2015

FFC ENERGY LIMITED

Financial Statements

For the year ended

December 31, 2015

Contents

Directors Report 2015

The Directors are pleased to present the Annual Report along with the audited financial statements of the Company for the year ended December 31, 2015.

Principal Activity

FFC Energy Limited is a special purpose vehicle established to setup a 49.5 MW wind power project at Jhampir, Sindh on Build-Own-Operate basis. The project is in third year of commercial operations. Electricity generated by the wind farm is sold to National Transmission and Despatch Company (NTDC / Power Purchaser) under an offtake agreement for 20 years.

Payment obligation of NTDC to the Company on account of sales of electricity is collateralized by the Government of Pakistan.

Plant Operations

The wind farm stretches across 1,283 acres of land in the wind corridor at Jhampir of Thatta District. The average wind speed in the corridor is estimated at 7.3 m/s (meters per second). The project is modeled around Nordex S77 wind turbine technology containing 33 wind turbine generators (WTGs) of 1.5 MW each and auxiliary electrical collection & transmission system. WTGs generate electricity at the wind speed of 3.5 m/s and can safely operates up to the wind speed of 25 m/s.

The project's operation & maintenance (O&M) services are outsourced to specialized service companies of Nordex & Descon who jointly undertake the O&M activities under a 3 years O&M Services Agreement. Nordex, Germany has provided guarantee on the due performance of the O&M obligations of these service companies.

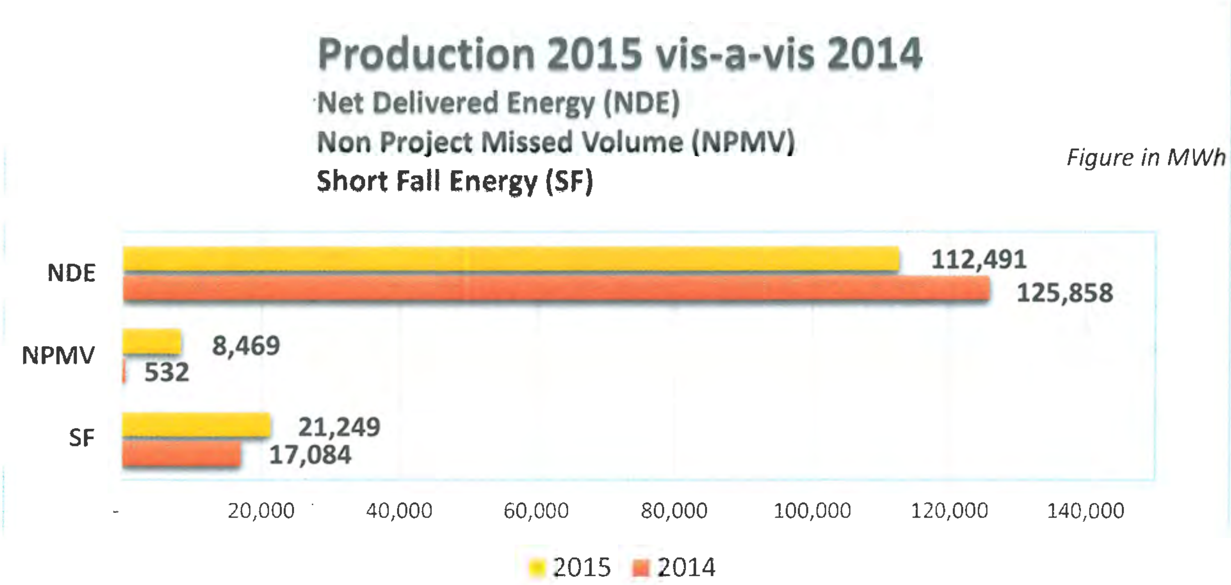
Two scheduled maintenance cycles in March and October were successfully carried out. During the year the farm encountered downtimes on account of unscheduled maintenances & replacement activities. Gearbox replacements were carried out in two WTGs and bearings of High Speed Shafts were replaced in eight WTGs, change of Surge Arrestors took place in main Switch Yard and some parts of a convertor were reinforced. Root Cause Analysis on defects in gearbox is underway and is likely to complete in the first quarter of year 2016. EPC Contractors have taken up the entire replacement costs. Further, warranty coverage period of gearboxes & high speed shafts have been extended to six months and one year respectively.

Production

The average annual availability factor of the wind farm was recorded at 96 % (2014: 99 %). The wind farm downtime in the month of July for unscheduled maintenance has caused average annual availability factor to drop in year 2015.

Production during the period was 112,491 MWh which was 31,068 MWh less than the annual benchmark. 99 % of the shortfall in production was on account of low wind speed and grid outages and rest 1% was on account of unscheduled maintenance downtime. The loss of revenue due to low wind speeds and grid outages are recoverable from the Power Purchaser as Shortfall Energy and Non Project Missed Volume respectively.

In May 2015, the Company completed its 2nd operational year (May 16, 2014 to May 15, 2015) by exceeding the Annual Benchmark Production level of 143.559 MW by 2 % and earned 10% of excess production as Bonus. In the 1st operational year the production was less than Annual Benchmark by 1%.



Regulatory

National Electric Power Regulatory Authority (NEPRA) on Company's review petition on tariff true-up had determined that Liquidating Damages of Rs. 53 Mn levied by NTDC were unreasonable and should be reimbursed to the Company. NEPRA also allowed the Company to claim Rs. 46 Mn on account of supply of electricity during the Construction phase. The Power Purchaser objected to both the compensations. The Company has filed another petition with NEPRA for implementation of its earlier determination.

