



KPMG Taseer Hadi & Co.
Chartered Accountants

FFBL Power Company Limited

Financial Statements

For the year ended
31 December 2019

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 2019, 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 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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



Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

[Signature]

Islamabad

FFBL Power Company Limited

Statement of financial position

As at 31 December 2019

	Note	2019 (Rupees '000)	2018
Equity			
Share capital	4	8,587,500	8,587,500
Accumulated profits		4,921,914	3,177,418
Total equity		13,509,414	11,764,918
Liabilities			
Long term finance facilities	5	15,399,498	17,212,444
Deferred employee benefits		96,478	69,579
Deferred taxation	6	176,831	103,950
Non current liabilities		15,672,807	17,385,973
Current portion of long term finance facilities	5	1,859,821	1,719,909
Short term borrowings	7	1,145,445	2,087,258
Trade and other payables	8	1,221,510	1,305,242
Current liabilities		4,226,776	5,112,409
Total equity and liabilities		33,408,997	34,263,300
Assets			
Property, plant and equipment	10	26,691,066	27,042,383
Intangible assets	11	37,504	25,828
Non current assets		26,728,570	27,068,211
Stores and spares	12	451,982	300,045
Stock in trade	13	896,315	1,405,998
Trade debts	14	2,154,942	1,196,296
Advances, prepayments and other receivables	14	264,810	599,407
Income tax refundable		378,715	418,692
Sales tax refundable		-	134,062
Short term investments	15	409,852	312,863
Cash and bank balances	16	2,123,811	2,827,726
Current assets		6,680,427	7,195,089
Total assets		33,408,997	34,263,300

Contingencies and commitments

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The annexed notes 1 to 31 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER


FFBL Power Company Limited
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2019


	Note	2019 (Rupees '000)	2018
Sales	17	17,099,664	16,245,240
Cost of sales	18	(10,142,144)	(10,700,750)
Gross profit		<u>6,957,520</u>	<u>5,544,490</u>
Administrative and general expenses	19	(329,141)	(197,729)
Other operating expenses	20	(214,802)	(161,132)
Operating Profit		<u>6,413,577</u>	<u>5,185,629</u>
Finance cost	21	(2,612,415)	(2,137,234)
Other income	22	258,495	250,884
Profit before taxation		<u>4,059,657</u>	<u>3,299,279</u>
Taxation	23	(174,708)	(246,583)
Profit for the year		<u><u>3,884,949</u></u>	<u><u>3,052,696</u></u>
Other comprehensive income			
Items that will not be classified to profit or loss			
Remeasurement gain on defined benefit obligation		6,422	1,862
Total comprehensive income for the year		<u><u>3,891,371</u></u>	<u><u>3,054,558</u></u>

The annexed notes 1 to 31 form an integral part of these financial statements.


 CHAIRMAN


 CHIEF EXECUTIVE


 DIRECTOR


 CHIEF FINANCIAL OFFICER

FFBL Power Company Limited

Statement of changes in equity

For the year ended 31 December 2019

	Issued, subscribed and paid up capital	Accumulated profits (Rupees '000)	Total
Balance at 1 January 2018	8,587,500	1,625,673	10,213,173
Total comprehensive income for the year			
Profit for the year	-	3,052,696	3,052,696
Other comprehensive income for the year	-	1,862	1,862
Total comprehensive income for the year	-	3,054,558	3,054,558
Transactions with owners of the Company			
Distribution			
Interim dividend for the quarter ended 30 September 2018	-	(1,502,813)	(1,502,813)
Total transactions with owners of the Company	-	(1,502,813)	(1,502,813)
Balance at 31 December 2018	8,587,500	3,177,418	11,764,918
Balance at 1 January 2019	8,587,500	3,177,418	11,764,918
Total comprehensive income for the year			
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
Transactions with owners of the Company			
Distribution			
Interim dividend for the half year ended 30 June 2019	-	(2,146,875)	(2,146,875)
Total transactions with owners of the Company	-	(2,146,875)	(2,146,875)
Balance at 31 December 2019	8,587,500	4,921,914	13,509,414

The annexed notes 1 to 31 form an integral part of these financial statements.


