



KPMG Taseer Hadi & Co.
Chartered Accountants

FFBL Power Company Limited

Financial Statements

For the year ended
31 December 2020



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 2020, 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 2020 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.





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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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the

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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.

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;

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- 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).

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

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KPMG Taseer Hadi & Co.
Chartered Accountants
Islamabad

Date: 11 February 2021

FFBL Power Company Limited

Statement of financial position

As at December 31, 2020

	December 31, 2020	December 31, 2019	Note	December 31, 2020	December 31, 2019
				(Rupees '000)	
Equity					
Share capital	8,587,500	8,587,500		26,179,652	26,691,066
Accumulated profits	6,064,266	4,921,914		44,489	37,504
Total equity	14,651,766	13,509,414		26,224,141	26,728,570
Liabilities					
Long term finance facilities	13,543,865	15,399,498			
Deferred employee benefits	141,990	96,478			
Deferred taxation	249,302	176,831			
Non current liabilities	13,935,157	15,672,807			
Current portion of long term finance facilities	2,122,778	1,859,821		571,248	451,982
Short term borrowings	1,503,262	1,145,445		907,745	896,315
Trade and other payables	2,373,765	1,221,510		2,215,555	2,154,942
Current liabilities	5,999,805	4,226,776		416,704	264,810
Total equity and liabilities	34,586,728	33,408,997		345,979	378,715
				1,500,592	409,852
				2,404,764	2,123,811
				8,362,587	6,680,427
				34,586,728	33,408,997
Contingencies and commitments					

The annexed notes 1 to 32 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 December 31, 2020

	Note	For the year ended December 31,	
		2020	2019
		(Rupees '000)	
Sales	17	16,643,650	17,099,664
Cost of sales	18	(10,277,998)	(10,142,144)
Gross profit		6,365,652	6,957,520
Administrative and general expenses	19	(366,717)	(329,141)
Other operating expenses	20	(207,645)	(214,802)
Operating profit		5,791,290	6,413,577
Finance cost	21	(1,998,647)	(2,612,415)
Other income	22	198,346	258,495
Profit before taxation		3,990,989	4,059,657
Taxation	23	(183,270)	(174,708)
Profit for the year		3,807,719	3,884,949
Other comprehensive income			
<i>Items that will not be classified to profit or loss</i>			
Remeasurement gain/(loss) on defined benefit obligation		(3,242)	6,422
Total comprehensive income for the year		3,804,477	3,891,371

The annexed notes 1 to 32 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 December 31, 2020

	Issued, subscribed and paid up capital	Accumulated profits	Total
	(Rupees '000)		
Balance at January 1, 2019	8,587,500	3,177,418	11,764,918
<i>Total comprehensive income for the year</i>			
Profit for the year	-	3,884,949	3,884,949
Other comprehensive income for the year	-	6,422	6,422
Total comprehensive income for the year	-	3,891,371	3,891,371
<i>Transactions with owners of the Company - Distribution</i>			
Interim dividend for the half year ended June 30, 2019	-	(2,146,875)	(2,146,875)
Balance at December 31, 2019	8,587,500	4,921,914	13,509,414
Balance at January 1, 2020	8,587,500	4,921,914	13,509,414
<i>Total comprehensive income for the year</i>			
Profit for the year	-	3,807,719	3,807,719
Other comprehensive income for the year	-	(3,242)	(3,242)
Total comprehensive income for the year	-	3,804,477	3,804,477
<i>Transactions with owners of the Company - Distribution</i>			
Interim dividend for the half year ended June 30, 2020	-	(2,662,125)	(2,662,125)
Balance at December 31, 2020	8,587,500	6,064,266	14,651,766

The annexed notes 1 to 32 form an integral part of these financial statements.

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 CHAIRMAN
  CHIEF EXECUTIVE
  DIRECTOR
  CHIEF FINANCIAL OFFICER

FFBL Power Company Limited
Statement of cash flows
For the year ended December 31, 2020

		For the year ended December 31,	
		2020	2019
Note	(Rupees '000)		
CASH FLOWS FROM OPERATING ACTIVITIES			
		3,990,989	4,059,657
		<i>Profit before taxation</i>	
		<i>Adjustments for:</i>	
		1,110,420	984,967
		68,676	52,343
		<i>Depreciation</i>	
		<i>Provision for staff retirement benefits</i>	
		<i>Provision for workers participation provident fund and workers welfare fund</i>	
	20	207,645	214,802
		<i>Finance cost</i>	
	21	1,998,647	2,612,415
		<i>Gain on sale of fixed assets</i>	
	22	(2,159)	(370)
		<u>3,383,229</u>	<u>3,864,157</u>
		7,374,218	7,923,814
		<i>Changes in:</i>	
		(11,430)	509,683
		<i>Stock in trade</i>	
		(119,266)	(151,937)
		<i>Stores and spares</i>	
		(60,613)	(855,468)
		<i>Trade debts</i>	
		(151,894)	365,481
		<i>Advances, prepayments and other receivables</i>	
		1,140,436	22,921
		<i>Trade and other payables</i>	
		<u>797,233</u>	<u>(109,320)</u>
		8,171,451	7,814,494
		<i>Gratuity paid</i>	
		(9,944)	(13,422)
		<i>Leave encashment paid</i>	
		(6,240)	(8,671)
		<i>Workers' profit participation fund paid</i>	
		(200,422)	(318,385)
		<i>Finance cost paid</i>	
		(1,955,606)	(2,565,539)
		<i>Income tax paid</i>	
		(83,689)	(61,850)
		<u>5,915,549</u>	<u>4,846,627</u>
		Net cash generated from operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES			
		(532,652)	(576,030)
	10	<i>Capital work in progress</i>	
		(86,822)	(87,671)
		<i>Operating fixed assets</i>	
		15,643	18,745
		<i>Sale of fixed assets</i>	
		<u>(603,831)</u>	<u>(644,956)</u>
		Net cash used in investing activities	
CASH FLOWS FROM FINANCING ACTIVITIES			
		(1,859,661)	(1,719,909)
		<i>Long term finance facilities - paid</i>	
		223,944	-
		<i>Long term finance facilities - received</i>	
		(2,662,125)	(2,146,875)
		<i>Dividend paid</i>	
		<u>(4,297,842)</u>	<u>(3,866,784)</u>
		Net cash used in financing activities	
		1,013,876	334,887
		<i>Net increase in cash and cash equivalents during the year</i>	
		1,388,218	1,053,331
		<i>Cash and cash equivalents at beginning of the year</i>	
	24	<u>2,402,094</u>	<u>1,388,218</u>
		Cash and cash equivalents at end of the year	

The annexed notes 1 to 32 form an integral part of these financial statements.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

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FFBL Power Company Limited

Notes to the financial statements

For the year ended December 31, 2020

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 (now Companies Act 2017). The Company is a subsidiary of Fauji Fertilizer Bin Qasim Limited (the Parent Company) 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 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 land and power generation facility are located at FFBL Complex, P-1/EZ-1/ Eastern Zone, Bin Qasim, Karachi. The land's total area is 100 acres.