Financial Performance

Profitability

Turnover for the year under review was Rs. 2,509 Mn (2014: Rs. 2,763 Mn) and Operating Costs were Rs. 1,975 Mn (2014: Rs. 2,074 Mn). The Company earned a Net Profit of Rs. 591 Mn during the year resulting in earning per share of Rs. 2.43 compared to a Net Profit of Rs. 735 Mn and earning per share of Rs. 3.02 last year. In year 2014 the Company recorded additional revenues upon true-up of tariff that included Rs. 169 Mn for year 2013; this additional revenue has resulted in variation in Net Profit figures for the year 2015 vis-a-vis year 2014.

Cash Flow

Average collection period during the year 2015 from the Power Purchaser was recorded for 48 days (2014: 50 days). The payments for Pass-through Costs and Interest on Delayed Payments remained stranded throughout the year. Short Term Borrowing of Rs. 204 Mn was repaid during the year.

Appropriation

Cash Reserves maintenance requirement in terms of financing agreements has restricted the apportionment of profits for dividends. The Net Profit for the year 2015 was accordingly transferred to un-appropriated profits for future appropriations.

Pattern of Shareholding

The Company is a wholly owned subsidiary of Fauji Fertilizer Company Limited.

Auditors

KPMG Taseer Hadi & Co. Chartered Accountants shall retire as auditors of the Company on the conclusion of ensuing Annual General Meeting. Audit committee has recommended reappointment of the existing auditors M/s KPMG Taseer Hadi & Co Chartered Accountants as auditors for the year 2016.

Appreciation

The Company acknowledges and appreciates the efforts and dedication of the employees and operators in making year 2015 yet another successful year.

For and on behalf of the Board

Chairman
Lt Gen Khalid Nawaz Khan
HI (M) (Retired)

Rawalpindi
January 27, 2016

KPMG Taseer Hadi & Co.
Chartered Accountants
Sixth Floor, State Life Building No. 5
Jinnah Avenue, Blue Area
Islamabad, Pakistan

Telephone + 92 (51) 282 3558
+ 92 (51) 282 5956
Fax + 92 (51) 282 2671
Internet www.kpmg.com.pk

Auditors' report to the members

We have audited the annexed balance sheet of **FFC Energy Limited** ("the Company") as at 31 December 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion-

 (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting polices consistently applied, except for change as indicated in note 3 with which we concur;

 (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

 (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).

KPMG Taseer Hadi & Co.

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Bakhtiyar Kazmi

Islamabad
27 January 2016

FFC ENERGY LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

FFC Energy Limited
Balance Sheet
as at December 31, 2015

EQUITY AND LIABILITIES	Note	2015 (Rupees)	2014 (Rupees)
EQUITY			
Share capital	4	**2,438,250,000**	2,438,250,000
Unappropriated profit		**1,449,164,783**	857,871,513
		3,887,414,783	3,296,121,513
NON-CURRENT LIABILITIES			
Long term borrowings - secured	5	**6,946,161,752**	7,689,274,640
Land lease - liability	6	**5,458,889**	2,892,893
		6,951,620,641	7,692,167,533
CURRENT LIABILITIES			
Trade and other payables	7	**271,943,577**	566,261,010
Payable to Holding Company	8	**27,734,005**	27,314,762
Accrued mark-up	9	**106,028,830**	66,300,350
Short term borrowing	10	**336,385,890**	540,385,890
Income tax payable		**5,159,445**	400,647
Current portion of long term borrowings	5	**761,912,500**	1,274,000,280
		1,509,164,247	2,474,662,939
Total Equity and Liabilities		**12,348,199,671**	13,462,951,985
CONTINGENCIES AND COMMITMENTS	11		

ASSETS	Note	2015 (Rupees)	2014 (Rupees)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**10,553,301,481**	11,160,749,330
		10,553,301,481	11,160,749,330
CURRENT ASSETS			
Trade debts - considered good	13	**420,325,970**	1,394,380,841
Prepayments		**336,892**	355,268
Other receivables	14	**105,445,655**	90,526,989
Accrued Interest		**8,743,815**	-
Advance income tax		**107,396**	107,396
Short term Investments	15	**853,000,000**	-
Bank balances	16	**406,938,462**	816,832,161
		1,794,898,190	2,302,202,655
Total Assets		**12,348,199,671**	13,462,951,985

The annexed notes 01 to 31 form an integral part of these financial statements.

Chairman **Chief Executive** **Director**

FFC Energy Limited
Profit and Loss Account
For the year ended December 31, 2015

	Note	2015	2014
		(Rupees)	
Sales - net		**2,509,234,377**	2,762,535,511
Cost of sales	17	**(847,317,070)**	(741,489,464)
Gross profit		**1,661,917,307**	2,021,046,047
General and administrative expenses	18	**(60,362,411)**	(32,588,046)
Finance cost	19	**(1,066,834,985)**	(1,300,232,383)
		534,719,911	688,225,618
Other income	20	**67,255,005**	53,792,888
Profit before taxation		**601,974,916**	742,018,506
Taxation	21	**(10,681,646)**	(6,880,229)
Profit for the year after taxation		**591,293,270**	735,138,277
Earnings per share - basic and diluted	22	**2.43**	3.02

The annexed notes 01 to 31 form an integral part of these financial statements.

Chairman | **Chief Executive** | **Director**

FFC Energy Limited
Statement of Comprehensive Income
For the year ended December 31, 2015

	December 31, 2015 (Rupees)	December 31, 2014 (Rupees)
Profit for the year after taxation	**591,293,270**	735,138,277
Other comprehensive income	-	-
Total comprehensive income for the period	**591,293,270**	735,138,277

The annexed notes 01 to 31 form an integral part of these financial statements.

Chairman

Chief Executive

CFO.