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DIRECTOR


CHIEF FINANCIAL OFFICER

FFBL Power Company Limited

Statement of cash flows

For the year ended 31 December 2019

	Note	2019 (Rupees '000)	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		4,059,657	3,299,279
Adjustments for:			
Depreciation		984,967	974,920
Provision for staff retirement benefits		52,343	87,545
Exchange loss/ (gain)		(24,526)	281,510
Loss/ (gain) on sale of fixed assets		(370)	3,290
Finance cost		2,612,415	1,838,254
Provision for Workers' profit participation fund and Workers' welfare fund		214,802	161,132
		<u>3,839,631</u>	<u>3,346,651</u>
		7,899,288	6,645,930
Changes in working capital:			
(Increase) / decrease in stock in trade		509,683	(626,026)
Increase in stores and spares		(151,937)	(251,565)
(Increase) / decrease in trade debts		(855,468)	185,762
(Increase) / decrease in advances, prepayments and other receivables		365,481	(170,600)
(Decrease) / increase in trade and other payables		22,921	(1,361,469)
		<u>(109,320)</u>	<u>(2,223,898)</u>
Cash generated from operations		7,789,968	4,422,032
Gratuity paid		(13,422)	(24,852)
Leave encashment paid		(8,671)	(982)
Workers' profit participation fund paid		(318,385)	(126,873)
Finance cost paid		(2,541,013)	(2,048,820)
Income tax paid		(61,850)	(129,619)
Net cash generated from operating activities		4,846,627	2,090,886
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions in capital work in progress		(576,030)	(385,592)
Additions to operating fixed assets - net		(87,671)	263,408
Proceeds from sale of fixed assets		18,745	1,323
Net cash used in investing activities		(644,956)	(120,861)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term finance facilities - paid		(1,719,909)	(1,590,645)
Dividend paid		(2,146,875)	(1,502,813)
Net cash used in financing activities		(3,866,784)	(3,093,458)
Net increase/ (decrease) in cash and cash equivalents during the year		334,887	(1,123,434)
Cash and cash equivalents at beginning of the year		1,053,331	2,176,765
Cash and cash equivalents at end of the year	24	<u>1,388,218</u>	<u>1,053,331</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

CHAIRMAN

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

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 (FFBL) and its ultimate parent is Fauji Foundation (FF). The Company has been established to build, own and operate a 118 Megawatt coal based power generation facility at Port Qasim Karachi. The Company sells electricity produced to its parent company, Fauji Fertilizer Bin Qasim Limited (FFBL) (48 Megawatt) and K-Electric Limited (K-Electric) (52 Megawatt) under a Power Purchase Agreement (PPA) for a period of 30 years. The Company also sells steam produced from the facility to 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 Securities and Exchange Commission of Pakistan (SECP) through its S.R.O 888(I)/2019 dated 29 July 2019 notified certain amendments in disclosure requirements of fourth schedule to the Companies Act, 2017. The S.R.O has been notified to be applicable on companies preparing financial statements as on 30 June 2019 and onwards by SECP through S.R.O 961(I)/2019 dated 23 August 2019. Accordingly, the financial statements have been prepared to reflect the amendments of the said S.R.O. The amendment resulted in deletion of certain disclosures related to taxation and significant events and transactions during the year as disclosed in financial statements for the the year ended 31 December 2018.

2.3 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(I)/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 31 December 2019

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:

	2019	2018
	Rupees '000	
Increase in unappropriated profit at the beginning of the year	1,109,029	780,256
Increase in profit for the year	386,875	328,773
Increase in unappropriated profit at the end of the year	<u>1,495,903</u>	<u>1,109,029</u>

2.4 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.

2.5 Functional and presentation currency

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

2.6 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.

FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

2.6.1 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.

2.6.2 Taxation

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

2.6.3 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.

2.6.4 Provision against advances

The Company reviews the recoverability of its advances to assess amount of provision required there against on annual basis.

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

The following International Financial Reporting Standards (IFRS) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 January 2020:

- Amendments to References to Conceptual Framework in IFRS. 

FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS.

3 Summary of significant accounting policies

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

- IFRS 15 'Revenue from Contracts with Customers'

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' with a date of initial application of 01 January 2019. It replaced IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 customer loyalty programs, IFRIC 15 agreements for the construction of real estate, IFRIC 18 transfers of assets from customers and SIC 31 Revenue-barter transaction involving advertising services.

IFRS 15 introduces a single five-step model for revenue recognition with a comprehensive framework based on core principle that an entity should recognise revenue representing the transfer of promised goods or services under separate performance obligations under the contract to customer at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those promised goods or services. The standard also requires revenue from customers to be disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The change in accounting policy as a result of application of IFRS 15 has been applied with a date of initial application of 01 January 2019. The adoption of the IFRS 15 has not resulted in any material change in revenue recognition.

- IFRS 9 'Financial Instruments'

The Company has adopted IFRS 9 'Financial Instruments' with a date of initial application of 01 January 2019. IFRS 9 replaced IAS 39 'Financial Instruments – Recognition and Measurement' and includes requirements on the classification and measurement of financial assets and liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting; it also includes an expected credit losses impairment model that replaces the current incurred loss impairment model. The Company has changed its accounting policy for classification and measurement of its financial instruments and as a result financial assets previously classified as 'loans and receivables' are now classified as 'amortized cost' while financial liabilities previously classified as 'other financial liabilities' are now classified as 'amortized cost'.

