**13,825**	16,966
Interest cost		**2,100**	575
Interest income on plan assets		**(1,049)**	-
		14,876	17,542

	2018	2017
Expenses recognized in statement of comprehensive income:	(Rupees '000)	
Remeasurement gain on present value of defined benefit obligation	**(2,396)**	5,204
Return on plan assets, excluding interest income	**534**	-
	(1,862)	5,204

	2018	2017
Principal actuarial assumptions used in the - actuarial valuation are as follows:		
Discount rate used for year end obligation	**12.50%**	9.25%
Salary increase	**12.50%**	9.25%

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to assumptions set out above. The following table summarizes how the impact on the defined benefit obligation at the end of the reporting period would have increased / (decreased) as a result of a change in respective assumptions by one percent.

	Effect of 1% increase (Rupees '000)	Effect of 1% decrease (Rupees '000)
Discount rate	**(4,469)**	**5,424**
Salary increase rate	**5,434**	**(4,559)**

The average duration of the defined benefit obligation as at 31 December 2018 is 12 years (2017: 12 years).

8.2.1 During the year, the Company has established gratuity fund in respect of defined benefit obligation of the Company.

9 CONTINGENCIES AND COMMITMENTS

Commitments

(i) Commitments in respect of capital expenditure amounting to Rs. 321.232 million (2017: Rs. 309.490 million)

(ii) The outstanding Letter of Credit's (LC's) at 31 December 2018 in respect of capital expenditure is Rs 752.234 million (2017: Rs 194.490 million) out of total facility of Rs 2,980 million (2017: Rs 1,080 million). The aggregate facilities for opening of LC's are secured by lien on valid import documents.

FFBL Power Company Limited
Notes to the financial statements
For the year ended 31 December 2018

10 PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	(Rupees '000)	
Operating fixed assets	**26,659,108**	27,886,881
Capital work in progress	**383,275**	23,511
	27,042,383	27,910,392

10.1 Operating Fixed Assets

	PROPERTY, PLANT AND EQUIPMENT								
	Leasehold land	Buildings on lease hold land	Plant and machinery	Operational vehicles	Furniture and fittings	Other vehicles	Computer and ancillary equipment	Capital work in progress	Total
	Rupees '000								
COST									
Balance at 1 January 2017	1,417,248	-	-	-	5,799	11,122	14,313	23,040,553	24,489,035
Additions during the period	-	-	800	276,674	12,045	37,752	42,546	3,737,317	4,107,135
Disposals	-	-	-	-	-	(1,100)	-	-	(1,100)
Transfers	158,584	4,742,458	21,853,317	-	-	-	-	(26,754,359)	-
Balance at 31 December 2017	1,575,832	4,742,458	21,854,117	276,674	17,844	47,774	56,859	23,511	28,595,070
Balance at 1 January 2018	**1,575,831**	**4,742,458**	**21,854,117**	**276,674**	**17,844**	**47,774**	**56,859**	**23,511**	**28,595,068**
Additions during the period	**100**	**177,692**	**157,286**	**29,562**	**5,039**	**30,306**	**19,218**	**359,764**	**778,967**
Disposals	-	-	-	-	-	**(5,659)**	-	-	**(5,659)**
Adjustments	-	-	**(682,611)**	-	-	-	-	-	**(682,611)**
Balance at 31 December 2018	**1,575,931**	**4,920,150**	**21,328,792**	**306,236**	**22,883**	**72,421**	**76,077**	**383,275**	**28,685,765**
ACCUMULATED DEPRECIATION									
Balance at 1 January 2017	4,443	-	-	-	1,304	2,052	9,608	-	17,407
Charge For the year	53,289	105,388	485,638	4,618	798	3,112	14,666	-	667,509
Disposals	-	-	-	-	-	(238)	-	-	(238)
Transfers	-	-	-	-	-	-	-	-	-
Balance at 31 December 2017	57,732	105,388	485,638	4,618	2,102	4,926	24,274	-	684,678
Balance at 1 January 2018	**57,732**	**105,388**	**485,638**	**4,618**	**2,102**	**4,926**	**24,274**	-	**684,678**
Charge For the year	**53,314**	**162,877**	**709,357**	**15,065**	**2,110**	**12,509**	**19,688**	-	**974,920**
Disposals / Write Off	-	-	**(15,169)**	-	-	**(1,047)**	-	-	**(16,216)**
Transfers	-	-	-	-	-	-	-	-	-
Balance at 31 December 2018	**111,046**	**268,265**	**1,179,826**	**19,683**	**4,212**	**16,388**	**43,962**	-	**1,643,382**
Carrying value- 2017	1,518,100	4,637,070	21,368,479	272,056	15,742	42,848	32,585	23,511	27,910,392
Carrying value- 2018	**1,464,885**	**4,651,885**	**20,148,966**	**286,553**	**18,671**	**56,033**	**32,115**	**383,275**	**27,042,383**
Rate of depreciation	**3.76%**	**3%**	**3%**	**5%**	**10%**	**20%**	**33%**	-	