Director

FFC Energy Limited
Cash Flow Statement
For the year ended December 31, 2015

	Note	December 31, 2015 (Rupees)	December 31, 2014 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	23	2,884,528,358	1,601,910,359
Income tax paid		(5,922,847)	(2,997,651)
Net cash generated from operating activities		2,878,605,511	1,598,912,708
CASH FLOWS FROM INVESTING ACTIVITIES			
Property plant and equipment		(3,281,440)	(616,667)
Liquidated damages received		-	112,278,758
Interest received on bank deposits		54,089,400	5,916,223
Net cash generated from investing activities		50,807,960	117,578,315
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance cost paid		(987,234,333)	(1,229,016,335)
Repayment of long term borrowings		(1,295,072,837)	(343,504,170)
Short term borrowings		(204,000,000)	490,000,000
Net cash used in financing activities		(2,486,307,170)	(1,082,520,505)
Net increase in cash and cash equivalents		443,106,301	633,970,518
Cash and cash equivalents at beginning of the year		816,832,161	182,861,643
Cash and cash equivalents at end of the year		1,259,938,462	816,832,161
Cash and cash equivalents			
Short term investments		853,000,000	-
Cash and bank balances		406,938,462	816,832,161
		1,259,938,462	816,832,161

The annexed notes 01 to 31 form an integral part of these financial statements.

Chairman

Chief Executive

Director

CFO.

FFC Energy Limited
Statement of Changes In Equity
For the year ended December 31, 2015

	Share capital	Unappropriated profit	Total
		(Rupees)	
Balance as at January 01, 2014	2,438,250,000	122,733,236	2,560,983,236
Total comprehensive income for the year	-	735,138,277	735,138,277
Balance as at December 31, 2014	2,438,250,000	857,871,513	3,296,121,513
Balance as at January 01, 2015	**2,438,250,000**	**857,871,513**	**3,296,121,513**
Total comprehensive income for the year	-	591,293,270	591,293,270
Balance as at December 31, 2015	**2,438,250,000**	**1,449,164,783**	**3,887,414,783**

The annexed notes 01 to 31 form an integral part of these financial statements.

Chairman

Chief Executive

Director

CFO.

FFC Energy Limited
Notes to the Financial Statements
For the year ended December 31, 2015

1 STATUS AND NATURE OF BUSINESS

FFC Energy Limited ("the Company") is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984 on November 18, 2009. Certificate of Commencement of Business was awarded to the Company on April 16, 2010. The Company, is a wholly owned subsidiary of Fauji Fertilizer Company Limited (FFC). The registered office of the Company is situated at FFC Sona Tower,156 the Mall, Rawalpindi, Pakistan. The Company has been setup to build, own and operate 49.5 MW Wind energy power project at Jhampir, Distt. Thatta, Sindh. The Company achieved Commercial Operations Date on May 16, 2013. Project cost- true up was announced by National Electric Power Regulatory Authority (NEPRA) on November 10, 2014.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods. Judgments made by management in application of the approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are stated below:

2.4.1 Property, plant and equipment

The Company reviews the useful life 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 depreciation charge.

2.4.2 Provisions

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

2.4.3 Trade and other recievables

Other receivables are recognized and carried at amortized cost less an allowance for any uncollectible amounts. Carrying amounts of trade and other receivables are assessed on a regular basis and if there is any doubt about the realisability of these receivables, appropriate amount of provision is made.

3. SIGNIFICANT ACCOUNTING POLICIES

Except for the change below, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

IFRS 13 "Fair Value Measurement" became effective from financial periods beginning on or after 01 January 2015. IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the defintition of fair value as a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. The application of IFRS 13 does not have any impact on the financial statements of the Comapny except for certain additional disclosures.

3.1 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the company and the revenue can be measured realiably.

Revenue on account of energy is recognised on transmission of electricity to National Transmission and Dispatch Company (NTDC) on a monthly basis, whereas on account of Shortfall energy and Non Project Missed Volume is recognised when these are due and invoiced when underlying data is available.

3.2 Property, plant and equipment and capital work in progress

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any, except capital work in progress which is stated at cost less impairment loss if any. Cost comprises of purchase price, import duties, directly attributable costs and related borrowing costs.

Depreciation is provided on a straight-line basis and charged to profit and loss account to write off the depreciable amount of each asset over its estimated useful life. Depreciation on addition in property, plant and equipment is charged from the month when the asset becomes available for use upto the month of its disposal.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized, if any. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit and loss account as incurred.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within "other income" in profit and loss account.

3.3 Cash and cash equivalents

Cash and cash equivalents represent cash with banks, short term investments, bank drafts in hand and bank in transit.

3.4 Financial instruments

Non-derivative financial assets

These are initially recognized on the date that they are originated i.e. trade date which is the date that the Company becomes a party to the contractual provisions of the instrument.

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or when the Company transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

The Company classifies non-derivative financial assets as available for sale (note 4.8.3), held for trading (note 4.8.4), loans and other receivables. Loans and receivables comprise investments classified as loans and receivables, cash and cash equivalents and trade and other receivables.

Trade debts, other receivables and other financial assets

Trade debts and other receivables are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these are measured at amortised cost using effective interest method, less any impairment losses. Known bad debts are written off, when identified.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash with banks on current, saving and deposit accounts, short term borrowings and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

Non-derivative financial liabilities

The Company initially recognizes non derivative 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.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to setoff the recognised amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.5 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.6 Finance income and finance costs

- Finance income comprises interest income on funds invested. Interest income is recognized on a time proportion basis, using the effective interest method.
- Finance cost comprises of interest cost on borrowed funds and are recognized on accrual basis.
- Foreign currency gains and losses are reported on a net basis.