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FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

The effect on adopting IFRS 9 on the classification of financial assets and liabilities is as follows:

	Original classification under IAS 39	New classification under IFRS 9
Financial assets		
Security deposit	Loans and receivable	Amortized cost
Trade debts	Loans and receivable	Amortized cost
Other receivables	Loans and receivable	Amortized cost
Short term investment	Loans and receivable	Amortized cost
Bank balances	Loans and receivable	Amortized cost
Financial Liabilities		
Trade and other payables	Amortized cost	Amortized cost
Short term borrowings including mark-up	Amortized cost	Amortized cost
Long term loan including mark-up	Amortized cost	Amortized cost

Further IFRS 9 introduces the ECL model, which replaces the incurred loss model of IAS 39 whereby an allowance for doubtful debt was required only in circumstances where a loss event has occurred. By contrast, the ECL model requires the Company to recognize an allowance for doubtful debt on all financial assets carried at amortized cost, as well as debt instruments classified as financial assets carried at fair value through other comprehensive income, since initial recognition, irrespective whether a loss event has occurred. For trade debts, the Company applies IFRS 9 simplified approach to measure the expected credit losses (loss allowance) which uses a life time expected loss allowance while general 3-stage approach for all other financial assets i.e to measure ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. The adoption of ECL model has no material impact on the financial assets of the Company to which ECL model is applicable.

Accrued interest

Owing to the presentational changes been made upon transition to IFRS 9 'Financial Instruments' from IAS 39 'Financial Instruments: recognition and measurement', accrued interest has been represented as part of "short term investment" and "cash and bank balances".

Accrued markup

Owing to the presentational changes been made upon transition to IFRS 9 'Financial Instruments' from IAS 39 'Financial Instruments: recognition and measurement', accrued markup has been represented as part of "current portion of long term finance facilities" and "short term borrowings".

IFRS 16 Leases

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the lessee recognises right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The Company's arrangement with K - Electric and FFBL falls under the definition of a lease under IFRS 16, however, requirement of lessor accounting under IFRS 16 relating to this arrangement has been exempted by SECP as explained in note 2.3.

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FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

(i) Definition of Lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 'Determining Whether an Arrangement contains a Lease'. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease under IFRS 16. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

The Company's leased asset primarily comprises of land for power generation facility, located at Port Qasim, Karachi. The Company previously classified lease as finance lease based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for its lease contracts.

Upon transition to IFRS 16 in respect of existing finance lease of land, there was no impact as of 1 January 2019, except for nomenclature of leased assets to right-of-use assets. The Company presents right-of-use assets within 'property, plant and equipment'. The carrying amounts of right-of-use assets i.e land as at 31 December 2019 was Rs. 1,241.39 million.

- (II) The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

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.

FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

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

Deferred

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

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority

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.

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.

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FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

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 - Policy applied after 1 January 2019

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.

3.7.1 Financial assets

(I) Classification

On initial recognition, a financial asset is classified as 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.

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FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

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.

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.



FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

(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.

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.

3.8 Financial instruments – Policy applied before 1 January 2019

Financial assets

Recognition and measurement

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

FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

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

Classification

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

Held to maturity

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Available-for-sale financial assets

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

Financial liabilities

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

Trade and other payables

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



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Notes to the financial statements

For the year ended 31 December 2019

Trade debts and other receivables

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

The Company classified financial assets into loans and receivables.

Subsequent to initial recognition, loans and receivables were subsequently measured at amortized cost using the effective interest method.

All financial liabilities were initially recognized at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost and are classified into other financial liabilities category.

3.9 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.

3.10 Borrowings

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

3.11 Cash and cash equivalents

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

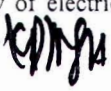
3.12 Provisions

Provisions are recognised when the Company has a present (legal or constructive) obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. However, provisions are reviewed at each reporting date and adjusted to reflect current best estimates.

3.13 Revenue recognition - Policy applied after 1 January 2019

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.



FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

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.

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.

3.14 Revenue recognition - Policy applied before 1 January 2019

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

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

3.15 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.

3.16 Foreign currency transactions and translation

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

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

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FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

3.17 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 31 December 2019. 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 and the Company respectively at the rate of 10% of basic salary.


4 SHARE CAPITAL

AUTHORISED SHARE CAPITAL

	2019	2018
	(Rupees '000)	
900,000,000 (2018: 900,000,000) ordinary shares of Rs 10 each	9,000,000	9,000,000

ISSUED, SUBSCRIBED AND PAID UP CAPITAL

858,750,000 (2018: 858,750,000) ordinary shares of Rs 10 each issued for consideration in cash	8,587,500	8,587,500
Number of shares at end of the year	858,750,000	858,750,000

- 4.1 Fauji Fertilizer Bin Qasim Limited (FFBL) has a controlling interest in the Company by holding 644,062,491 (75%) (2018: 644,062,491 75%) ordinary shares as at 31 December 2019.
- 4.2 Fauji Foundation (FF) holds 214,687,500 (25%) (2018: 214,687,500 - 25%) ordinary shares of the Company
- 4.3 9 shares (2018: 9 Shares) are held by nominee directors. 

FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

5 LONG TERM FINANCE FACILITIES

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

	2019	2018
	(Rupees '000)	
Commercial facility		
National Bank of Pakistan	3,160,561	3,472,288
United Bank Limited	877,380	963,916
Bank Alfalah Limited	1,994,044	2,190,718
Soneri Bank Limited	797,618	876,287
Bank of Punjab	797,618	876,287
MCB Bank Limited	1,196,427	1,314,431
	8,823,648	9,693,927
Islamic facility		
National Bank of Pakistan	797,618	876,287
Habib Bank Limited	2,791,662	3,067,005
United Bank Limited	877,380	963,916
Dubai Islamic Bank Limited	1,196,427	1,314,431
Meezan Bank Limited	1,196,427	1,314,431
Faysal Bank Limited	957,141	1,051,545
Sindh Bank Limited	797,618	876,287
	8,614,273	9,463,902
Total outstanding	17,437,921	19,157,829
Accrued markup	143	-
	17,438,064	19,157,829
Less:		
Current portion of long term finance facilities	(1,859,821)	(1,719,909)
Unamortised transaction cost of long term finance facilities - note 5.4	(178,745)	(225,476)
	15,399,498	17,212,444

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 immoveable 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;
- 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);

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Notes to the financial statements

For the year ended 31 December 2019

- (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 Unamortised transaction cost

	2019	2018
	(Rupees '000)	
Balance at 1 January	225,475	305,614
Amortisation during the year	(46,730)	(80,139)
Balance at 31 December	178,745	225,475

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FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

	2019	2018
	(Rupees '000)	
6 DEFERRED TAXATION		
The balance of deferred tax is in respect of following temporary differences:		
Accelerated tax depreciation	460,964	357,433
Tax losses	(284,133)	(253,483)
	<u>176,831</u>	<u>103,950</u>

7 SHORT TERM BORROWING

This represents working capital borrowing obtained from National Bank of Pakistan as approved facility of Rs 2,800 million (2018: Rs 2,800 million) out of which Rs 1,145 million was availed during the year. Unavailed balance of the facility at year end is Rs 1,655 million (2018: Rs 730 million). The facility carries mark-up at 3 months KIBOR + 0.35 % per annum.

The facility 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.

		2019	2018
		(Rupees '000)	
8 TRADE AND OTHER PAYABLES	Note		
Creditors	8.1	752,648	995,238
Accrued expenses		355,849	67,505
Retention money payable		22,193	49,801
Payable to employees' provident fund		3,349	-
Payable to employees' gratuity fund	8.2	9,944	13,013
Payable to Workers profit participation fund		19,422	128,631
Payable to Workers welfare fund		5,626	-
Sales tax payable		1,063	-
Tax withheld at source		46,448	41,401
Other payables		4,968	9,652
		<u>1,221,510</u>	<u>1,305,242</u>

- 8.1 This includes Rs 106.479 million (2018: Rs 87.30 million) payable to Fauji Fertilizer Bin Qasim Limited, Parent company.

FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

8.2 Payable to employees' gratuity fund

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

Note	2019	2018
	(Rupees '000)	
Present value of defined benefit obligation	45,586	36,199
Fair value of plan assets	(35,642)	(23,186)
Net liability	9,944	13,013

Changes in present value of defined benefit obligations

As at 1 January	36,199	22,745
Current service cost	15,554	13,825
Interest cost	4,302	2,100
Remeasurement gain on present value of defined benefit obligation	(6,903)	(2,396)
Benefits paid	(3,566)	(75)
As at 31 December	45,586	36,199

Changes in fair value of plan assets

As at 1 January	23,186	-
Contributions	13,014	22,745
Interest income on plan assets	3,489	1,050
Benefits paid	(3,566)	(75)
Return on plan assets, excluding interest income	(481)	(534)
As at 31 December	35,642	23,186

Expenses recognized in profit and loss account:

Current service cost	15,553	13,825
Interest cost	4,302	2,100
Interest income on plan assets	(3,489)	(1,049)
	16,366	14,876

Gains recognized in statement of comprehensive income:

Remeasurement gain on present value of defined benefit obligation	(6,903)	(2,396)
Return on plan assets, excluding interest income	481	534
	(6,422)	(1,862)

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FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

	2019	2018
	(Rupees '000)	
Principal actuarial assumptions used in the - actuarial valuation are as follows:		
Discount rate used for year end obligation	12.25%	12.50%
Salary increase	12.25%	12.50%
Mortality rates	SLIC 2001-2005 Setback 1 year	SLIC 2001-2005 Setback 1 year

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
Discount rate	(6,051)	6,337
Salary increase rate	6,351	(6,166)

The average duration of the defined benefit obligation as at 31 December 2019 is 14 years (2018: 12 years).