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) 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, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 The control of Company due to purchase of total output by K - Electric Limited ("K Electric") and Fauji Fertilizer Bin Qasim Limited (FFBL) under the Power Purchase Agreement ("PPA") was classified as a lease under IFRIC 4 "Determining whether an Arrangement Contains a Lease" which due to exemption available to the Company were not accounted for as a lease in prior years. During the period, IFRS 16 became applicable to the Company and the Company's arrangement with K Electric and FFBL falls under the definition of a lease under IFRS 16, however, the SECP vide S.R.O 986(1)/2019 dated September 02, 2019 has also extended the earlier exemption from IFRIC 4 to all companies based on their request for waiver from the requirements of IFRS 16, which have entered into power purchase arrangements before January 01, 2019.

The Company signed its PPA with K Electric and FFBL on July 04, 2018 and April 15, 2016 respectively. Accordingly, requirement of lease accounting relating to the Company's arrangement with K Electric and FFBL were not applicable to the Company. Further with respect to the Company's Steam Supply Agreement (SSA) with FFBL, the Company's plant facilities for both electricity and steam generation are covered under the ambit of aforesaid exemption, in context of definition of the "Complex" as defined in PPA with FFBL.

FFBL Power Company Limited

Notes to the financial statements

For the year ended December 31, 2020

Under IFRS 16, 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. If IFRS 16 would have been applied, the effect on the financial statements would be as follows:

	2020	2019
	(Rupees '000)	
Unappropriated profit at the beginning of the year	1,495,904	1,109,029
Increase in profit for the year	309,506	386,875
Unappropriated profit at the end of the year	<u>1,805,410</u>	<u>1,495,904</u>

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

Items included in these financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). These financial statements of the Company are presented in Pak Rupees, which is the Company's functional currency. All amounts have been rounded to the nearest Rupee, unless otherwise indicated.

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

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FFBL Power Company Limited

Notes to the financial statements

For the year ended December 31, 2020

2.5.3 Measurement of the expected credit loss allowance

The measurement of the expected credit loss ("ECL") allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses).

Elements of the ECL models that are considered accounting judgments and estimates include:

- Development of ECL models, including the various formulas and choice of inputs;
- Determining the criteria if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis; and
- Determination of associations between macroeconomic scenarios and, economic inputs, and their effect on probability of default (PDs), exposure at default (EADs) and loss given default (LGDs).
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

2.5.4 Provision against advances

The Company reviews the recoverability of its advances to assess amount of 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 January 1, 2021:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 1, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
 - any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
 - there is no substantive change to the other terms and conditions of the lease.

FFBL Power Company Limited

Notes to the financial statements


For the year ended December 31, 2020

This amendment is not expected to be relevant to the financial statements of the Company for the year ended December 31, 2020.

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 1, 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. This amendment has no financial impact for the Company.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 1, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. This amendment has no financial impact for the Company.

- Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 1, 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. 

FFBL Power Company Limited

Notes to the financial statements

For the year ended December 31, 2020

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after January 1, 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018.
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) - In response to concerns regarding temporary accounting mismatches and volatility, and increased costs and complexity, the Board issued amendments to IFRS 4 Insurance Contracts in 2017. The two optional solutions raised some considerations which required detailed analysis and management judgement. On the issue of IFRS 17 (Revised) Insurance Contracts in June 2020, the end date for applying the two options under the IFRS 4 amendments was extended to January 1, 2023, aligned with the effective date of IFRS 17.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 1, 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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FFBL Power Company Limited

Notes to the financial statements

For the year ended December 31, 2020

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,
- Differences relating to investments in jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.
- 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

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 for capital work in progress which is 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 or losses on disposals are taken to the profit and loss account.

FFBL Power Company Limited

Notes to the financial statements

For the year ended December 31, 2020

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 of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation or depreciation and are tested annually for impairment. Assets that are subject to depreciation / amortisation are reviewed for impairment at 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 and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized at the time when the Company transfers substantially all the risks and rewards of ownership of the financial asset.

If the Company neither transfers nor returns substantially all the risks and rewards of ownership of the financial asset, the principal assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset and financial liability is derecognized at the time when the obligation specified in the contract is discharged or cancelled or expired. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to the profit or loss currently. All financial assets and liabilities are initially measured at cost which is the fair value of the consideration paid and received, respectively, and subsequently carried at fair value, amortized cost or cost, as the case may be.

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FFBL Power Company Limited

Notes to the financial statements

For the year ended December 31, 2020

3.7.1 Financial assets

(I) *Classification*

On initial recognition, a financial asset is classified and measured at:

- amortized cost;
- fair value through other comprehensive income (FVOCI); or
- fair value through profit or loss (FVTPL).

The classification of financial assets is based on the business model in which a financial asset is managed, and its contractual cash flow characteristics.

Amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is to hold assets to collect contractual cash flows; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL: (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Fair value through profit or loss (FVTPL)

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL.

(II) *Subsequent measurement*

Financial assets at amortized cost

Measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on de-recognition is recognized in profit or loss.