3.7 Foreign currency transactions

Foreign currency transactions are recorded in Pak Rupees at the rate of exchange prevailing at the date of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevalent on the balance sheet date. All foreign exchange differences are recognized in the profit and loss account.

3.8 Taxation

3.8.1 Current

The profits and gains of the Company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of Clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. However, full provision is made in the profit and loss account on income from sources not covered under the above clause at current rates of taxation after taking into account, tax credits and rebates available, if any and any adjustment to tax payable in respect of previous years.

3.8.2 Deferred

Deferred tax has not been provided in these financial statements as the Company's management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the profits and gains of the Company derived from electric power generation are exempt from tax subject to the conditions and limitations provided for in terms of Clause 132 of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

3.9 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at fair value of consideration received, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost with any difference between originally recognized amount and redemption value being recognized as borrowing cost over the period of borrowing.

3.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisitions or construction of a qualified asset are capitalized. Borrowing cost incurred during the extended periods in which active development of qualifying assets is suspended is not capitalized. Borrowing costs also include exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to interest costs.

Borrowing costs that are not directly attributable to acquire, construction or product of a qualifying asset are recognized in profit & loss account using effective rate of interest. All other borrowing costs are charged to profit and loss account.

3.11 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental paid under operating leases are expensed on a straight line basis over the lease term, even if the payments are not made on the same basis. The Company has no finance lease obligation.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Company's financial statements.

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016) clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Company's financial statements.

- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Company's financial statements.

- Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Company's financial statements.

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Company's financial statements.

- Amendments to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The adoption of the amended standard is not likely to have an impact on Company's financial statements.

- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards:

  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

  - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.

  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

  - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on Company's financial statements.

4 SHARE CAPITAL

4.1 AUTHORISED SHARE CAPITAL

This represents 300,000,000 (2014: 300,000,000) ordinary shares of Rs. 10 each amounting to Rs. 3,000,000,000 (2014: Rs 3,000,000,000).

4.2 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2015	2014		2015	2014
(Numbers)			(Rupees)	
243,825,000	243,825,000	Ordinary shares of Rs. 10 each, issued for consideration in cash	**2,438,250,000**	2,438,250,000
243,825,000	243,825,000		**2,438,250,000**	2,438,250,000

FFC holds 243,825,000 (2014: 243,825,000) ordinary shares of the Company with seven nominee directors holding 10,000 shares each at the year end.

5 LONG TERM BORROWINGS - SECURED

	Note	2015	2014
		(Rupees)	
Long term borrowing from financial institutions	**5.1**	**7,862,064,845**	9,157,137,683
Less: Transaction cost			
Initial transaction cost		**(269,796,960)**	(269,796,960)
Amortization		**115,806,367**	75,934,197
		(153,990,593)	(193,862,763)
Less: Transferred to current maturity		**(761,912,500)**	(1,274,000,280)
		6,946,161,752	7,689,274,640

5.1 Movement in this account during the year is as follows:

	2015	2014
Opening balance	**9,157,137,683**	9,500,641,853
Repayments during the year	**(1,295,072,838)**	(343,504,170)
Closing balance	**7,862,064,845**	9,157,137,683

5.2 This represents long term loan from consortium of ten financial institutions. This loan carries markup at six months KIBOR plus 295 basis points payable six monthly in arrears. Terms of repayment of this loan have changed during this year, and now loan is repayable on enhanced semi annual installments ending on December 2022. This loan is secured against:

- First ranking exclusive assignment / mortgage over receivables under Energy Purchase Agreement.
- Lien over and set-off rights on project accounts.
- First ranking, charge over all moveable assets of the Company.
- Exclusive mortgage over lease rights in immovable property on which project situate.

6 LAND LEASE - LIABILITY

This represents rental payable against 1,283 acres of land in Gharo Creek Area, District Thatta acquired under a sub lease agreement dated 17 May 2011. Under the terms of agreement, the Company is required to pay lease rental amounting to Rs. 25,660,000 in year 2018 and Rs. 19,254,000 in year 2028 for next three year. The payable is being recognized on a straight line basis over the lease period of 20 years by taking into account payments to be made under the sub lease agreement.

7 TRADE AND OTHER PAYABLES

	Note	2015	2014
		(Rupees)	
Sales tax payable		**100,080,824**	490,621,211
Payable to O&M contractors		**96,338,957**	2,144,577
Payable to EPC contractors		**35,064,754**	35,064,754
Payable to NTDC for import of electricity		**28,139,000**	22,401,000
Payable to consultants		**9,558,032**	14,547,655
Other payables		**2,762,010**	1,481,813
		271,943,577	566,261,010

8 PAYABLE TO HOLDING COMPANY

This represents amount payable to FFC in respect of various expenses incurred on behalf of the Company. This is unsecured, interest free and payable on demand.

9 Accrued Mark up

	Note	2015	2014
		(Rupees)	
Payable on short term borrowings		**103,989,001**	63,141,765
Payable on long term loan		**2,039,829**	3,158,585
		106,028,830	66,300,350

10 SHORT TERM BORROWING

This represents borrowing from FFC to on account of the project cost overruns. This is unsecured and carries markup at 1 month KIBOR + 60 bps. During the year the Company repaid amounts aggregating to Rs. 204 million against principal.

11 CONTINGENCIES AND COMMITMENTS

11.1 Commitments

	2015	2014
	(Rupees)	
Commitments in respect of rentals under land sub-lease agreement:		
Later than one year and not later than five years	**25,660,000**	25,660,000
Later than five years	**19,245,000**	19,245,000
	44,905,000	44,905,000

UOMC 14

11.2 Significant contracts

11.2.1 Energy Purchase Agreement (EPA)

The Company has entered into Energy Purchase Agreement on 05 April 2011 with NTDC (through its Central Power Purchasing Agency) on behalf of ex-WAPDA Distribution Companies ("the Power Purchaser") for the sale of its entire energy generation. The term of EPA is 20 years.