9 CONTINGENCIES AND COMMITMENTS

Commitments

- (i) Commitments in respect of capital expenditure amounting to Rs. 600.21 million (2018: Rs. 321.23 million)
- (ii) The outstanding Letter of Credit's (LC's) at 31 December 2019 is Rs 1,097.45 million (2018: Rs 752.23 million) out of total facility of Rs 5,000 million (2018: Rs 2,980 million). The aggregate facilities for opening of LC's are secured by lien on valid import documents.

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FFBL POWER COMPANY LIMITED

Notes to the financial statements
For the year ended 31 December 2019

10 PROPERTY, PLANT AND EQUIPMENT

	2019	2018
	(Rupees '000)	
Operating fixed assets	26,062,644	26,659,108
Capital work in progress	628,422	383,275
	<u>26,691,066</u>	<u>27,042,383</u>

PROPERTY, PLANT AND EQUIPMENT								
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	Capital work in progress
Rupees '000								

COST

Balance at 1 January 2018	158,584	1,417,247	4,742,458	21,854,117	276,674	17,844	47,774	56,859	23,511	28,595,068
Additions during the year	100	-	177,692	157,286	29,562	5,039	30,306	19,218	359,764	778,967
Disposals	-	-	-	-	-	-	(5,659)	-	-	(5,659)
Adjustments	-	-	-	(682,611)	-	-	-	-	-	(682,611)
Balance at 31 December 2018	158,684	1,417,247	4,920,150	21,328,792	306,236	22,883	72,421	76,077	383,275	28,685,765

Balance at 1 January 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	682,822
Disposals	-	-	-	(4,121)	-	-	(22,507)	-	-	(26,628)
Transfers	32,492	-	73,412	224,979	-	-	-	-	(330,883)	-
Adjustments	-	(13,001)	(2,713)	(15,000)	-	-	-	-	-	(30,714)
Balance at 31 December 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

ACCUMULATED DEPRECIATION

Balance at 1 January 2018	-	57,732	105,388	485,638	4,618	2,102	4,926	24,274	-	684,678
Charge For the period	-	53,314	162,877	709,357	15,065	2,110	12,509	19,688	-	974,920
Disposals	-	-	-	(15,169)	-	-	(1,047)	-	-	(16,216)
Adjustments	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2018	-	111,046	268,265	1,179,826	19,683	4,212	16,388	43,962	-	1,643,382

Balance at 1 January 2019	-	111,046	268,265	1,179,826	19,683	4,212	16,388	43,962	-	1,643,382
Charge For the year	-	52,988	164,423	711,937	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 31 December 2019	-	162,852	432,680	1,890,549	35,023	7,144	25,847	66,084	-	2,620,179
Carrying value- 31 December 2018	158,684	1,306,201	4,651,885	20,148,966	286,553	18,671	56,033	32,115	383,275	27,042,383
Carrying value- 31 December 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

Rate of Depreciation

3.76%	3%	3%	5%	10%	20%	33%	-
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FFBL Power Company Limited
Notes to the financial statements
For the year ended 31 December 2019

11 INTANGIBLE ASSETS

	Intangible Assets		Total
	Software	Development cost	
	Rupees '000		
<u>COST</u>			
Balance at 1 January 2018	-	25,828	25,828
Additions during the year	-	-	-
Disposals	-	-	-
Adjustments	-	-	-
Balance at 31 December 2018	-	25,828	25,828
Balance at 1 January 2019	-	25,828	25,828
Additions during the year	1,232	10,511	11,743
Disposals	-	-	-
Transfers	-	-	-
Adjustments	-	-	-
Balance at 31 December 2019	1,232	36,339	37,571
<u>Amortization</u>			
Balance at 1 January 2018	-	-	-
Charge For the period	-	-	-
Disposals	-	-	-
Adjustments	-	-	-
Balance at 31 December 2018	-	-	-
Balance at 1 January 2019	-	-	-
Charge For the year	67	-	67
Disposals	-	-	-
Adjustments	-	-	-
Balance at 31 December 2019	67	-	67
Carrying value- 31 December 2018	-	25,828	25,828
Carrying value- 31 December 2019	1,165	36,339	37,504
Amortization rate	33.33%		

- 11.1 This represents the cost of SAP and QlikSense Softwares implementation in the Company. During the year Rs. 1.232 million was capitalized in respect of 3D Laser software.

12 STOCK IN TRADE	Note	2019	2018
		(Rupees '000)	
Coal		893,149	1,401,354
Limestone		3,166	4,644
		896,315	1,405,998

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FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

13 TRADE DEBTS - Considered good - unsecured

- 13.1 This includes Rs. 874.91 million (2018: Rs. 883.927 million) receivable from FFBL, parent company. Maximum aggregate amount outstanding at any time during the year was Rs. 1,172.874 million (2018: Rs.1,383.916 million). Unbilled revenue from customers amounting to Rs. 105.012 million is also included in the balance.