Financial assets at FVTPL

Measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

FFBL Power Company Limited

Notes to the financial statements

For the year ended December 31, 2020

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

(III) De-recognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

(IV) Impairment

The Company recognizes loss allowance for Expected Credit Losses (ECL) on financial assets measured at amortized cost, other than those due from the Government of Pakistan entities. For trade receivables, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For other financial assets, the Company applies general approach for calculating ECL. The Company evaluates credit quality of the financial assets under general approach for evaluation of associated credit risk.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For recognition of impairment on financial assets due from the Government of Pakistan entities, the Company continues to apply the accounting policy as stated below.

3.7.2 Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

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Notes to the financial statements

For the year ended December 31, 2020

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. Any gain / (loss) on the recognition and de-recognition of the financial assets and liabilities is included in the statement of profit or loss for the period in which it arises.

3.7.3 Offsetting of financial assets and financial liabilities

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

3.8 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.

3.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances at banks, 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 and short term borrowings.

3.10 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.

3.11 Revenue recognition

The Company signed its PPA with K Electric and PPA/SSA with FFBL on July 04, 2018 and April 15, 2016 respectively. Under the PPA/ SSA, the Company is obligated to sell and deliver all output of the Complex in accordance with provisions of PPA/SSA.

Revenue from sale of electricity and steam is recognized when or as the Company satisfies performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The Company principally satisfies its performance obligation in respect of supply of electricity and steam upon transmission of electricity and steam to K - electric and FFBL respectively.

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)'s notifications.

PPA also contains other performance obligations i.e. insurance and operation & maintenance. 

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Notes to the financial statements

For the year ended December 31, 2020

Revenue associated with the operating phase of the PPA i.e. insurance and operations & maintenance of the plant is measured based on the consideration specified in contract with customer. Revenue from contract with customer is recognized when or as the Company satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The Company principally satisfies its performance obligations of insurance, operations and maintenance over time and the amount of revenue is recognized based on the consideration specified in the PPA/SSA. Consideration for operating phase of the PPA/ SSA i.e. Insurance and fixed O&M component of tariff is billed to customers as part of CPP whereas variable O&M component is billed to customers as part of EPP. The amount of revenue recognized in respect of operating phase excludes the estimates of variable consideration as it is not highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur in future when the uncertainty associated with the variable consideration is subsequently resolved.

3.12 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

3.13 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.

3.14 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 valuation was carried out as of December 31, 2020. 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. Monthly contributions are made by the employees at the rate of 10%, 15% and 20% of basic salary while the company contributes at a fixed rate of 10%. 

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Notes to the financial statements

For the year ended December 31, 2020

4 SHARE CAPITAL

	2020	2019
	<u>(Rupees '000)</u>	
AUTHORISED SHARE CAPITAL		
900,000,000 (2019: 900,000,000) ordinary shares of Rs 10 each	<u>9,000,000</u>	<u>9,000,000</u>
ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
858,750,000 (2019: 858,750,000) ordinary shares of Rs 10 each issued for consideration in cash	<u>8,587,500</u>	<u>8,587,500</u>
Number of shares at end of the year	<u>858,750,000</u>	<u>858,750,000</u>
4.1 Fauji Fertilizer Bin Qasim Limited (The Parent Company) has a controlling interest in the Company by holding 644,062,491 (75%) (2019: 644,062,491 - 75%) ordinary shares as at December 31, 2020.		
4.2 Fauji Foundation (FF) holds 214,687,500 (25%) (2019: 214,687,500 - 25%) ordinary shares of the Company as December 31, 2020.		
4.3 9 ordinary shares (2019: 9 ordinary shares) are held by nominee directors. 		

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Notes to the financial statements
For the year ended December 31, 2020

5 LONG TERM FINANCE FACILITIES

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

	Note	2020	2019
(Rupees '000)			
Commercial facility			
National Bank of Pakistan		2,823,501	3,160,561
United Bank Limited		783,811	877,380
Bank Alfalah Limited		1,781,388	1,994,044
Soneri Bank Limited		712,556	797,618
Bank of Punjab		712,556	797,618
MCB Bank Limited		1,068,850	1,196,427
Allied Bank Limited	5.4	223,944	-
		8,106,606	8,823,648
Islamic facility			
National Bank of Pakistan		712,556	797,618
Habib Bank Limited		2,493,943	2,791,662
United Bank Limited		783,811	877,380
Dubai Islamic Bank Limited		1,068,833	1,196,427
Meezan Bank Limited		1,068,833	1,196,427
Faysal Bank Limited		855,066	957,141
Sindh Bank Limited		712,556	797,618
		7,695,598	8,614,273
Total outstanding		15,802,204	17,437,921
Accrued markup		717	143
		15,802,921	17,438,064
Less:			
Current portion of long term finance facilities		(2,122,778)	(1,859,821)
Unamortised transaction cost of long term finance facilities	5.5	(136,278)	(178,745)
		13,543,865	15,399,498

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:

- First ranking pari passu charge up to Rs. 29,150 million by way of hypothecation on all present and future moveable and immovable fixed assets (other than land and building) of the Company;
- Equitable mortgage over land and building with to be created and perfected within 6 months of facility effective date;



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Notes to the financial statements

For the year ended December 31, 2020

- (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 favor 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.

- 5.4 The Company has also entered into an agreement for Long Term Finance Facilities (LTFF) under SBP's Refinance Scheme for payment of wages and salaries of Rs. 262 million with Allied Bank Limited. This loan was disbursed in two tranches. In the first tranche, amount disbursed amounted to Rs. 119.628 million at a rate of 0.5% per annum and Rs. 103.32 million were disbursed at a rate of 0.35% per annum in the second tranche. The reduced rates of 0.5% and 0.35% are applicable when the amount of loan disbursement has been refunded by the State Bank of Pakistan to the facility provider, before which rates of one month KIBOR + 0.5% and 0.35% will be applicable on the first and second tranche, respectively. The loan and its mark-up are repayable in 8 quarterly instalments, commencing from January 31, 2021.

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Notes to the financial statements

For the year ended December 31, 2020

5.4.1 The Facility mentioned above is secured by already intact ranking hypothecation charge on all present and future plant & machinery of the Company amounting to Rs. 1,250 million inclusive of 20% margin. This charge is also securing existing LC Usance/Deferred Payment LC facility. Additionally, availing this facility would have no impact on compliance with the loan covenant which restricts the creation of further charges on Company's assets. The drawing power against LTFF (Wages & Salaries) & LC Usance/Deferred Payment LC will be capped at Rs. 1,000 million.