11.2.2 Implementation Agreement (IA)

The Company has entered into an Implementation Agreement (IA) with the Government of Pakistan ("GoP") on 18 February 2011 to install wind turbines, generate and sell electricity upto 49.5 MW in Sindh Province, Pakistan.

11.2.3 Engineering, Procurement and Construction (EPC) agreement and O&M contract

The Company has entered into an Engineering, Procurement and Construction (EPC) agreements and Operation and Maintenance(O&M) contract with a consortium of Nordex Singapore Equipment (Private) Limited, Descon Engineering FZE, UAE, Nordex Singapore Services (Private) Limited and Descon Engineering Limited on 27 February 2010 and subsequent amendments to EPC agreements.

11.2.4 Direct IA, EPA and EPC and O&M contract

The Company and lenders have entered into direct IA, direct EPA, direct EPC and direct O&M agreements with Government of Pakistan, NTDC and Contractors. These direct agreements give step in rights to the lenders in case of certain events as defined in these agreements.

KPMG TH.

FFC Energy Limited
Notes to the Financial Statements
as at December 31, 2015

12 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery	Building	Vehicles	Office and electrical equipment	Computer and ancillary equipment	Furniture and Fixture	Total
	Rupees						*Rupees*
COST							
Balance as at January 01, 2014	12,044,604,020	219,777,809	12,631,360	772,151	751,944		12,278,537,284
Additions during the year	-	-	-	41,417	224,772	350,478	616,667
Transfers during the year	(116,986,647)	-	-	-	-	-	(116,986,647)
Balance as at December 31, 2014	11,927,617,372	219,777,809	12,631,360	813,568	976,716	350,478	12,162,167,304
Balance as at January 01, 2015	**11,927,617,373**	**219,777,809**	**12,631,360**	**813,568**	**976,716**	**350,478**	**12,162,167,304**
Additions during the year	**110,000**		**2,243,203**	**249,786**	**566,693**	**111,758**	**3,281,440**
Transfers during the year	**(60,500)**	-	-	**(132,832)**	-	**132,832**	**(60,500)**
Balance as at December 31, 2015	**11,927,666,873**	**219,777,809**	**14,874,563**	**930,522**	**1,543,409**	**595,068**	**12,165,388,244**
DEPRECIATION							
Balance as at January 01, 2014	380,121,159	6,924,506	1,655,257	126,123	383,503	-	389,210,548
Charge for the year	598,341,405	10,988,890	2,526,272	119,310	238,079	17,374	612,231,330
Depreciation on adjustments	(23,904)	-	-	-	-	-	(23,904)
Balance as at December 31, 2014	978,438,660	17,913,396	4,181,529	245,433	621,582	17,374	1,001,417,974
Balance as at January 01, 2015	**978,438,660**	**17,913,396**	**4,181,529**	**245,433**	**621,582**	**17,374**	**1,001,417,974**
Charge for the year	**596,392,631**	**10,988,890**	**2,796,526**	**118,636**	**322,791**	**49,316**	**610,668,789**
Charge on transfers	-	-	-	**(38,189)**	-	**38,189**	-
Balance as at December 31, 2015	**1,574,831,291**	**28,902,286**	**6,978,055**	**325,880**	**944,373**	**104,879**	**1,612,086,763**
Written down value as at							
- December 31, 2014	10,949,178,712	201,864,413	8,449,831	568,135	355,134	333,104	11,160,749,330
- December 31, 2015	**10,352,835,582**	**190,875,523**	**7,896,508**	**604,642**	**599,036**	**490,189**	**10,553,301,481**
Rate of depreciation in %	5 to 5.5	5	20	15	33.33	10	

12.1 Depreciation is calculated as follows:

	2015	**2014**
Cost of sales	610,058,163	611,883,903
General and administrative expenses	610,626	347,427
	610,668,789	**612,231,330**

13 TRADE DEBTS - CONSIDERED GOOD

	2015	2014
	(Rupees)	
Opening balances	**1,394,380,841**	567,071,443
Invoices raised during the year	**2,968,135,444**	3,364,412,803
Receipts/adjustments during the year	**(3,942,190,315)**	(2,537,103,405)
Closing balance	**420,325,970**	1,394,380,841

13.1 These are secured by way of Guarantee issued by Government of Pakistan under the Implementation Agreement dated February 18, 2011. Further these are subject to markup on delay payments under Energy Purchase Agreement dated April 5, 2011 at the rate of 3 month Kibor plus 450 bps per annum.

13.2 Aging of trade debts

	Note	2015	2014
		(Rupees)	
Past due - 0 to 30 days		**346,195,822**	1,314,256,897
Past due - 30 days to 6 months		**9,472,824**	-
Past due - 6 months to 1 year		**40,567,876**	-
Past due - more than 1 year		**24,089,448**	80,123,944
		420,325,970	1,394,380,841

14 OTHER RECEIVABLES

	2015	2014
	(Rupees)	
Receivable from NTDC against pass through items	**100,944,547**	86,266,217
Federal Excise Duty input claim	**4,501,108**	4,260,772
	105,445,655	90,526,989

15 Short Term Investments - *loans and receivables*

	Note	2015	2014
Term deposit receipts	15.1	**853,000,000**	-
		853,000,000	-

15.1 These represents term deposit receipts and carry mark up ranging between 5.5% to 6%. The amount has been kept with Askari Bank Limited, a related party

16 BANK BALANCES

	Note	2015	2014
Pay-orders in hand		**94,595,776**	816,145,167
Deposit accounts- local currency	16.1	**312,342,686**	686,994
		406,938,462	816,832,161

16.1 The amount in deposit accounts carry interest rate ranging from 5.25 % to 5.75 % (2014: 6% to 9%) per annum. This includes amount aggregating to Rs. 271,070,158 (2014: Rs. 588,080) kept with Askari Bank Limited a related party.