14	ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	Note	2019	2018
			(Rupees '000)	
	Advances - Considered good			
	Suppliers		68,485	159,459
	Customs clearing agent		91,448	288,113
	Employees	14.1	18,553	14,580
	Prepayments		80,815	30,768
	Security deposits		5,509	3,309
	Other receivables		-	103,178
			<u>264,810</u>	<u>599,407</u>

- 14.1 This includes non-interest bearing loans to employees amounting Rs 13.99 million (2018: Rs 7.72 million).

15	SHORT TERM INVESTMENTS	Note	2019	2018
			(Rupees '000)	
	Term deposit receipts	15.1	409,852	-
	Special musharika certificates		-	312,863
			<u>409,852</u>	<u>312,863</u>

- 15.1 These represent investments in term deposit receipts maturing in short term from the date of investment at interest rate of 14.50% per annum.

16	CASH AND BANK BALANCES	Note	2019	2018
			(Rupees '000)	
	Cash in hand - local currency		261	234
	Cash at bank			
	- Local currency current accounts		11,306	15,264
	- Local currency deposit accounts	16.1	2,112,244	2,812,228
			<u>2,123,811</u>	<u>2,827,726</u>

- 16.1 The balances in deposit accounts carry interest rates ranging from 3.00% to 14.35% (2018: 2.85% to 10.50% per annum).

- 16.2 All the bank balances as at 31 December 2019 are held under lien with banks as explained in note 5.2.

FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

		2019	2018
	Note	(Rupees '000)	
17 SALES			
Sale of electricity			
Energy		5,349,981	5,059,491
Capacity		9,609,550	7,844,385
		14,959,531	12,903,876
Sale of steam			
Energy		3,471,066	3,466,312
Capacity		1,524,664	1,182,589
		4,995,730	4,648,901
Sale of coal		91,122	1,527,313
Pass Through Item Charged		200,561	256,212
Less:			
Sales tax		2,795,471	2,784,625
Advance tax u/s 235	17.2	351,810	306,437
		3,147,281	3,091,062
		<u>17,099,664</u>	<u>16,245,240</u>

- 17.1** Sales to K-Electric have been recognised in the financial statements on the basis of the signed PPA and tariff approved by NEPRA vide its letter dated 20 December 2015, further indexed 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 @ 5% on the gross amount of electricity sales to industrial consumer - FFBL, parent company.

		2019	2018
	Note	(Rupees '000)	
18 COST OF SALES			
Raw material consumed	18.1	7,620,342	8,425,070
Ash dumping charges		29,013	22,204
Depreciation and amortization		979,561	953,643
Salaries, wages and other benefits		885,997	859,179
Insurance		133,657	76,789
Utilities		36,023	46,278
Stores and spares consumed		269,981	214,569
Travelling and lodging		36,518	35,958
Repair and maintenance		116,081	38,876
Others		34,971	28,184
		<u>10,142,144</u>	<u>10,700,750</u>

FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

- 18.1 Raw material consumed include Rs 449.96 million (2018: Rs 351.710 million) charged by FFBL, parent company.

		2019	2018
		(Rupees '000)	
19 ADMINISTRATIVE AND GENERAL EXPENSES	Note		
Salaries, wages and benefits		204,774	112,267
Depreciation		5,406	21,277
Travelling and conveyance		11,741	17,000
Legal and professional charges		61,057	19,033
Printing, stationery and subscriptions		2,924	4,166
Fee and subscription		27,247	8,250
Utilities and communication		5,892	5,277
Insurance		3,014	2,384
Auditors' remuneration	19.1	998	620
Others		6,088	7,455
		329,141	197,729
19.1 Auditors' remuneration			
Statutory audit fee		350	350
Group reporting fee		150	150
Certifications fees		378	-
Out of pocket expenses		120	120
		998	620
20 OTHER OPERATING EXPENSES			
Workers' profit participation fund		204,422	161,132
Workers' welfare fund		10,380	-
		214,802	161,132
21 FINANCE COST			
Mark-up on long term finance facilities		2,558,293	1,756,173
Mark-up on short term borrowings		5,429	17,470
Amortization of transaction cost		46,730	80,139
Exchange loss		-	281,510
Bank charges		1,963	1,942
		2,612,415	2,137,234

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FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

