



# HALF YEARLY REPORT

JUNE 30, 2018

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# Vision

Be the container terminal of choice for trade  
at Karachi port

# Mission

To be most reliable Port gateway of international  
trade with the commitment to provide customer  
centric services

## COMPANY INFORMATION

### Board of Directors

#### Chairman

Mr. Christian R. Gonzalez  
(Non-Executive Director)

#### Directors

Mr. Roman Felipe S. Reyes  
(Independent Director)

Mr. Sharique Azim Siddiqui  
(Non-Executive Director)

Mr. Rafael D. Consing Jr.  
(Non-Executive Director)

Mr. Hans-Ole Madsen  
(Non-Executive Director)

Mr. Aasim Azim Siddiqui  
(Non-Executive Director)

Mr. Gordon Alan P. Joseph  
(Independent Director)

Mr. Jose Manuel M. De Jesus  
(Resigned on February 9, 2018)  
(Non-Executive Director)

### Company Secretary

Mr. Adil Siddique

### Audit Committee Members

Mr. Roman Felipe S. Reyes  
(Independent Director)

Mr. Rafael D. Consing, Jr.  
Mr. Sharique Azim Siddiqui

### Human Resource and Remuneration

#### Committee Members

Mr. Gordon Alan P. Joseph  
(Independent Director)

Mr. Christian R. Gonzalez  
Mr. Aasim Azim Siddiqui

### Risk Management Committee Members

Mr. Gordon Alan P. Joseph  
(Independent Director)

Mr. Christian R. Gonzalez  
Mr. Sharique Azim Siddiqui

### Key Management

#### Chief Executive Officer

Mr. Khurram Aziz Khan

#### Chief Financial Officer

Mr. Muhammad Hunain

### External Auditors

EY Ford Rhodes  
Chartered Accountants  
6<sup>th</sup> Floor, Progressive Plaza  
Beaumont Road, P.O. Box 15541  
Karachi-75530

### Legal Advisor

Usmani & Iqbal  
F-73/11, Swiss Cottages  
Block-4, Clifton, Karachi

### Bankers

Al Baraka Bank (Pakistan) Limited  
Faysal Bank Limited  
Habib Bank Limited  
JS Bank Limited  
National Bank of Pakistan  
Samba Bank Limited  
Standard Chartered Bank (Pakistan) Limited

### Registered & Terminal Office

Berths 6-9, East Wharf  
Karachi Port, Karachi  
UAN: +92-21-111 11 7428 (PICT)  
Fax : +92-21-3285-4815  
Email: investor-relations@pict.com.pk  
Website: www.pict.com.pk

### Share Registrar / Transfer Agent

Central Depository Company of Pakistan Limited  
99-B, Block 'B', SMCHS  
Main Shakra-e-Faisal  
Karachi - 74400  
Tel: +92-21-111-111-500  
Fax: +92-21-34326053

## Directors' Report

Your Directors hereby present the un-audited condensed interim financial statements of the Company for the half year ended June 30, 2018, together with the Auditors' review report thereon.

### Business Review

Your Company has handled 231,329 containers during the half year ended June 30, 2018 as compared to 285,437 containers handled depicting a 19% decline from corresponding period last year. The decline in handling is majorly attributable to the impacts of losing partial market share due to raised competition as a result of excess handling capacity at Karachi Port, vessel upsizing and consolidation of shipping lines.

### Operating & Financial Results for the half year ended June 30, 2018

(Rupees in 000)

Revenue	4,223,319
Gross Profit	1,899,423
Profit before taxation	1,685,548
Profit after taxation	1,072,857
Unappropriated profit brought forward	1,248,925
Unappropriated profit carried forward	1,074,161
Earnings per Ordinary Share – Basic and Diluted	<u>Rs. 9.83</u>

During the half year ended June 30, 2018, the Company has achieved Revenue of Rs. 4,223 million as compared to Rs. 4,900 million in corresponding period last year. Decline in Revenue due to lower containers volumes and inflationary impacts witnessed in expenses have translated into Profit before tax of Rs. 1,686 million for the period as compared to Rs. 2,184 million in the same period last year. After accounting for taxation, the Company has generated Profit after tax of Rs. 1,073 million resulting in EPS of Rs. 9.83 for the half year ended June 30, 2018.

The company is striving to reduce the impacts of the competition through operating efficiencies and enhancement in customers relationship management. The company will strive hard to have a decent finish for the financial year 2018.

We extend our gratitude to all stakeholders for their continued support and thank the management and staff for their dedication and hard work.