FFC Energy Limited
Notes to the Financial Statements
For the year ended December 31, 2015

		Note	2015	2014
			(Rupees)	
17	**COST OF SALES**			
	Salaries and other benefits		**33,403,866**	21,406,802
	Operation and maintenance contract		**100,781,406**	11,003,846
	Insurance		**68,424,002**	70,350,897
	Consultancy fee		**14,317,998**	7,321,917
	Electricity consumed		**5,738,000**	5,947,000
	Security		**5,146,400**	4,546,500
	Repair and maintenance		**2,890,436**	2,573,598
	Travelling and conveyance		**2,792,573**	1,127,834
	Land lease rental		**2,565,996**	2,565,996
	Annual license fee		**645,768**	596,295
	Communication and other expenses		**552,462**	2,164,876
	Depreciation	12.1	**610,058,163**	611,883,903
			847,317,070	741,489,464
18	**GENERAL AND ADMINISTRATIVE EXPENSES**			
	Salaries and other benefits		**31,737,118**	17,961,361
	Office rent		**8,015,040**	2,499,996
	Legal and professional fee		**4,783,585**	9,182,378
	Travelling and lodging related to meetings		**1,084,573**	665,454
	Printing, communication and other expenses		**848,741**	991,615
	Auditors' remuneration	18.1	**450,000**	625,000
	Insurance, repair and maintenance expenses		**143,569**	314,815
	Sales tax charges		**12,689,159**	-
	Depreciation	12.1	**610,626**	347,427
			60,362,411	32,588,046
18.1	**Auditors' remuneration**			
	Annual audit		**325,000**	300,000
	Half yearly review		**125,000**	125,000
	Special audit		**-**	200,000
			450,000	625,000
19	**FINANCE COST**			
	Interest on long term borrowings - Secured		**1,022,681,805**	1,252,935,256
	Interest on short term borrowing		**40,847,236**	45,243,914
	Project lender cost		**3,240,000**	1,740,000
	Bank charges		**65,944**	257,213
	Other finance cost		**-**	56,000
			1,066,834,985	1,300,232,383

20 OTHER INCOME

Interest income on bank deposits and short term investments	**62,833,215**	5,916,223
Exchange gain	**192,532**	37,634,416
Other	**4,229,258**	10,242,249
	67,255,005	53,792,888

21 TAXATION

	2015	2014
	(Rupees)	
Current year	**10,681,646**	6,880,229
	10,681,646	6,880,229

As stated in note 3.8.1, the Company's income derived from electric power generation is exempt from tax under clause (132) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. Provision for alternative corporate tax liability has been created in respect of interest income since interest income is not likely to be fully adjusted against unabsorbed tax depreciation.

22 EARNINGS PER SHARE

	2015	2014
	(Rupees)	
Net profit for the year (Rupees)	**591,293,270**	735,138,277
Weighted average number of shares	**243,825,000**	243,825,000
Basic and diluted earnings per share (Rupees)	**2.43**	3.02

There is no dilutive effect on the earnings per share of the Company.

23 CASH GENERATED FROM OPERATIONS

Profit before taxation	**601,974,916**	742,018,506
Adjustments:		
Interest income	**(62,833,215)**	(5,916,223)
Amortization of initial transaction cost	**39,872,170**	26,299,627
Finance cost	**1,026,962,815**	1,273,932,756
Exchange gain	**(192,532)**	(37,634,416)
Impairment of property	**-**	576,096
Depreciation charge for the year	**610,668,789**	612,231,330
	1,614,478,027	1,869,489,170
Decrease / (Increase) in trade debts	**974,054,871**	(827,309,398)
Decrease / (Increase) in prepayments	**18,376**	(76,841)
Increase in other receivables	**(6,174,851)**	(26,448,570)
Increase in other accrued interest	**(8,743,815)**	-
Increase in lease land liability	**2,565,996**	2,565,996
Increase / (Decrease) in payable to holding Company	**419,243**	(34,834,890)
(Decrease) in trade and other payables	**(294,064,405)**	(123,493,614)
	668,075,415	(1,009,597,317)
	2,884,528,358	1,601,910,359

24 REMUNERATION TO CHIEF EXECUTIVE AND EXEUCTIVES

The aggregate amounts charged in these financial statements in respect of remuneration including benefits applicable to the executives of the Company are given below:

	Note	2015		2014	
		Chief Executive	**Executives**	Chief Executive	Executives
		(Rupees)		(Rupees)	
Managerial remuneration		-	**21,161,000**	-	12,741,000
Contribution to provident fund	**24.2**	-	**1,320,000**	-	794,000
Bonus and other awards		-	-	-	-
Good performance award		-	**5,096,000**	-	-
Others		-	**15,939,000**	-	9,722,000
		-	**43,516,000**	-	23,257,000
No of person(s)		1	11	1	10

24.1 Directors of the Company are not paid any remuneration except meeting fee of Rs. 730,000 (2014: Rs. 410,000) and are reimbursed travelling expenses on actual basis.

24.2 This relates to employees on secondment from Holding Company. Accordingly the related provident fund is maintained at FFC level.