10.2 Particular of Immovable property (i-e land and buildings) in the name of Company are as follows:

Location	Usage	Area
Eastern Zone, Bin Qasim, Karachi	Production Plant and related buildings	100 Acres

10.3 Capital work in progress

	2017	Additions	Transfers	2018
	(Rupees '000)			
Plant, machinery and civil works	23,511	**359,764**	-	**383,275**
	23,511	**359,764**	-	**383,275**

10.4 Details of property, plant and equipment sold:

Items of property, plant and equipment disposed during the year having aggregate net book value above Rs 500,000 are as follows:

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Gain / (Loss)	Mode of disposal	Particulars of Purchaser	Relationship with the Company
		(Rupees '000)						
Motor Vehicle	1,034	672	362	155	(207)	As per Company Policy	Muhammad Amjad	Employee
	750	150	600	158	(442)	As per Company Policy	M. Attique Ur Rehman	Employee
	725	12	713	155	(558)	As per Company Policy	Kamran Rashid Mirza	Employee
	750	13	738	377	(361)	As per Company Policy	Mohsin Jami	Employee
	1,000	83	917	234	(683)	As per Company Policy	Wajahat Abbas	Employee
	1,400	117	1,283	244	(1,039)	As per Company Policy	Salman Hayat	Employee

11 INTANGIBLES	**Note**	**2018**	**2017**
		(Rupees '000)	
Cost			
Balance as at 1 January		-	-
Additions during the year	11.1	**25,828**	-
Balance at 31 December		**25,828**	-

11.1 This represents the cost of SAP implementation in the Company which is under progress at year end.

12 STOCK IN TRADE	Note	2018	2017
		(Rupees '000)	
Coal		**1,401,354**	779,571
Limestone		**4,644**	401
Sand		-	-
		1,405,998	779,972

13 TRADE DEBTS	Note	2018	2017
Considered good - unsecured	13.1	**1,196,296**	1,382,058

13.1 This includes Rs 883.927 million (2017: Rs. 555.991 million) receivable from FFBL, parent company and Rs NIL (2017 : Rs 0.706 million) receivable from Fauji Foods Limited, a related party. Maximum aggregate amount outstanding at any time during the year was Rs 1,383.916 million (2017: Rs 555.991 million).

14 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	Note	2018	2017
		(Rupees '000)	
Advances - Considered good			
Suppliers		**159,459**	18,061
Customs clearing agent		**288,113**	198,509
Insurance claim receivable		-	198,008
Margin against letter of credit		-	30,421
Prepayments		**30,768**	29,701
Other receivable	14.1	**121,067**	6,285
		599,407	480,985

14.1 This includes Rs. 86.398 million (2017: Nil) receivable from FFBL, parent company.

15 SHORT TERM INVESTMENTS	Note	2018	2017
Term deposit receipts - loan and receivables		-	2,906,484
Special musharika certificates - loan and receivables	15.1	**312,863**	-
		312,863	2,906,484

15.1 These represent investments in Special Musharika Certificates maturing within seven days from the date of investment at interest rate 10.50% per annum.