For and on behalf of the Board

**Khurram Aziz Khan**  
Chief Executive Officer  
Karachi: August 17, 2018

**Christian R. Gonzalez**  
Chairman

## بیانِ نظماً

آپ کے نامیلین 30 جون 2018 کو ختم ہونے والی ششماہی مدت کے لئے کبھی کے غیر مناسب شدہ ملخص عبوری مالیاتی معلومات آپ کو پیش کر رہے ہیں۔

### کاروباری معروضات

30 جون 2018 کو ختم ہونے والی ششماہی مدت کے دوران کبھی نے 231,329 کنٹینرز سنبھالے جب کہ گزشتہ سال اسی مدت کے دوران 285,437 کنٹینرز سنبھالے جو 19% کی کوتاہی کرتا ہے۔ کنٹینرز سنبھالنے میں کمی کی بڑی وجہ مارکٹ کا جزوی حصہ کھونا، کراچی بندرگاہ پر اضافی پنڈنگ کی صلاحیت ابھرنے، بڑے جہاز اور شپنگ لائنوں کے انجماد کی وجہ سے مسابقت میں اضافہ ہے۔

### 30 جون 2018 کو ختم ہونے والی ششماہی مدت کے عمل کاری اور مالیاتی نتائج

(روپے ہزاروں میں)

4,223,319

1,899,423

1,685,548

1,072,857

1,248,925

1,074,161

9.83 روپے

حاصل

مجموعی منافع

محصولات سے قبل منافع

بعد از محصولات منافع

آگے لایا گیا غیر منقسمہ منافع

غیر مختص منافع فرستادہ

بنیادی اور خفیف آمدنی فی عمومی حصص

30 جون 2018 کو ختم ہونے والی ششماہی مدت میں کبھی نے 4,223 ملین روپے آمدنی حاصل کی ہے جو کہ گزشتہ سال کی اسی مدت کے دوران 4,900 ملین روپے رہی۔ کنٹینرز کے حجم کے نمونہ میں کمی اور افراط زر کے اثرات کی وجہ سے آمدنی میں کمی رہی جو اس سماہی میں 1,686 ملین روپے محصولات سے قبل منافع میں تبدیل ہوئی جو کہ گزشتہ سال کے اسی مدت کے دوران 2,184 ملین روپے رہی۔ محصولات کی تخصیص کے بعد کبھی نے 30 جون 2018 کو ختم ہونے والی ششماہی مدت کے دوران 1,073 ملین روپے کا بعد از محصولات منافع حاصل کیا جس کے نتیجے میں فی عمومی حصص آمدنی 9.83 روپے رہی۔

کبھی مسابقت کے آثار کو کم کرنے کے لئے عملی کارکردگی کو بڑھانے اور اپنے گاہکوں کی رابطہ کاری کو مزید بہتر بنانے کے لئے کوشاں ہے۔

ہم کبھی سے بڑے ہونے تمام افراد کی مسلسل حمایت کے لئے ان کے شکر گزار ہیں اور انتظامیہ ملازمین کی لگن اور سخت محنت کے لئے ان کا شکر یہ ادا کرتے ہیں۔

مجلسِ نظماً کی جانب سے

کرشین آرگوڈواٹر  
مجلسِ نظماً چیئر مین

خرم عزیز خان  
کبھی کے سربراہ  
کراچی، 17 اگست 2018



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
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Pakistan

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## INDEPENDENT AUDITORS' REVIEW REPORT

### To the members of Pakistan International Container Terminal Limited Report on review of Interim Financial Statements

#### Introduction

We have reviewed the accompanying condensed interim statement of financial position of **Pakistan International Container Terminal Limited as at 30 June 2018** and the related condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity, and condensed interim statement of cash flows, and notes to the financial statements for the six-months period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim statement of profit or loss and condensed interim statement of comprehensive income for the three months ended 30 June 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended 30 June 2018.

#### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditors' report is **Mr. Arif Nazeer**.

