

DIRECTORS' REVIEW REPORT - FFBL POWER COMPANY LIMITED

For the half year ended June 30, 2020

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 statements of the Company for the six months ended June 30, 2020.

Principal Activity

FPCL was incorporated as a public limited company on June 27, 2014 with Fauji Fertilizer Bin Qasim Limited and Fauji Foundation subscribing 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 May 19, 2017.

Financial Results

During the six months ended June 30, 2020, FPCL have recorded revenue amounting to PKR 8,394 million (2019: 8,126 million) against cost of sales of PKR 4,851 million (2019: 4,910 million). Profit for the six months period amounted PKR 2,054 million as against profit of PKR 1,754 million posted during half year ended June 30, 2019. Earnings per share (EPS) were at PKR 2.39 (2019: PKR 2.04).

The increase in fixed assets by PKR 25 million is mainly attributable to net additions in Property Plant & Equipment for PKR 63 million & increase in Capital Work in Progress of PKR 501 million which is netted off against depreciation for the period amounting to PKR 539 million.

Current assets mainly comprise of Stock-in-Trade amounting to PKR 800 million, Trade Debts amounting to PKR 4,682 million (which include receivables from FFBL and K-Electric) and advances, prepayments & other receivables amounting to PKR 340 million.

Current liabilities mainly comprise of trade & other payables of PKR 1,538 million, retention money payable amounting to PKR 23 million and PKR 1,964 million being the current portion of Long Term Finance Facilities.

The principal loan repayment under the Long Term Finance Facilities amounting to PKR 912 million have been paid during the half year ended June 30, 2020. Outstanding Long Term Finance Facilities as at June 30, 2020 amounted to PKR 16,646 million.

Operational Results

During the half year ended June 30, 2020, FPCL delivered 68,716 MWh (2019: 69,499 MWh) of electricity to Fauji Fertilizer Bin Qasim Limited and 200,742 MWh (2019: 214,213 MWh) to K-Electric Limited. The Company also delivered 671,137 Metric Tons (2019: 677,220 MT) of Steam to Fauji Fertilizer Bin Qasim Limited.

Future Outlook

The demand for 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, the gap is still expected to exist in the near future.

The utility distributor in cosmopolitan city (K-Electric Limited) faces energy demand varying between 2,900 MW and 3,300 MW while the installed capacity connected to KE (own & external) is 2,779 MW, which meets only 84% to 96% of energy requirements, if available all times. The gap is expected to exist in foreseeable future as power requirements are growing by the time at a pace greater than it takes for energy projects to connect and dispatch. More projects are being built to run on coal and RLNG, however these are not likely to affect Company's operations and profitability. Further, Company's rank in merit order is on a relatively high position which is not likely to be adversely affected in foreseeable future.

During the rapidly evolving situation in wake of COVID-19 pandemic outbreak, our top priority continues to be health and safety of our employees, share-holders and other stakeholders. Business environment is likely to remain challenging owing to potential adverse implications of COVID-19 pandemic on the economy which are quite diverse in nature and impact, however, FPCL is managing the risks by anticipation and application of corresponding mitigation measures.

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

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

Following is the list of the Directors of the Company who served on the Board:

- Mr. Waqar Ahmed Malik
- Mr. Sarfraz Ahmed Rehman Appointed: Jun 10, 2020
- Lt Gen Javed Iqbal, HI (M), (Retd) Resigned: Jun 10, 2020
- Lt Gen Tariq Khan, HI (M), (Retd)
- Mr. Qamar Haris Manzoor Appointed: Jun 10, 2020
- Dr. Nadeem Inayat Appointed: Apr 22, 2020
- Maj Gen Abid Rafique (Retd) Resigned: Jun 10, 2020

- Brig Asif Ali (Retd) Resigned: Jun 11, 2020
- Mr. Khurram Shahzad Appointed: Jun 11, 2020
- Brig Hamad Qadir (Retd) Resigned: Jun 10, 2020
- Mr. Tassawor Ishaque Appointed: Jun 10, 2020
- Col Dr. Muhammad Rashid Hussain (Retd) Resigned: Apr 22, 2020
- Mr. Rehan Laiq
- Mr. Masoom Hussain


Pattern of Shareholding

<u>Categories</u>	<u>No. of Shares</u>	<u>%</u>
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


Mr. Waqar Ahmed Malik
Chairman


Sarfraz Ahmed Rehman
Chief Executive Officer

Islamabad

July 24, 2020

DIRECTORS' REVIEW REPORT - FFBL POWER COMPANY LIMITED

For the half year ended June 30, 2020

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 statements of the Company for the six months ended June 30, 2020.