5.5 Unamortised transaction cost	2020	2019
	(Rupees '000)	
Balance at January 1	178,745	225,475
Amortisation during the year	(42,467)	(46,730)
Balance at December 31	<u>136,278</u>	<u>178,745</u>

6 DEFERRED TAXATION

The balance of deferred tax is in respect of following temporary differences:

Accelerated tax depreciation	475,459	460,964
Tax losses	(226,157)	(284,133)
	<u>249,302</u>	<u>176,831</u>

7 SHORT TERM BORROWING

This represents working capital borrowing obtained from National Bank of Pakistan (NBP) and Bank of Punjab (BOP) as approved facility of Rs. 3,800 million (2019: Rs 2,800 million) out of which Rs. 1,500 million (2019: Rs. 1,145 million) is availed. Unavailed combined balances of these facilities at year end is Rs. 2,300 million (2019: Rs. 1,655 million). The facility carries mark-up at 3 months KIBOR + 0.25 % per annum (2019: KIBOR + 0.35% per annum).

7.1 The facility from NBP 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 immovable 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.

7.2 The facility from BOP is secured by way of the following:

- (a) 1st pari passu charge by way of assignment over the present and future EPP receivables in favour of BOP.
- (b) 1st pari passu hypothecation charge over the hypothecated stocks/inventories in favour of BOP.
- (c) A ranking hypothecation charge (subordinated to senior lenders in favor of Bank Alfalah Limited), as the security trustee for the senior lenders and WC lenders (National Bank and Allied Bank) over the hypothecated fixed assets (excluding immovable properties) in favor of BOP and existing working capital lenders.

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FFBL Power Company Limited

Notes to the financial statements

For the year ended December 31, 2020

8	TRADE AND OTHER PAYABLES	Note	2020	2019
			(Rupees '000)	
	Creditors	8.1	1,494,317	752,648
	Accrued expenses		440,606	355,849
	Advances from customers		78,833	104
	Retention money payable		18,021	22,193
	Payable to employees' provident fund		3,610	3,349
	Payable to employees' gratuity fund	8.2	20,166	9,944
	Payable to employees' Leave Fair Assistance		484	-
	Payable to Workers profit participation fund		20,769	19,422
	Payable to Workers welfare fund		5,876	5,626
	Sales tax payable		232,897	1,063
	Tax withheld at source		51,249	46,448
	Other payables		6,937	4,864
			<u>2,373,765</u>	<u>1,221,510</u>

8.1 This includes Rs. 99.825 million (2019: Rs. 106.479 million) payable to the Parent Company and Rs. 16.6 million (2019: Nil) payable to the ultimate Parent Company.

8.2	Payable to employees' gratuity fund	Note	2020	2019
			(Rupees '000)	
	The details of actuarial valuation of staff gratuity carried out as at year end is as follows:			
	Present value of defined benefit obligation	8.2.1	67,914	45,586
	Fair value of plan assets	8.2.2	(47,748)	(35,642)
	Net liability		<u>20,166</u>	<u>9,944</u>

8.2.1 Changes in present value of defined benefit obligations

As at January 1		45,586	36,199
Current service cost		16,315	15,554
Interest cost		5,514	4,302
Remeasurement gain on present value of defined benefit obligation		1,642	(6,903)
Benefits paid		(1,143)	(3,566)
As at December 31		<u>67,914</u>	<u>45,586</u>

8.2.2 Changes in fair value of plan assets

As at January 1		35,642	23,186
Contributions		9,944	13,014
Interest income on plan assets		4,905	3,489
Benefits paid		(1,143)	(3,566)
Return on plan assets, excluding interest income		(1,600)	(481)
As at December 31	8.2.6	<u>47,748</u>	<u>35,642</u>

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FFBL Power Company Limited
Notes to the financial statements
For the year ended December 31, 2020

	2020	2019
	(Rupees '000)	
8.2.3 Expenses recognized in profit and loss account:		
Current service cost	16,315	15,554
Interest cost	5,514	4,302
Interest income on plan assets	(4,905)	(3,489)
	<u>16,924</u>	<u>16,366</u>
8.2.4 Gains recognized in other comprehensive income:		
Remeasurement gain on present value of defined benefit obligation	1,642	(6,903)
Return on plan assets, excluding interest income	1,600	481
	<u>3,242</u>	<u>(6,422)</u>
8.2.5 Changes in net liability		
Liability at beginning of the year	9,944	13,015
Charged to profit and loss	16,924	16,366
Remeasurement in other comprehensive income	3,242	(6,422)
Contributions paid	(9,944)	(13,015)
	<u>20,166</u>	<u>9,944</u>
8.2.6 Plan assets comprise of:		
Term deposit receipts	47,553	35,229
Cash at bank	195	413
	<u>47,748</u>	<u>35,642</u>
8.2.7 Principal actuarial assumptions used in the actuarial valuation are as follows:		
Discount rate used for interest cost charged to profit and loss	12.25%	12.50%
Discount rate used for year end obligation	10.25%	12.25%
8.2.9 Salary increased used for year end obligations		
Salary Increase FY 2020	N/A	12.25%
Salary Increase FY 2021	10.25%	12.25%
Salary Increase FY 2022	10.25%	12.25%
Salary Increase FY 2023	10.25%	12.25%
Salary Increase FY 2024	10.25%	12.25%
Salary Increase FY 2025	10.25%	12.25%
Salary Increase FY 2026 onward	10.25%	12.25%
Next salary increased at	January 1, 2021	January 1, 2020
Mortality rates	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year
Retirement assumption	Age 60	Age 60

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FFBL Power Company Limited

Notes to the financial statements

For the year ended December 31, 2020

8.2.10 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	Effect of 1% decrease
	(Rupees '000)	
Discount rate	(7,873)	9,509
Salary increase rate	9,536	(8,045)

The average duration of the defined benefit obligation as at December 31, 2020 is 13 years (2019: 14 years).