	2019	2018
	(Rupees '000)	
22 OTHER INCOME		
Income from financial assets:		
Interest on bank deposits and short term investments	191,007	165,737
Exchange gain	24,526	-
Income from non-financial assets:		
Sale of scrap	33,261	88,437
Gain/ (loss) on disposal of fixed assets	370	(3,290)
Others	9,331	-
	<u>258,495</u>	<u>250,884</u>
23 TAXATION		
Current tax charge		
for the year	86,562	142,633
prior year	15,265	-
	<u>101,827</u>	<u>142,633</u>
Deferred tax expense		
for the year	93,555	103,950
prior year	(20,674)	-
	<u>72,881</u>	<u>103,950</u>
	<u>174,708</u>	<u>246,583</u>
23.1 Reconciliation of tax charge for the year		
Accounting profit for the year	<u>4,059,657</u>	<u>3,299,279</u>
Tax at applicable tax rate of 29% (2018 : 29%)	1,177,300	956,791
Tax effect of exempt income	(1,015,699)	(420,150)
Tax effect of prior year	(5,409)	-
Tax effect of alternate corporate tax charged	(13,151)	(45,335)
Others	31,667	(244,723)
	<u>174,708</u>	<u>246,583</u>
24 CASH AND CASH EQUIVALENTS		
Short term investments	409,852	312,863
Cash and bank balances	2,123,811	2,827,726
Short term borrowings	(1,145,445)	(2,087,258)
	<u>1,388,218</u>	<u>1,053,331</u>

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FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

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:

	2019			2018		
	(Rupees '000)			(Rupees '000)		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
Meeting fee	-	1,470	-	-	510	-
Managerial remuneration	-	-	75,523	-	-	65,970
Allowances						
Housing and Utilities Allowance	-	-	75,523	-	-	59,373
Contribution to provident fund	-	-	7,415	-	-	6,597
Bonus	-	-	35,078	-	-	35,706
Others	-	-	36,769	-	-	38,669
	-	1,470	230,306	-	510	206,315
Number of persons	1	9	31	1	9	27

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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FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

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:

	2019	2018
	(Rupees '000)	
Trade debts - unsecured, considered good	2,154,942	1,196,296
Other receivables	5,509	106,487
Short term investments	409,852	312,863
Bank balances	2,123,550	2,827,492

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. ECL on the financial assets was immaterial and is accordingly not recorded in the financial statements.

	Short Term	Long Term	Agency	2019	2018
					(Rupees '000')
Trade debts:					
<i>Counterparties with external credit rating</i>					
K-Electric Limited	AA	A1+	PACRA	1,249,877	308,606
<i>Counterparties without external credit rating</i>					
FFBL- parent company				874,912	883,927
Others				30,153	3,763
				905,065	887,690
				2,154,942	1,196,296

	2019	2018
	(Rupees '000')	
Other receivables:		
<i>Counterparties without external credit rating</i>		
Other receivables	5,509	121,067
	5,509	121,067

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 investments

Counterparties with external credit rating

	A-2	A-	JCR-VIS	409,852	-
Silk Bank Limited					
Meezan Bank Limited	A-1+	AA	JCR-VIS	-	312,863
				409,852	312,863

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FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

	Short Term	Long Term	Agency	2019 (Rupees '000')	2018
Banks balances:					
<i>Counterparties with external credit rating</i>					
National Bank of Pakistan	A1+	AAA	PACRA	1,178,706	1,666,365
Habib Bank Limited	A-1+	AAA	JCR-VIS	34,356	264,104
Meezan Bank Limited	A-1+	AA	JCR-VIS	50	181
JS Bank Limited	A1+	AA-	PACRA	0.02	2
United Bank Limited	A-1+	AAA	JCR-VIS	15,012	15,598
Silk Bank Limited	A-2	A-	JCR-VIS	889,776	878,190
Faysal Bank	A-1+	AA	JCR-VIS	650	92
Bank Alfalah Limited	A-1+	AA+	JCR-VIS	4,713	2,960
Allied Bank Limited	A1+	AAA	PACRA	69	-
MCB	A1+	AAA	PACRA	146	-
Dubai Islamic Bank	A1+	AA	JCR-VIS	71	-
				2,123,550	2,827,492

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 31 December 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
	19,805,019	4,226,776	11,826,394	3,751,847

Contractual maturities of financial liabilities as at 31 December 2018

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

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Notes to the financial statements

For the year ended 31 December 2019

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. 630.709 million (2018: Rs 665.579 million) which were subject to currency risk.

The following significant exchange rate applied during the year:

	Average rates		Reporting date rate	
	2019	2018	2019	2018
US Dollars	150.3	124.8	154.9	139.1
Euro	168.1	145.53	174.0	159.10

Sensitivity analysis

A 10% strengthening of the functional currency against foreign currencies at 31 December 2019 would have decreased the profit by Rs. 63.07 million (2018: Rs. 78.91 million). A 10% weakening of the functional currency against foreign currencies at 31 December 2019 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	
	2019	2018
	(Rupees '000)	
Variable rate instruments		
Financial assets		
Short term investments	409,852	312,863
Bank balances	2,123,811	2,812,228
	2,533,663	3,125,091
Financial liabilities		
Short term borrowings	1,145,445	2,087,258
Long term finance facilities	17,259,319	19,157,829
	18,404,764	21,245,087

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FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company.