*EY Ford Rhodes*

**Chartered Accountants**  
**Place:** Karachi  
**Date:** 20 August 2018

A member firm of Ernst & Young Global Limited

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2018**

	Note	June 30, 2018 (Un-audited) ----- (Rupees in '000) -----	December 31, 2017 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	2,625,829	2,921,044
Intangibles		36,190	43,270
Long-term deposits		9,654	8,729
		<u>2,671,673</u>	<u>2,973,043</u>
<b>CURRENT ASSETS</b>			
Stores, spare parts and loose tools - net		527,048	509,258
Trade debts - net	6	351,584	335,914
Advances		22,713	17,231
Deposits, prepayments and other receivables		180,155	179,908
Short-term investments – net	7	-	-
Cash and bank balances		243,194	162,854
		<u>1,324,694</u>	<u>1,205,165</u>
<b>TOTAL ASSETS</b>		<u><u>3,996,367</u></u>	<u><u>4,178,208</u></u>
<b>SHARE CAPITAL AND RESERVES</b>			
Issued, subscribed and paid-up capital		1,091,532	1,091,532
Reserves		1,074,161	1,248,925
		<u>2,165,693</u>	<u>2,340,457</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation - net	8	259,843	332,127
Long term employee benefits		51,934	53,458
		<u>311,777</u>	<u>385,585</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	1,270,022	1,387,344
Unpaid and unclaimed dividends		51,307	45,790
Taxation – net		197,568	19,032
		<u>1,518,897</u>	<u>1,452,166</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>3,996,367</u></u>	<u><u>4,178,208</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	10		

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive Officer

Director

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS  
FOR THE HALF YEAR AND QUARTER ENDED JUNE 30, 2018  
(UN-AUDITED)**

	Half Year Ended		Quarter Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Note	----- (Rupees in `000) -----			
<b>Revenue – net</b>	<b>4,223,319</b>	4,899,879	<b>2,033,324</b>	2,344,568
Cost of services	<b>(2,323,896)</b>	(2,497,972)	<b>(1,135,532)</b>	(1,206,778)
<b>Gross profit</b>	<b>1,899,423</b>	2,401,907	<b>897,792</b>	1,137,790
Administrative expenses	<b>(227,490)</b>	(194,454)	<b>(117,835)</b>	(94,973)
Other expenses	<b>(3,287)</b>	(48,039)	<b>(1,285)</b>	(22,624)
Finance cost	<b>(410)</b>	(8,236)	<b>(205)</b>	(3,356)
Other Income	<b>17,312</b>	32,648	<b>8,438</b>	18,382
<b>Profit before taxation</b>	<b>1,685,548</b>	2,183,826	<b>786,905</b>	1,035,219
Taxation	11 <b>(612,691)</b>	(777,269)	<b>(275,510)</b>	(417,419)
<b>Profit after taxation</b>	<b>1,072,857</b>	1,406,557	<b>511,395</b>	617,800
<b>Earnings per ordinary share - basic and diluted (Rupees)</b>	<b>9.83</b>	12.89	<b>4.69</b>	5.66

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive Officer

Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF YEAR AND QUARTER ENDED JUNE 30, 2018  
(UN-AUDITED)**

	Half Year Ended		Quarter Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	----- (Rupees in `000) -----			
<b>Profit after taxation</b>	<b>1,072,857</b>	1,406,557	<b>511,395</b>	617,800
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<u><b>1,072,857</b></u>	<u>1,406,557</u>	<u><b>511,395</b></u>	<u>617,800</u>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive Officer

Director

**CONDENSED INTERIM STATEMENT OF CASH FLOWS  
FOR THE HALF YEAR ENDED JUNE 30, 2018  
(UN-AUDITED)**

	Note	Half Year Ended	
		June 30, 2018	June 30, 2017
		----- (Rupees in `000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	14	<b>1,842,183</b>	2,481,508
Taxes paid		(506,439)	(794,235)
Long-term employee benefits paid		(1,628)	(3,151)
Finance cost paid		(410)	(9,781)
Long term deposits		(925)	-
<b>Net cash generated from operating activities</b>		<b>1,332,781</b>	1,674,341
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(24,133)	(10,565)
Proceeds from disposal of operating fixed assets		1,026	335
Markup received on saving accounts		12,770	25,767
<b>Net cash (used in) / generated from investing activities</b>		<b>(10,337)</b>	15,537
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long-term financing		-	(298,755)
Dividends paid		(1,242,104)	(1,149,032)
<b>Net cash used in financing activities</b>		<b>(1,242,104)</b>	(1,447,787)
Net increase in cash and cash equivalents		<b>80,340</b>	242,091
Cash and cash equivalents at the beginning of the period		<b>162,854</b>	462,705
Cash and cash equivalents at the end of the period		<b>243,194</b>	704,796

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive Officer

Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED JUNE 30, 2018  
(UN-AUDITED)**