9 CONTINGENCIES AND COMMITMENTS

Commitments

- (i) Commitments in respect of capital expenditure amounting to Rs. 354.01 million (2019: Rs. 600.21 million).
- (ii) The outstanding amount against letters of credit at December 31, 2020 is Rs. 2,272.62 million (2019: Rs. 1,097.45 million) out of total facility of Rs. 6,000 million (2019: Rs. 5,000 million). The aggregate facilities for opening of letters of credit's are secured by lien on valid import documents.

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Notes to the financial statements

For the year ended December 31, 2020

10 PROPERTY, PLANT AND EQUIPMENT

	2020	2019
	(Rupees '000)	
Operating fixed assets	25,383,408	26,062,644
Capital work in progress	796,243	628,422
	<u>26,179,652</u>	<u>26,691,066</u>

	2020	2019
	(Rupees '000)	
Right to use asset - Leasehold land	10.1	

	PROPERTY, PLANT AND EQUIPMENT								Total
	Freehold land	Right to use asset - Leasehold land	Buildings on lease hold land	Plant and machinery	Operational vehicles	Furniture and fittings	Other vehicles	Computer and ancillary equipment	

	(Rupees '000)									
COST										
Balance at January 1, 2019	158,684	1,417,247	4,920,150	21,328,792	306,236	22,883	72,421	76,077	383,275	28,685,765
Additions during the year	-	-	-	-	6,538	38,604	54,643	7,007	576,030	682,821
Disposals	-	-	-	(4,121)	-	-	(22,507)	-	-	(26,627)
Transfers	32,492	-	73,412	224,078	-	-	-	-	(330,883)	-
Adjustments	-	(13,001)	(2,713)	(15,000)	-	-	-	-	-	(30,714)
Balance at December 31, 2019	191,176	1,404,246	4,990,849	21,534,650	312,774	61,487	104,557	83,084	628,422	29,311,245
Balance at January 1, 2020	191,176	1,404,246	4,990,849	21,534,650	312,774	61,487	104,557	83,084	628,422	29,311,245
Additions during the year	-	1,200	-	-	32,150	23,274	12,829	5,389	532,652	607,394
Disposals	-	-	-	-	-	-	(24,936)	-	-	(24,936)
Transfers	-	-	5,471	516,966	-	-	-	-	(364,831)	157,606
Adjustments	-	-	-	(157,606)	-	-	-	-	-	(157,606)
Balance at December 31, 2020	191,176	1,405,446	4,996,320	21,894,010	344,924	84,761	92,450	88,473	796,243	29,893,803
ACCUMULATED DEPRECIATION										
Balance at January 1, 2019	-	111,046	268,265	1,179,836	19,683	4,212	16,388	43,962	-	1,643,382
Charge for the year	-	52,988	164,423	711,938	15,340	2,932	17,263	22,122	-	987,005
Disposals	-	-	-	(298)	-	-	(7,804)	-	-	(8,102)
Adjustments	-	(1,182)	(8)	(916)	-	-	-	-	-	(2,106)
Balance at December 31, 2019	-	162,852	432,680	1,890,549	35,023	7,144	25,847	66,084	-	2,620,179
Balance at January 1, 2020	-	162,852	432,680	1,890,549	35,023	7,144	25,847	66,084	-	2,620,179
Charge for the year	-	52,868	166,563	828,743	16,746	7,716	20,820	11,968	-	1,105,424
Disposals	-	-	-	-	-	-	(11,452)	-	-	(11,452)
Adjustments	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2020	-	215,720	599,244	2,719,293	51,769	14,860	35,215	78,051	-	3,714,152
Carrying value- December 31, 2019	191,176	1,241,394	4,558,169	19,644,101	277,751	54,343	78,710	17,000	628,422	26,691,066
Carrying value- December 31, 2020	191,176	1,189,726	4,397,077	19,174,717	293,155	69,901	57,235	10,422	796,243	26,179,652
Rate of depreciation	0%	3.76%	3%	3%-33%	5%	10%	20%	33%	-	

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10.1 Capital work in progress	Note	2020	2019
		(Rupees '000)	
Buildings on leasehold land		585,291	586,475
Plant and machinery		210,952	41,947
	10.1.1	<u>796,243</u>	<u>628,422</u>

10.1.1 This represents amount pertaining to construction of administration and maintenance buildings at plant site.

11 INTANGIBLE ASSETS

Note	Intangible Assets		Total
	Software	Development cost	
	(Rupees '000)		
<u>COST</u>			
Balance at January 1, 2019	-	25,828	25,828
Additions during the year	1,232	10,511	11,743
Disposals	-	-	-
Transfers	-	-	-
Adjustments	-	-	-
Balance at December 31, 2019	<u>1,232</u>	<u>36,339</u>	<u>37,571</u>
Balance at January 1, 2020	1,232	36,339	37,571
Additions during the year	1,245	10,735	11,980
Disposals	-	-	-
Transfers	37,761	(37,761)	-
Adjustments	-	-	-
Balance at December 31, 2020	<u>40,238</u>	<u>9,313</u>	<u>49,551</u>
<u>Amortization</u>			
Balance at January 1, 2019	-	-	-
Charge for the year	67	-	67
Disposals	-	-	-
Adjustments	-	-	-
Balance at December 31, 2019	<u>67</u>	<u>-</u>	<u>67</u>
Balance at January 1, 2020	67	-	67
Charge for the year	4,995	-	4,995
Disposals	-	-	-
Adjustments	-	-	-
Balance at December 31, 2020	<u>5,062</u>	<u>-</u>	<u>5,062</u>
Carrying value December 31, 2019	<u>1,165</u>	<u>36,339</u>	<u>37,504</u>
Carrying value December 31, 2020	<u>35,176</u>	<u>9,313</u>	<u>44,489</u>
Rate of amortisation	33.33%	0%	

11.1 This represents cost of software acquisition and implementation for SAP, SAP SuccessFactors, QlikSense and 3D Laser Software.

12 STOCK IN TRADE	2020	2019
	(Rupees '000)	
Coal	904,293	893,149
Limestone	3,452	3,166
	<u>907,745</u>	<u>896,315</u>

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FFBL Power Company Limited
Notes to the financial statements
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13	TRADE DEBTS	Note	2020	2019
			(Rupees '000)	
	Trade debts	13.1	2,242,141	2,154,942
	Expected credit losses	13.2	(26,586)	-
			<u>2,215,555</u>	<u>2,154,942</u>

13.1 This includes Rs. 1,201.63 million (2019: Rs. 874.91 million) receivable from the Parent Company. Maximum aggregate amount outstanding at any time during the year was Rs. 4,235.83 million (2019: Rs. 1,172.87 million). Provisional revenue from customers amounting to Rs. 268.98 million is also included in the balance.