16 CASH AND BANK BALANCES	Note	2018	2017
		(Rupees '000)	
Cash in hand - local currency		**234**	930
Cash at bank			
- Local currency current accounts		**15,264**	82,899
- Local currency deposit accounts	16.1	**2,812,228**	503,250
		2,827,726	587,079

16.1 The balances in deposit accounts carry interest rates ranging from 2.85% to 10.50% (2017: 2.85% to 5.5% per annum).

16.2 All the bank balances as at 31 December 2018 are held under lien with banks as explained in note 5.2.

		Note	2018	2017
			(Rupees '000)	
17	**SALES**			
	Sale of electricity			
	Energy		**5,059,491**	2,537,891
	Capacity		**7,844,385**	4,604,356
			12,903,876	7,142,247
	Sale of steam			
	Energy		**3,466,312**	1,645,335
	Capacity		**1,182,589**	658,064
			4,648,901	2,303,399
	Sale Of coal		**1,527,313**	-
	Pass Through Item Charged		**256,212**	-
	Less:			
	Sales tax		**2,784,625**	1,337,823
	Advance tax u/s 235	17.2	**306,437**	151,101
			3,091,062	1,488,924
			16,245,240	7,956,722

17.1 Sales to K-Electric have been recognised in the financial statements on the basis of the signed PPA and tariff approved by NEPRA vide its letter dated 20 December 2015, further indexed provisionally vide its letters dated 20 June 2017, 11 July 2017, 31 August 2017, 19 October 2017, 22 January 2018, 12 April 2018, 09 July 2018 and 10 October 2018.

Further, the management of the Company has applied for further revision in tariff based on the actual cost at the Commercial Operation Date. Since the ultimate outcome of NEPRA's decision on tariff revision is uncertain, the differential amount of sales due to change in tariff amount cannot be quantified and would be recognised when it is approved by NEPRA.

17.2 This represents advance income tax collected @ 5% on the gross amount of electricity sales to industrial consumer - FFBL, parent company.

		Note	2018	2017
			(Rupees '000)	
18	**COST OF SALES**			
	Raw material consumed	18.1	**8,425,070**	3,639,960
	Ash dumping charges		**22,204**	48,194
	Depreciation		**953,643**	648,933
	Salaries, wages and other benefits		**859,179**	479,934
	Insurance		**76,789**	44,403
	Utilities		**46,278**	37,074
	Stores and spares consumed		**214,569**	22,428
	Travelling and lodging		**35,958**	13,170
	Repair and maintenance		**38,876**	-
	Others		**28,184**	18,251
			10,700,750	4,952,347

18.1 Raw material consumed include Rs 351.710 million (2017: Rs 199.348 million) charged by FFBL, parent company.

			2018	2017
19	**ADMINISTRATIVE AND GENERAL EXPENSES**	**Note**	**(Rupees '000)**	
	Salaries, wages and benefits		**112,267**	58,051
	Depreciation		**21,277**	18,576
	Travelling and conveyance		**17,000**	7,268
	Legal and professional charges		**17,613**	7,179
	Printing and stationery		**4,166**	1,302
	Fee and subscription		**8,250**	5,924
	Utilities and communication		**5,277**	8,253
	Insurance		**2,384**	4,596
	Auditors' remuneration	**19.1**	**2,040**	788
	Others		**7,455**	964
			197,729	112,901
19.1	**Breakup of auditors' remuneration is as follows:**			
	Statutory audit fee		**350**	385
	Group reporting fee		**150**	150
	Special certifications		**-**	188
	Tax advisory services		**1,420**	-
	Out of pocket expenses		**120**	65
			2,040	788
20	**OTHER INCOME**			
	Income from financial assets:			
	Interest on bank deposits and short term investments		**165,737**	121,551
	Less: Amount netted off against mark-up on short term borrowings/ long term finance facilities		**-**	(50,991)
			165,737	70,560
	Income from non-financial assets:			
	Sale of scrap		**88,437**	2,796
	Profit/ (loss) on disposal of fixed assets		**(3,290)**	148
			250,884	73,504