Cash flow sensitivity analysis for variable rate instruments

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

Cash flow sensitivity

Variable rate instruments

2019

Variable rate instruments

2018

Profit for the year	
100 basis points increase	100 basis points decrease
Rupees ('000)	
(237,316)	237,316
(237,316)	(237,316)
(52,263)	52,263
(52,263)	52,263

FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

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)			
31 December 2019								
Financial assets not measured								
Other receivables	5,509	-	-	5,509	-	-	-	-
Trade debts	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	-	-	17,259,319	17,259,319	-	-	-	-
Total	-	-	19,574,858	19,574,858	-	-	-	-

<i>Carrying value</i>					<i>Fair value</i>			
	Loans and receivables	Fair value through profit or loss	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Rupees ('000)				Rupee ('000)			
31 December 2018								
Financial assets not measured at fair value								
Trade debts	1,196,296	-	-	1,196,296	-	-	-	-
Other receivables	121,067	-	-	121,067	-	-	-	-
Short term investment	312,863	-	-	312,863	-	-	-	-
Bank balances	2,827,726	-	-	2,827,726	-	-	-	-
Total	4,457,952	-	-	4,457,952	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	1,305,242	1,305,242	-	-	-	-
Short term borrowings including mark-up	-	-	2,087,258	2,087,258	-	-	-	-
Long term loan including mark-up	-	-	18,932,353	18,932,353	-	-	-	-
Total	-	-	22,324,853	22,324,853	-	-	-	-

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

For the year ended 31 December 2019

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

	<i>Liabilities</i>	<i>Equity</i>		
	Long term finance facilities	Share capital	Accumulated profit	Total
	Rs. (000)			
Balance at 01 January 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 31 December 2019	17,437,921	8,587,500	4,921,914	30,947,335
	<i>Liabilities</i>	<i>Equity</i>		
	Long term finance facilities	Share capital	Accumulated profit	Total
	Rs. (000)			
Balance at 01 January 2018	20,748,474	8,587,500	1,625,673	30,961,647
Changes from financing cash flows				
Repayment of long term loan	(1,590,645)	-	-	(1,590,645)
Dividend paid	-	-	(1,502,813)	(1,502,813)
Total Changes from financing cash flows	(1,590,645)	-	(1,502,813)	(3,093,458)
Equity related				
Total comprehensive income for the year	-	-	3,054,558	3,054,558
Total equity related other changes	-	-	3,054,558	3,054,558
Balance at 31 December 2018	19,157,829	8,587,500	3,177,418	30,922,747

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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Notes to the financial statements

For the year ended 31 December 2019

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:

	2019	2018
	(Rupees '000)	
Parent Company - FFBL		
Salaries, wages and other benefit costs charged	99,589	97,380
Raw materials purchased	382,891	351,710
Utilities and other costs charged	63,455	16,818
Sale of electricity power and steam	10,283,701	9,363,349
Sale of Construction material	-	26,672
Cost charged to Parent Company in respect of condensate return	10,489	49,797
Cost charged to Parent Company in respect of man power	-	15,396
Cost charged to Parent Company in respect of electricity duty	3,672	-
Cost charged to Parent Company in respect of WPPF & WWF	128,212	-
Purchase of vehicles	8,347	4,950
Dividend paid	1,610,156	1,127,109
Ultimate parent - Fauji Foundation		
Dividend paid	536,719	375,703
Other Related Parties		
Sale of coal to Fauji cement limited	77,882	-
FPCL Employees' Provident Fund	34,027	17,435
FPCL Employees' Gratuity Fund	13,015	22,745

KMGA

FFBL Power Company Limited

Notes to the financial statements

For the year ended 31 December 2019

30 CAPACITY AND PRODUCTION

Electricity

Installed capacity based on 8,760 hours (2018: 8,760 hours)

Actual energy delivered

2019

2018

MEGAWATT

543,558

543,558

577,557

560,438

METRIC TON

Steam

Installed capacity based on 8,760 hours (2018: 8,760 hours)

Actual steam delivered

1,489,200

1,489,200

1,532,131

1,453,282

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

31 GENERAL

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

31.2 NUMBER OF EMPLOYEES

Total number of employees at end of the year

Average number of employees for the year

2019

2018

326

319

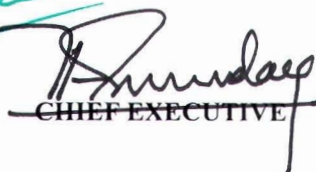
315

274

31.3 DATE OF AUTHORIZATION

These financial statements were authorized for issue on _____ by the Board of Directors of the Company.


CHAIRMAN


CHIEF EXECUTIVE


DIRECTOR


CHIEF FINANCIAL OFFICER