13.2	Movement in allowance for expected credit losses	Note	2020	2019
			(Rupees '000)	
	Opening balance		-	-
	Charge for the year		26,586	-
	Balance as at 31 December		<u>26,586</u>	<u>-</u>

14 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

Advances - considered good				
	Suppliers		236,092	68,485
	Customs clearing agent		61,031	91,448
	Employees	14.1	19,234	18,553
	Prepayments		78,453	80,815
	Letter of credit margin		14,885	-
	Security deposits		7,009	5,509
			<u>416,704</u>	<u>264,810</u>

14.1 This includes non-interest bearing loans to employees amounting Rs. 13.70 million (2019: Rs. 13.99 million).

15 SHORT TERM INVESTMENTS

15.1 These represent investments in term deposit receipts maturing in short term from the date of investment at interest rate of 7.20% (2019: 14.5%) per annum.

16	CASH AND BANK BALANCES	Note	2020	2019
			(Rupees '000)	
	Cash in hand - local currency		1,273	261
	Cash at bank			
	- Local currency current accounts		20	11,306
	- Local currency deposit accounts	16.1	2,403,471	2,112,244
			<u>2,404,764</u>	<u>2,123,811</u>

16.1 The balances in deposit accounts carry interest rates ranging from 2.5% to 7.15% (2019: 3.00% to 14.35% per annum).

16.2 All the bank balances as at December 31, 2020 are held under lien with banks as explained in note 5.2.

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FFBL Power Company Limited

Notes to the financial statements

For the year ended December 31, 2020

17	SALES	Note	2020	2019
			(Rupees '000)	
	Sale of electricity			
	Energy		5,345,691	5,349,981
	Capacity		8,369,095	9,609,550
			13,714,786	14,959,531
	Sale of steam			
	Energy		3,015,721	3,471,066
	Capacity		1,489,003	1,524,664
			4,504,724	4,995,730
	Sale of coal		653,830	91,122
	Pass Through Item Charged		196,826	200,561
	Less:			
	Sales tax		2,282,337	2,795,471
	Advance tax	17.2	144,179	351,810
			2,426,516	3,147,281
			16,643,650	17,099,664

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 December 20, 2015, further indexed provisionally as notified by NEPRA from time to time.

Further, the management of the Company has applied for further revision in tariff based on the actual cost at the Commercial Operation Date.

17.2 This represents advance income tax collected at the rate of 5% under section 235 of the Income Tax Ordinance 2001, on the gross amount of electricity sold to industrial consumer - the Parent Company, when advance income tax exemption was not available.

18	COST OF SALES	Note	2020	2019
			(Rupees '000)	
	Raw material consumed	18.1	7,690,909	7,620,342
	Ash dumping charges		24,704	29,013
	Depreciation and amortization		1,101,334	979,561
	Salaries, wages and other benefits		735,947	788,060
	Insurance		157,824	133,657
	Facilities and utilities	18.2	149,844	109,316
	Stores and spares consumed		262,775	269,981
	Travelling and lodging		17,999	36,518
	Repair maintenance and other related costs		122,340	161,357
	Others		14,322	14,339
			10,277,998	10,142,144

18.1 Raw material consumed include Rs. 496.64 million (2019: Rs. 449.96 million) charged by the Parent Company as per cost sharing agreement.

18.2 This includes Rs. 82.69 million (2019: Rs. 73.29 million) charged by the Parent Company under cost sharing agreement.

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FFBL Power Company Limited

Notes to the financial statements

For the year ended December 31, 2020

		2020	2019
		(Rupees '000)	
19	ADMINISTRATIVE AND GENERAL EXPENSES		
	Salaries, wages and benefits	196,730	204,774
	Depreciation	9,086	5,406
	Travelling and conveyance	8,619	11,741
	Legal and professional charges	59,381	61,057
	Printing and stationery	4,136	2,924
	Fee and subscription	29,396	27,247
	Utilities and communication	6,632	5,892
	Insurance	3,037	3,014
	Allowance for expected credit loss	26,586	-
	Auditors' remuneration	1,028	998
	Others	22,086	6,088
		<u>366,717</u>	<u>329,141</u>
19.1	Auditors' remuneration		
	Statutory audit fee	450	350
	Group reporting fee	150	150
	Certifications fees	275	378
	Out of pocket expenses	153	120
		<u>1,028</u>	<u>998</u>
19.2	Other costs include a donation to Fauji Foundation amounting to Rs. 16.60 million (2019: Nil).		
20	OTHER OPERATING EXPENSES	2020	2019
		(Rupees '000)	
	Workers' profit participation fund	201,769	204,422
	Workers' welfare fund	5,876	10,380
		<u>207,645</u>	<u>214,802</u>
21	FINANCE COST		
	Mark-up on long term finance facilities	1,950,075	2,558,293
	Mark-up on short term borrowings	4,847	5,429
	Amortization of transaction cost	42,467	46,730
	Bank charges	1,258	1,963
		<u>1,998,647</u>	<u>2,612,415</u>
22	OTHER INCOME		
	Income from financial assets:		
	Interest on bank deposits and short term investments	96,594	191,007
	Exchange gain	63,580	24,526
	Income from non-financial assets:		
	Sale of scrap	18,996	33,261
	Gain on disposal of fixed assets	2,159	370
	Others	17,017	9,331
		<u>198,346</u>	<u>258,495</u>

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FFBL Power Company Limited

Notes to the financial statements

For the year ended December 31, 2020

23 TAXATION

	2020	2019
	(Rupees '000)	
Current tax charge		
for the year	100,796	86,562
prior year	10,004	15,265
	110,800	101,827
Deferred tax expense		
for the year	72,470	93,555
prior year	-	(20,674)
	72,470	72,881
	<u>183,270</u>	<u>174,708</u>