25 TRANSACTIONS WITH RELATED PARTIES

Fauji Fertilizer Company Limited beneficially holds 100% shares of the Company at the year end. Therefore all subsidiaries and associated undertakings of FFCL are related parties of the Company. The related parties also comprise of directors, key management personnel and entities over which the directors are able to exercise influence. Transactions with related parties and balance outstanding at the year-end are given below:

Transactions with the Parent Company	2015	2014
	(Rupees)	
Transactions with related parties		
(a) Holding company		
Expenses incurred on behalf of the company	**91,534,005**	196,317,094
Interest on short term borrowings	**40,847,236**	45,243,914
Short term borrowings obtained	**-**	490,000,000
Short term borrowings repaid	**204,000,000**	-
(b) Other related parties		
Interest on long term loan	**93,169,051**	116,240,331
Interest income	**61,336,413**	-
Remuneration including benefits and perquisites to executives	**15,939,000**	9,722,000
Balances with the related parties		
Fauji Fertilizer Company Ltd.		
Payable to Holding Company	**27,734,005**	27,314,762
Short term borrowing and markup payable.	**440,374,891**	603,527,655
Askari Bank Ltd:		
Short term Investments	**853,000,000**	-
Long term loan	**742,925,692**	865,303,579
Bank balance	**271,070,158**	-

In addition to above, Parent Company also bear employees benefits of the staff working for the Company.

26 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

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

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

26.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss, without taking into account the fair value of any collateral. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry. The primary activity of the Company is power generation and sale of total output to NTDC. The Company is exposed to credit risk from its operations and certain investing activities.

	2015	2014
	(Rupees)	
Trade debts - considered good	**420,325,970**	1,394,380,841
Other receivables	**100,944,547**	90,526,989
Bank balances	**406,938,462**	816,832,161
Short term Investments	**853,000,000**	-
Accrued Interest	**8,743,815**	-
	928,208,979	2,301,739,991

The Company's only customer is NTDC. The credit risk on trade debts from NTDC is managed by a guarantee from the GoP under the IA and by continuous follow-ups for release of payments from NTDC. The bank accounts are maintained with reputable banks with good credit ratings. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade debts. When no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off by the Company.

In relation to the trade debts that are past due as disclosed in note 12.2, management believes that the amount is outstanding due to liquidity problems of NTDC however, management is actively pursuing for the release of payments and it is confident that NTDC will discharge its obligation and accordingly no allowance for impairment is required.

26.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due.

The following are the contractual maturities of financial liabilities , including estimated payments and excluding the impact of netting agreements:

	Carrying amount	Contractual cash flows	Maturity upto one year	Maturity within one to two years	Maturity after two years
	2015 (Rupees)	2015 (Rupees)	2015 (Rupees)	2015 (Rupees)	2015 (Rupees)
Non-derivative financial liabilities					
Long term borrowings including markup	**7,710,114,081**	**11,147,910,795**	**1,501,690,147**	**1,544,653,420**	**8,101,567,229**
Trade and other payables	**271,943,577**	**271,943,577**	**271,943,577**	-	-
Payable to Holding Company	**27,734,005**	**27,734,005**	**27,734,005**	-	-
Land lease - liability	**5,458,889**	**5,458,889**	-	-	**5,458,889**
Short term borrowing including mark-up	**440,374,891**	**464,291,928**	**464,291,928**	-	-
	8,455,625,443	**11,917,339,194**	**2,265,659,657**	**1,544,653,420**	**8,107,026,117**

	Carrying amount 2014 (Rupees)	Contractual cash flows 2014 (Rupees)	Maturity upto one year 2014 (Rupees)	Maturity within one to two years 2014 (Rupees)	Maturity after two years 2014 (Rupees)
Non-derivative financial liabilities					
Non-derivative financial liabilities	8,966,433,505	14,459,776,676	2,368,445,115	1,727,333,080	10,363,998,481
Long term borrowings including markup	566,261,010	566,261,010	566,261,010	-	-
Trade and other payables	27,314,762	27,314,762	27,314,762	-	-
Land lease-liability	2,892,893	2,892,893	-	-	2,892,893
Short term borrowing including mark-up	660,268,173	660,268,173	660,268,173	-	-
	10,223,170,343	15,716,513,514	3,622,289,060	1,727,333,080	10,366,891,374

The Company closely monitors its liquidity and cash flow position. The liquidity risk is managed by a continuous follow-up for collecting receivables from NTDC. This enables the Company to manage debt repayments on due dates without incurring unacceptable losses or risking damage to the Company's reputation.

26.3 Market Risk

Market risk is the risk that the fair value or cash flows of a financial instrument will change due to changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

26.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on deposit accounts, long term loans and derivative financial instrument. The Company receives interest on overdue balances from NTDC at variable rate provided under the EPA. The interest rate profile of the Company's interest-bearing financial instruments at the balance sheet date was as under:

	2015	2014
	Rupees	
Fixed rate instruments		
Cash at bank	**312,342,686**	816,832,161
Variable rate instruments		
Financial liabilities	**8,044,460,142**	9,280,479,463

Fair value sensitivity analysis for fixed rate instruments

The Company does not hold any fixed rate financial asset or liability at fair value through profit and loss.

Cash flow sensitivity analysis for variable rate instruments

An increase / (decrease) of 100 basis points in interest rates at the reporting date would have increased / (decreased) the profit and loss by Rs. 91.62 million (2014: Rs. 98.57) . This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

26.3.2 Currency risk

PKR is the functional currency of the Company and exposure arises from transactions and balances in currencies other than PKR as foreign exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Company's potential currency exposure comprise;

- Transactional exposure in respect of non functional currency monetary items.
- Transactional exposure in respect of non functional currency expenditure and revenues.

Transactional exposure in respect of non functional currency monetary items

Monetary items, including financial assets and liabilities, denominated in currencies other than the functional currency of the Company are periodically restated to PKR equivalent, and the associated gain or loss is taken to the profit and loss account. The foreign currency risk related to monetary items is managed as part of the risk management strategy.