	2018	2017
21 FINANCE COST	**(Rupees '000)**	
Mark-up on long term finance facilities	**1,756,173**	1,697,020
Interest earned on borrowings / finance facilities	-	(50,991)
Mark-up on short term borrowings	**17,470**	978
Amortization of transaction cost	**80,139**	24,780
Exchange loss	**281,510**	10,946
Bank charges	**1,942**	830
	2,137,234	1,683,563
Less: Amount capitalised under capital work in progress	-	(594,829)
	2,137,234	1,088,734

22 TAXATION

	2018	2017
Current tax charge		
for the year	**142,633**	29,422
prior year	-	12,492
	142,633	41,914
Deferred tax	**103,950**	-
	246,583	41,914

22.1 Reconciliation of tax charge for the year

	2018	2017
Accounting profit/(loss) for the year	**3,299,279**	1,781,872
Tax at applicable tax rate of 29% (2017 : 30%)	**956,791**	534,562
Tax effect of exempt income	**(420,150)**	(505,140)
Tax effect of prior year	-	12,492
Tax effect of alternate corporate tax charged	**(45,335)**	
Others	**(244,723)**	-
	246,583	41,914

22.2 Management assessment of sufficiency of current income tax provision

A comparison of provision on account of income taxes with most recent tax assessment for last three years is as follows:

	2017	2016	2015
		(Rupees '000)	
Tax assessed as per most recent assessment	29,422	41,827	-
Provision in financial statements *	(29,422)	(49,229)	(35,822)
	-	(7,402)	(35,822)

* This represents provision recorded in the financial statements till 30 June 2018 in respect of relevant tax years. Management believes that the provision made in the financial statements is sufficient.

23 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:

	2018 (Rupees '000)			2017 (Rupees '000)		
	Chief Executive	**Directors**	**Executives**	**Chief Executive**	**Directors**	**Executives**
Meeting fee	-	**510**	-	-	660	-
Managerial remuneration	-	-	**65,970**	-	-	106,985
Allowances						
House rent	-	-	**59,373**	-	-	94,744
Contribution to provident fund	-	-	**6,597**	-	-	10,189
Bonus	-	-	**35,706**	-	-	44,404
Utilities & others	-	-	**38,669**	-	-	9,206
	-	**510**	**206,315**	**-**	660	265,528
Number of persons	**1**	**9**	**27**	1	9	96

Chief Executive Officer of the Parent Company is serving as Chief Executive Officer of the Company also. Hence, the remuneration is being paid by the Parent Company.

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

24 FINANCIAL RISK MANAGEMENT

The Company has exposures to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors of the Company oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

24.1 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:

	Note	2018	2017
		(Rupees '000)	
Trade debts - unsecured, considered good	13	**1,196,296**	1,382,058
Other receivables	14	**121,067**	6,285
Short term investments	15	**312,863**	2,900,000
Bank balances	16	**2,827,492**	586,149

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.

	Short Term	Long Term	Agency	2018	2017
				(Rupees '000')	
Trade debts:					
Counterparties with external credit rating					
K-Electric Limited	AA	A1+	PACRA	**308,606**	823,758
Counterparties without external credit rating					
FFBL- parent company				**883,927**	555,018
Others				**3,763**	3,282
				887,690	558,300
				1,196,296	1,382,058
Advances and other receivables:					
Counterparties without external credit rating					
Other receivable from FFBL - parent company				**86,398**	-
Other receivables from other perties				**34,669**	6,285
				121,067	6,285
Short term investments:					
Counterparties with external credit rating					
Meezan Bank Limited	A-1+	AA	JCR-VIS	**312,863**	250,000
JS Bank Limited	A1+	AA-	PACRA	-	1,050,000
Silk Bank Limited	A-2	A-	JCR-VIS	-	1,000,000
National Bank of Pakistan	A1+	AAA	PACRA	-	400,000
Dubai Islamic Bank	A-1	AA-	JCR-VIS	-	200,000
				312,863	2,900,000

	Short Term	Long Term	Agency	2018	2017
				(Rupees '000')	
Banks balances:					
Counterparties with external credit					
National Bank of Pakistan	A1+	AAA	PACRA	**1,666,365**	248,407
Habib Bank Limited	A-1+	AAA	JCR-VIS	**264,104**	313,333
Meezan Bank Limited	A-1+	AA	JCR-VIS	**181**	56
JS Bank Limited	A1+	AA-	PACRA	**2**	2
United Bank Limited	A-1+	AAA	JCR-VIS	**15,598**	19,321
Silk Bank Limited	A-2	A-	JCR-VIS	**878,190**	5,030
Faysal Bank	A-1+	AA	JCR-VIS	**92**	-
Bank AlFalah Limited	A-1+	AA+	JCR-VIS	**2,960**	-
				2,827,492	586,149

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.