23.1 Reconciliation of tax charge for the year

Accounting profit for the year	3,990,989	4,059,657
Tax at applicable tax rate of 29% (2019: 29%)	1,157,387	1,177,300
Tax effect of exempt income	(1,024,134)	(1,015,699)
Tax effect of prior year	10,004	(5,409)
Tax effect of alternate corporate tax charged	7,699	(13,151)
Others	32,314	31,667
	<u>183,270</u>	<u>174,708</u>

24 CASH AND CASH EQUIVALENTS

Short term investments	1,500,592	409,852
Cash and bank balances	2,404,764	2,123,811
Short term borrowings	(1,503,262)	(1,145,445)
	<u>2,402,094</u>	<u>1,388,218</u>

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Notes to the financial statements
For the year ended December 31, 2020

25 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	2020 (Rupees '000)			2019 (Rupees '000)		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Meeting fee	-	1,520	-	-	1,470	-
Managerial remuneration	-	-	93,628	-	-	75,523
Allowances						
Housing and Utilities Allowance	-	-	93,628	-	-	75,523
Contribution to provident fund	-	-	9,230	-	-	7,415
Bonus	-	-	24,152	-	-	35,078
Others	-	-	46,973	-	-	36,769
	-	1,520	267,611	-	1,470	230,306
Number of persons	1	9	38	1	9	31

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.

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

26 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

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.

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Notes to the financial statements
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26.1 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:

	2020	2019
	(Rupees '000)	
Trade debts	2,215,555	2,154,942
Other receivables	7,009	5,509
Short term investments	1,500,592	409,852
Bank balances	2,403,491	2,123,550

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.

Expected credit loss was computed on trade debts using simplified approach, while expected credit loss on others was computed using general approach. Expected credit loss on the financial assets was material and is recorded accordingly in the financial statements.

	Short Term	Long Term	Agency	2020	2019
				(Rupees '000')	
Trade debts:					
<i>Counterparties with external credit rating</i>					
K-Electric Limited	AA	A1+	PACRA	985,347	1,249,877
<i>Counterparties without external credit rating</i>					
FFBL- parent company				1,196,308	874,912
Others				33,900	30,153
				1,230,208	905,065
				2,215,555	2,154,942
Other receivables:					
<i>Counterparties without external credit rating</i>					
Other receivables				7,009	5,509
				7,009	5,509

Short term investments and bank balances:

The Company's short term investments and bank balances are subject to the requirements of IFRS 9, the identified impairment loss was immaterial as the counter parties have reasonably high credit ratings.

	Short Term	Long Term	Agency	2020	2019
				(Rupees '000')	
Short term investments					
<i>Counterparties with external credit rating</i>					
Silk Bank Limited	A2	A-	JCR-VIS	-	409,852
Meezan Bank Limited	A1+	AA+	JCR-VIS	1,500,592	-
				1,500,592	409,852

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	Short Term	Long Term	Agency	2020	2019
				(Rupees '000')	
Banks balances:					
<i>Counterparties with external credit rating</i>					
National Bank of Pakistan	A1+	AAA	PACRA	229,704	1,178,706
Habib Bank Limited	A1+	AAA	JCR-VIS	6,695	34,356
Meezan Bank Limited	A1+	AA	JCR-VIS	774	50
United Bank Limited	A1+	AAA	JCR-VIS	25,965	15,012
Silk Bank Limited	A-2	A-	JCR-VIS	2,132,027	889,776
Faysal Bank	A1+	AA	JCR-VIS	99	650
Bank Alfalah Limited	A1+	AA+	JCR-VIS	4,571	4,713
Allied Bank Limited	A1+	AAA	PACRA	1,036	69
MCB	A1+	AAA	PACRA	226	146
Dubai Islamic Bank	A1+	AA	JCR-VIS	241	71
Bank of Punjab	A1+	AA	JCR-VIS	2,153	-
				<u>2,403,491</u>	<u>2,123,550</u>

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.

26.2 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 December 31, 2020

	Carrying Amount	Less than one year	One to five years	More than five years
	(Rupees '000)			
Trade and other payables	2,010,786	2,010,786	-	-
Short term borrowings	1,503,262	1,503,262	-	-
Long term finance facilities	15,802,921	2,122,778	12,899,441	779,966
	<u>19,316,969</u>	<u>5,636,826</u>	<u>12,899,441</u>	<u>779,966</u>

Contractual maturities of financial liabilities as at December 31, 2019

	Carrying Amount	Less than one year	One to five years	More than five years
	(Rupees '000)			
Trade and other payables	1,221,510	1,221,510	-	-
Short term borrowings	1,145,445	1,145,445	-	-
Long term finance facilities	17,438,064	1,859,821	11,826,394	3,751,847
	<u>19,805,019</u>	<u>4,226,776</u>	<u>11,826,394</u>	<u>3,751,847</u>

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26.3 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. 2,866.86 million (2019: 630.709 million) which are subject to currency risk.

The following significant exchange rate applied during the year:

	Average rates		Reporting date rate	
	2020	2019	2020	2019
	In Rupees		In Rupees	
US Dollars	161.68	150.26	160.80	154.92
Euro	185.64	168.14	197.67	174.04

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at December 31, 2020 would have decreased the profit by Rs. 260.62 million (2019: Rs. 63.07 million). A 10% weakening of the functional currency against foreign currencies at December 31, 2020 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	
	2020	2019
	(Rupees '000)	
Variable rate instruments		
Financial assets		
Short term investments	1,500,592	409,852
Bank balances	2,403,471	2,112,244
	<u>3,904,063</u>	<u>2,522,096</u>
Financial liabilities		
Short term borrowings	1,503,262	1,145,445
Long term finance facilities	15,802,204	17,437,921
	<u>17,305,466</u>	<u>18,583,366</u>

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FFBL Power Company Limited

Notes to the financial statements

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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) profit by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Impact on profit for the year	
	100 basis points increase	100 basis points decrease
	(Rupees '000)	
Cash flow sensitivity		
Variable rate instruments - 2020	(206,481)	206,481
Variable rate instruments - 2019	(237,316)	237,316