Principal Activity

FPCL was incorporated as a public limited company on June 27, 2014 with Fauji Fertilizer Bin Qasim Limited and Fauji Foundation subscribing 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 May 19, 2017.

Financial Results

During the six months ended June 30, 2020, FPCL have recorded revenue amounting to PKR 8,394 million (2019: 8,126 million) against cost of sales of PKR 4,851 million (2019: 4,910 million). Profit for the six months period amounted PKR 2,054 million as against profit of PKR 1,754 million posted during half year ended June 30, 2019. Earnings per share (EPS) were at PKR 2.39 (2019: PKR 2.04).

The increase in fixed assets by PKR 25 million is mainly attributable to net additions in Property Plant & Equipment for PKR 63 million & increase in Capital Work in Progress of PKR 501 million which is netted off against depreciation for the period amounting to PKR 539 million.

Current assets mainly comprise of Stock-in-Trade amounting to PKR 800 million, Trade Debts amounting to PKR 4,682 million (which include receivables from FFBL and K-Electric) and advances, prepayments & other receivables amounting to PKR 340 million.

Current liabilities mainly comprise of trade & other payables of PKR 1,538 million, retention money payable amounting to PKR 23 million and PKR 1,964 million being the current portion of Long Term Finance Facilities.

The principal loan repayment under the Long Term Finance Facilities amounting to PKR 912 million have been paid during the half year ended June 30, 2020. Outstanding Long Term Finance Facilities as at June 30, 2020 amounted to PKR 16,646 million.

Operational Results

During the half year ended June 30, 2020, FPCL delivered 68,716 MWh (2019: 69,499 MWh) of electricity to Fauji Fertilizer Bin Qasim Limited and 200,742 MWh (2019: 214,213 MWh) to K-Electric Limited. The Company also delivered 671,137 Metric Tons (2019: 677,220 MT) of Steam to Fauji Fertilizer Bin Qasim Limited.

Future Outlook

The demand for 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, the gap is still expected to exist in the near future.

The utility distributor in cosmopolitan city (K-Electric Limited) faces energy demand varying between 2,900 MW and 3,300 MW while the installed capacity connected to KE (own & external) is 2,779 MW, which meets only 84% to 96% of energy requirements, if available all times. The gap is expected to exist in foreseeable future as power requirements are growing by the time at a pace greater than it takes for energy projects to connect and dispatch. More projects are being built to run on coal and RLNG, however these are not likely to affect Company's operations and profitability. Further, Company's rank in merit order is on a relatively high position which is not likely to be adversely affected in foreseeable future.

During the rapidly evolving situation in wake of COVID-19 pandemic outbreak, our top priority continues to be health and safety of our employees, share-holders and other stakeholders. Business environment is likely to remain challenging owing to potential adverse implications of COVID-19 pandemic on the economy which are quite diverse in nature and impact, however, FPCL is managing the risks by anticipation and application of corresponding mitigation measures.

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

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

Following is the list of the Directors of the Company who served on the Board:

- Mr. Waqar Ahmed Malik
- Mr. Sarfraz Ahmed Rehman Appointed: Jun 10, 2020
- Lt Gen Javed Iqbal, HI (M), (Retd) Resigned: Jun 10, 2020
- Lt Gen Tariq Khan, HI (M), (Retd)
- Mr. Qamar Haris Manzoor Appointed: Jun 10, 2020
- Dr. Nadeem Inayat Appointed: Apr 22, 2020
- Maj Gen Abid Rafique (Retd) Resigned: Jun 10, 2020

- Brig Asif Ali (Retd) Resigned: Jun 11, 2020
- Mr. Khurram Shahzad Appointed: Jun 11, 2020
- Brig Hamad Qadir (Retd) Resigned: Jun 10, 2020
- Mr. Tassawor Ishaque Appointed: Jun 10, 2020
- Col Dr. Muhammad Rashid Hussain (Retd) Resigned: Apr 22, 2020
- Mr. Rehan Laiq
- Mr. Masoom Hussain

Pattern of Shareholding

<u>Categories</u>	<u>No. of Shares</u>	<u>%</u>
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


Mr. Waqar Ahmed Malik
Chairman


Saif-uz-Zaman Ahmed Rehman
Chief Executive Officer

Islamabad

July 24, 2020