24.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities excluding the impact of netting agreements:

Contractual maturities of financial liabilities as at 31 December 2018

	Carrying Amount	Less than one year	One to five years	More than five years
	-----(Rupees '000)-----			
Trade and other payables	1,292,228	1,292,228	-	-
Short term borrowings	2,087,258	2,087,258	-	-
Long term finance facilities	18,932,353	1,719,909	10,937,550	6,274,894
	22,311,839	5,099,395	10,937,550	6,274,894

Contractual maturities of financial liabilities as at 31 December 2017

	Carrying Amount	Less than one year	One to five years	More than five years
	--------------------------(Rupees '000)--------------------------			
Trade and other payables	2,571,393	2,571,393	-	-
Short term borrowings	1,316,798	1,316,798	-	-
Long term finance facilities	20,451,842	1,599,628	8,458,685	10,393,530
	24,340,033	5,487,819	8,458,685	10,393,530

24.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. The Company is exposed to currency and interest rate risk only.

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 665.579 million (2017: Rs 1,269.283 million) which were subject to currency risk.

The following significant exchange rate applied during the year:

	Average rates		**Balance sheet date rate**	
	2018	2017	**2018**	2017
US Dollars	**124.8**	105.5	**139.1**	110.5
Euro	**145.53**	119.94	**159.10**	131.97
CHF	**127.1**	107.5	**141.3**	112.9

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at 31 December 2018 would have decreased the profit by Rs. 78.91 million (2017: Rs. 126.928 million). A 10% weakening of the functional currency against foreign currencies at 31 December 2018 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

The interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate exposure arises from current account with the Parent Company, short and long term deposits with banks. At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments is:

	Carrying Amount	
	2018	2017
	(Rupees '000)	
Variable rate instruments		
Financial assets		
Short term investments	**312,863**	2,900,000
Bank balances	**2,812,228**	503,250
	3,125,091	3,403,250
Financial liabilities		
Short term borrowings	**2,087,258**	1,316,000
Long term finance facilities	**19,157,829**	20,748,474
	21,245,087	22,064,474

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

A change of 100 basis points in interest rates through out the year would have increased / (decreased) loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis assumes that all other variables remain constant.

	Profit for the year	
	100 basis points increase	**100 basis points decrease**
	Rupees ('000)	
Cash flow sensitivity		
Variable rate instruments	**(52,263)**	**52,263**
2018	**(52,263)**	**52,263**
Variable rate instruments	(199,043)	199,043
2017	(199,043)	199,043

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24.4 Fair value of financial assets and liabilities

Fair value hierarchy

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		Carrying amount			Fair value			
	Note	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		Rupees ('000)			Rupees ('000)			
31 December 2018								
Financial assets not measured at fair value								
Trade debts	**13**	**1,196,296**	-	**1,196,296**	-	-	-	-
Other receivables	**14**	**121,067**	-	**121,067**	-	-	-	-
Short term investment	**15**	**312,863**	-	**312,863**	-	-	-	-
Bank balances	**16**	**2,827,726**	-	**2,827,726**	-	-	-	-
Total		**4,457,952**	-	**4,457,952**	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	**8**	-	**1,305,242**	**1,305,242**	-	-	-	-
Short term borrowings including mark-up	**7**	-	**2,087,258**	**2,087,258**	-	-	-	-
Long term loan including mark-up	**5**	-	**18,932,353**	**18,932,353**	-	-	-	-
Total		-	**22,324,853**	**22,324,853**	-	-	-	-
31 December 2017								
Financial liabilities not measured at fair value								
Trade debts	13	1,382,058	-	1,382,058	-	-	-	-
Other receivables	14	6,285	-	6,285	-	-	-	-
Short term investment	15	2,906,484	-	2,906,484	-	-	-	-
Bank balances	16	587,079	-	587,079	-	-	-	-
Total		4,881,906	-	4,881,906	-	-	-	-
Financial assets not measured at fair value								
Trade and other payables	8	-	2,604,269	2,604,269	-	-	-	-
Short term borrowings including mark-up	7	-	1,316,798	1,316,798	-	-	-	-
Long term loan including mark-up	5	-	20,451,842	20,451,842	-	-	-	-
Total		-	24,372,909	24,372,909	-	-	-	-