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26.4 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				
	Financial assets at amortized cost	Fair value through profit or loss	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
	(Rupees '000)			(Rupees '000)				
December 31, 2020								
Financial assets not measured at fair value								
Other receivables	7,009	-	-	7,009	-	-	-	-
Trade debts	2,215,555	-	-	2,215,555	-	-	-	-
Short term investment	1,500,592	-	-	1,500,592	-	-	-	-
Bank balances	2,404,764	-	-	2,404,764	-	-	-	-
Total	6,127,920	-	-	6,127,920	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	2,010,786	2,010,786	-	-	-	-
Short term borrowings including mark-up	-	-	2,122,778	2,122,778	-	-	-	-
Long term loan including mark-up	-	-	15,802,921	15,802,921	-	-	-	-
Total	-	-	19,936,485	19,936,485	-	-	-	-

	Carrying value			Fair value				
	Financial assets at amortized cost	Fair value through profit or loss	Financial liabilities at amortized cost	Total	Level 1	Level 2	Level 3	Total
	(Rupees '000)			(Rupees '000)				
December 31, 2019								
Financial assets not measured at fair value								
Trade debts	5,509	-	-	5,509	-	-	-	-
Other receivables	2,154,942	-	-	2,154,942	-	-	-	-
Short term investment	409,852	-	-	409,852	-	-	-	-
Bank balances	2,123,811	-	-	2,123,811	-	-	-	-
Total	4,694,114	-	-	4,694,114	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	1,170,094	1,170,094	-	-	-	-
Short term borrowings including mark-up	-	-	1,145,445	1,145,445	-	-	-	-
Long term loan including mark-up	-	-	17,437,921	17,437,921	-	-	-	-
Total	-	-	19,753,460	19,753,460	-	-	-	-

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

- 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)

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Notes to the financial statements

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

	<i>Liabilities</i>	<i>Equity</i>		<i>Total</i>
	<i>Long term finance facilities</i>	<i>Share capital</i>	<i>Accumulated profit</i>	
		(Rupees '000)		
Balance at January 1, 2020	17,437,921	8,587,500	4,921,914	30,947,335
Changes from financing cash flows				
Addition of long term loan	223,944	-	-	223,944
Repayment of long term loan	(1,859,661)	-	-	(1,859,661)
Dividend paid	-	-	(2,662,125)	(2,662,125)
Total Changes from financing cash flows	(1,635,717)	-	(2,662,125)	(4,297,842)
Equity related				
Total comprehensive income for the year	-	-	3,804,477	3,804,477
Total equity related other changes	-	-	3,804,477	3,804,477
Balance at December 31, 2020	15,802,204	8,587,500	6,064,266	30,453,970
	<i>Liabilities</i>	<i>Equity</i>		<i>Total</i>
	<i>Long term finance facilities</i>	<i>Share capital</i>	<i>Accumulated profit</i>	
		(Rupees '000)		
Balance at January 1, 2019	19,157,829	8,587,500	3,177,418	30,922,747
Changes from financing cash flows				
Repayment of long term loan	(1,719,908)	-	-	(1,719,908)
Dividend paid	-	-	(2,146,875)	(2,146,875)
Total Changes from financing cash flows	(1,719,908)	-	(2,146,875)	(3,866,783)
Equity related				
Total comprehensive income for the year	-	-	3,891,371	3,891,371
Total equity related other changes	-	-	3,891,371	3,891,371
Balance at December 31, 2019	17,437,921	8,587,500	4,921,914	30,947,335

28 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 contributes to the Fund. All the investments out of provident fund trust have been made in accordance with the provisions of Section 218 of the Companies Act, 2017 (previously the Companies Ordinance, 1984) and the rules formulated for this purpose.

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FFBL Power Company Limited

Notes to the financial statements

For the year ended December 31, 2020

29 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:

	Note	2020	2019
(Rupees '000)			
Parent Company - FFBL			
Raw materials and services from parent		693,230	545,936
Sale of electricity power and steam		9,532,768	10,283,701
Cost charged to Parent Company in respect of condensate return		8,460	10,489
Cost charged to Parent Company in respect of electricity duty		1,098	3,672
Cost charged to Parent Company in respect of workers participation provident fund and workers welfare fund		137,626	128,212
Purchase of vehicles		-	8,347
Dividend paid		1,996,594	1,610,156
Ultimate Parent - Fauji Foundation			
Dividend paid		665,531	536,719
Donation	19	16,600	-
Services received		238	238
Related Company - Fauji Meat Limited			
Purchase of vehicle		5,500	-
Related Company - Fauji Foods Limited			
Sale of coal		16,606	-
Other Related Parties			
Sale of coal to Fauji Cement Company Limited		-	77,882
FPCL Employees' Provident Fund		33,865	34,027
FPCL Employees' Gratuity Fund		9,944	13,015

30 CAPACITY AND PRODUCTION

	MEGAWATT	
Electricity		
Installed capacity based on 8,760 hours (2019: 8,760 hours)	<u>543,558</u>	<u>543,558</u>
Actual energy delivered	<u>590,189</u>	<u>577,557</u>
	METRIC TON	
Steam		
Installed capacity based on 8,760 hours (2019: 8,760 hours)	<u>1,489,200</u>	<u>1,489,200</u>
Actual steam delivered	<u>1,475,256</u>	<u>1,532,131</u>

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

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FFBL Power Company Limited
 Notes to the financial statements
 For the year ended December 31, 2020

31 IMPACT OF COVID-19

On January 30, 2020, the World Health Organization (WHO) declared the outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, the WHO declared the COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Many countries, including Pakistan, have taken stringent steps to help contain further spread of the virus. While these events and conditions have resulted in general economic uncertainty, management has evaluated the impact of COVID-19 and concluded that there are no material implications of COVID-19 on the operations of the Company that require specific disclosure in the financial statements. Neither were the Company operations significantly effected due to COVID-19 during the year, nor are they expected to be adversely affected in the near future. Further, there has been no significant impact of COVID-19 on the financial position and profitability of the Company.

32 GENERAL

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

32.2 NUMBER OF EMPLOYEES

	2020	2019
	Number of employees	
Total at end of the year	306	326
Average for the year	316	315

32.3 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors of the Company in their meeting held on 26 - JAN, 2021

 CHAIRMAN
 CHIEF EXECUTIVE
 DIRECTOR
 CHIEF FINANCIAL OFFICER