Transactional exposure in respect of non functional currency expenditure and revenues

Certain operating and capital expenditure is incurred by the Company in currency other than the functional currency. Certain sales revenue is earned in currencies other than the functional currency of the Company. These currency risks are managed as a part of overall risk management strategy. The Company does not enter into forward exchange contracts.

Exposure to currency risk

The Company is exposed to currency risk on payables to consultants which are denominated in currency other than the functional currency of the Company. The Company's exposure to foreign currency risk is as follows:

	2015		2014	
	Rupees	**US Dollar**	Rupees	US Dollar
Trade and other payables	**22,484,840**	**214,550**	1,332,950	13,250
	Rupees	**Euro**	Rupees	**Euro**
Payable to monitoring agent	**3,264,390**	**28,500**	8,137,605	66,500

The following significant exchange rate applied during the year:

	Average rates		**Balance sheet date rate**	
	2015	2014	**2015**	2014
US Dollar to Rupees	**102.70**	102.90	**104.80**	100.60
Euro to Rupees	**118.64**	133.74	**114.54**	122.73

Sensitivity analysis – currency risk

A 10% strengthening of the functional currency against USD at 31 December, 2015 would have increased profit for the year by Rs. 0.22 million (2014: Rs. 0.13 million). A 10% weakening of the functional currency against USD at 31 December, 2015 would have had the equal but opposite effect of these amounts. A 10% strengthening of the functional currency against Euro at 31 December, 2015 would have increased profit for the year by Rs. 0.32 million (2014: Rs. 0.81 million). A 10% weakening of the functional currency against USD at 31 December, 2015 would have had the equal but opposite effect of these amounts. The analysis assumes that all other variables remain constant.

27 DETERMINATION OF FAIR VALUES

The carrying amounts of all financial assets and liabilities reflected in the financial statements approximate their fair values.

27.1 Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain stakeholders' confidence and to ensure sustainable future development of the business. The Board of Directors monitors the equity and ensures that the Company has an appropriate capital mix. The Company is not subject to external capital requirements.

27.2 Fair value hierarchy

The table below 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).

Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change has occurred

27.3 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Non - derivative financial assets

The fair value of non-derivative financial assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

FFC Energy Limited
Notes to the Financial Statements
For the year ended December 31, 2015

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount				Fair value	
December 31, 2015	Held to maturity	Loans and receivables	Other financial liabilities	Total	Level 2	Total
Financial assets not measured at fair value						
Trade and other receivables *	-	**521,270,517**	-	**521,270,517**		
Cash and cash equivalents*	-	**406,938,462**	-	**406,938,462**		
Short term investments	**853,000,000**	-	-	**853,000,000**	**853,000,000**	**853,000,000**
Accrued interest*	-	**8,743,815**	-	**8,743,815**		
Financial liabilities not measured at fair value						
Long term borrowings including markup	-	-	**7,710,114,081**	**7,710,114,081**	**7,710,114,081**	**7,710,114,081**
Trade and other payables*	-	-	**271,943,577**	**271,943,577**		
Payable to Holding Company*	-	-	**27,734,005**	**27,734,005**		
Land lease - liability	-	-	**5,458,889**	**5,458,889**	**5,458,889**	**5,458,889**
Short term borrowing including mark-up	-	-	**440,374,891**	**440,374,891**	**440,374,891**	**440,374,891**
December 31, 2014						
Financial assets not measured at fair value						
Trade and other receivables	-	1,484,907,830	-	1,484,907,830		
Cash and cash equivalents	-	816,832,161	-	816,832,161		
Short term investments*	-	-	-	-		
Accrued interest*	-	-	-	-		
Financial liabilities not measured at fair value						
Long term borrowings including markup			9,532,694,515	9,532,694,515	9,532,694,515	9,532,694,515
Trade and other payables*			27,314,762	27,314,762		
Payable to Holding Company*			-	-		
Land lease - liability			2,892,893	2,892,893	2,892,893	2,892,893
Short term borrowing including mark-up			660,268,173	660,268,173	660,268,173	660,268,173

*The Company has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

28 EXEMPTION FROM APPLICABILITY OF IFRIC 4 - "DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE"

International Accounting Standards Board (IASB) has issued International Financial Reporting Interpretation Committee (IFRIC) - 4 "Determining whether an Arrangement contains a Lease", which became effective for financial periods beginning on or after 01 January 2006. Under IFRIC 4, the consideration required to be made by lessee for the right to use the asset is accounted for as finance lease under IAS 17 - "Leases". The Company's plant's control due to purchase of total output by NTDC appears to fall under the scope of IFRIC 4.

On 16 January 2012, the Securities and Exchange Commission of Pakistan (SECP) exempted the application of IFRIC 4 for companies in Pakistan. However, the SECP made it mandatory to disclose the impact on the results of the application of IFRIC 4. Had this interpretation been applied the effects on the results and equity of the Company would have been as follows:

	2015
	Rupees
Increase in unappropriated profit at beginning of the year	160,941,313
Increase in profit for the year	134,360,807
Increase in unappropriated profit as at end of the year	**295,302,120**

29 CAPICITY AND PRODUCTION

	2015	2014
	Rupees	
Actual Capacity-Megawatt hours	**143,559**	143,559
Actual Energy Delivered-Megawatt hours	**131,991**	142,371

The shortfall in energy delivered during the year was attributable to low wind speed in April to September 2015.

30 NUMBER OF EMPLOYEES

	2015	2014
Employees on year end (Number)	**37**	31
Average employees during the year (Number)	**34**	40

31 GENERAL

31.1 Figures have been rounded off to the nearest Rupee.

31.2 These financial statements were approved by the Board of Directors of the Company on 27 JAN 2016

Chairman

Chief Executive

Director

CFO.