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

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

25 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Long term loan	Share capital	Reserves	Total
Balance at 01 January 2018	20,748,474	8,587,500	1,625,673	30,961,647
Changes from financing cash flows				
Repayment of loan	(1,590,645)	-	-	(1,590,645)
Dividend paid	-	-	(1,502,813)	(1,502,813)
Total changes from financing cash flows	(1,590,645)	-	(1,502,813)	(3,093,458)
Other changes				
Liability related				
Decrease in short-term borrowings	-	-	-	-
Total liability related other changes	-	-	-	-
Equity related				
Total comprehensive income for the year	-	-	3,054,558	3,054,558
Total equity related other changes	-	-	3,054,558	3,054,558
Balance at 31 December 2018	19,157,829	8,587,500	3,177,418	30,922,747

26 PROVIDENT FUND TRUST

FFBL Power Company Limited Employee's Provident Fund (the Fund) is a contribution plan for benefit of permanent employees of the Company. Employee and the Company equally contribute to the Fund. The details based on unaudited financial statements of the Fund are as follows:

	2018	2017
	(Rupees '000)	
Size of the fund	135,780	78,427
Cost of investments made	135,780	75,895
Fair value of investments	135,780	81,456
Percentage of investments made (%)	100%	97%

27 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:

	2018	2017
	(Rupees '000)	
Parent Company - FFBL		
Shares issued during the year	-	975,000
Salaries, wages and other benefit costs charged	**97,380**	57,603
Raw materials purchased	**351,710**	199,348
Utilities and other costs charged	**16,818**	388,088
Sale of electricity power and steam	**9,363,349**	5,074,670
Sale of Construction material	**26,672**	-
Cost charged to Parent Company in respect of condensate return	**49,797**	-
Cost charged to Parent Company in respect of man power	**15,396**	-
Purchase of vehicles	**4,950**	28,895
Dividend paid	**1,127,109**	-
Ultimate parent - Fauji Foundation		
Shares issued during the year	-	325,000
Dividend paid	**375,703**	-
Other Related Parties		
Contributions to post employment benefit plans		
FPCL Employees' Provident Fund	**17,435**	14,695
FPCL Employees' Gratuity Fund	**22,745**	-
Remuneration to key management personnel	**22,767**	16,330

Key management personnel comprises of employees with deisgnation of senior manager and above.

28 CAPACITY AND PRODUCTION

	2018	2017
	MEGAWATT	
Electricity		
Installed capacity based on 8,760 hours (2017: 5,448 hours)	543,558	414,048
Actual energy delivered	560,438	356,751
	METRIC TON	
Steam		
Installed capacity based on 8,760 hours (2017: 5,448 hours)	1,489,200	1,089,600
Actual steam delivered	1,453,282	952,690

The variation in production of electricity & steam depends upon the availability of plant and demand from customer in addition to shut down for annual turn around (maintenance).

29 GENERAL

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

29.2 NUMBER OF EMPLOYEES

	2018	2017
Total number of employees at end of the year	**319**	310
Average number of employees for the year	**319**	297
Total number of employees at end of the year at plant site	**274**	266
Average number of employees for the year at plant site	**274**	252

29.3 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 29-Jan-2019 by the Board of Directors of the Company.

CHAIRMAN CHIEF EXECUTIVE DIRECTOR CHIEF FINANCIAL OFFICER