	Issued, subscribed and paid-up capital	Reserves			Total
		Capital redemption reserve fund	Unappropriated profit	Total reserves	
(Rupees in '000)					
<b>Balance as at January 01, 2017</b>	1,091,532	180,000	874,350	1,054,350	2,145,882
Profit after taxation	-	-	1,406,557	1,406,557	1,406,557
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	1,406,557	1,406,557	1,406,557
Final cash dividend for the year ended December 31, 2016 @ Rs.6.3/- per ordinary share	-	-	(687,665)	(687,665)	(687,665)
Interim cash dividend for the year ended December 31, 2017 @ Rs.3.8/- per ordinary share	-	-	(414,782)	(414,782)	(414,782)
<b>Balance as at June 30, 2017</b>	<u>1,091,532</u>	<u>180,000</u>	<u>1,178,460</u>	<u>1,358,460</u>	<u>2,449,992</u>
<b>Balance as at January 01, 2018</b>	<b>1,091,532</b>	<b>180,000</b>	<b>1,068,925</b>	<b>1,248,925</b>	<b>2,340,457</b>
Profit after taxation	-	-	1,072,857	1,072,857	1,072,857
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	1,072,857	1,072,857	1,072,857
Final cash dividend for the year ended December 31, 2017 @ Rs.6.43/- per ordinary share	-	-	(701,855)	(701,855)	(701,855)
Interim cash dividend for the year ending December 31, 2018 @ Rs.5/- per ordinary share	-	-	(545,766)	(545,766)	(545,766)
<b>Balance as at June 30, 2018</b>	<u><b>1,091,532</b></u>	<u><b>180,000</b></u>	<u><b>894,161</b></u>	<u><b>1,074,161</b></u>	<u><b>2,165,693</b></u>

The annexed notes from 1 to 18 form an integral part of these condensed interim financial statements.

Chief Financial Officer

Chief Executive Officer

Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF YEAR ENDED JUNE 30, 2018  
(UN-AUDITED)**

**1. CORPORATE INFORMATION AND OPERATIONS**

- 1.1. Pakistan International Container Terminal Limited (the Company) was incorporated in Pakistan as a private limited company in June 2002. Subsequently, it was converted to an unquoted public limited company and later on, listed on the Pakistan Stock Exchange Limited on October 15, 2003. The registered office of the Company is situated at Berths no. 6 to 9, East Wharf, Karachi Port, Karachi.
- 1.2. The Company has a Build Operate Transfer (BOT) contract with Karachi Port Trust (KPT) for the construction, development, operations and management of a common user container terminal at Karachi Port for a period of twenty-one years commencing June 18, 2002. After the expiry date, the Company will transfer all the concession assets to KPT.
- 1.3. The Company is a subsidiary of ICTSI Mauritius Limited, whereas its ultimate parent company is International Container Terminal Services Inc., a company incorporated in Manila, Philippines.

**2. BASIS OF PREPARATION**

**2.1. Statement of compliance**

These condensed interim financial statements of the Company for the half year ended June 30, 2018 have been prepared in accordance with the requirements of the International Accounting Standard (IAS 34) "Interim Financial Reporting", issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act) and the provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ with the requirements of IAS 34, the provisions of and directives issued under the Act have been followed.

These condensed interim financial statements are un-audited but subject to limited scope review by the statutory auditors and is being submitted to the shareholders as required under Section 237 of the Act. These condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the annual audited financial statements of the Company for the year ended December 31, 2017.

The comparative statement of financial position presented in these condensed interim financial statements has been extracted from the annual audited financial statements of the Company for the year ended December 31, 2017, whereas the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity have been extracted from the un-audited condensed interim financial statements of the Company for the period ended June 30, 2017.

The figures of the condensed interim statement of profit or loss for the quarter ended March 31, 2018 and March 31, 2017 and notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the cumulative figures for the half year ended June 30, 2018 and June 30, 2017.

**2.2. Functional and presentation currency**

These condensed interim financial statements are presented in Pakistani Rupees which is the functional and presentation currency of the Company and figures are rounded off to the nearest thousand rupees unless otherwise specified.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those followed in the preparation of the annual audited financial statements for the year ended December 31, 2017 except as disclosed below:

IFRS 2	Classification and Measurement of Share Based Payment Transactions (Amendment)
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Contracts – (Amendments)
IAS 40	Investment Property: Transfers of Investment Property (Amendments)
IFRIC 22	Foreign Currency Transactions and Advance Consideration
IFRIC 23	Uncertainty over Income Tax Treatments

Annual improvements to IFRSs 2014-2016 Cycle

The Company expects that the adoption of the above amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS AND FINANCIAL RISK MANAGEMENT

The preparation of these condensed interim financial statements requires 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. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by the management in applying the Company's accounting policies and areas where assumptions and estimates are significant are same as those applied to the annual audited financial statements as at and for the year ended December 31, 2017. The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements as at and for the year ended December 31, 2017.

	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
Note	----- (Rupees in `000) -----	

### 5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets	5.1	2,557,418	2,842,247
Capital work-in-progress (CWIP)		<u>68,411</u>	<u>78,797</u>
		<u>2,625,829</u>	<u>2,921,044</u>

#### 5.1. Operating fixed assets

Written down value at the beginning of the period / year		2,842,247	3,161,837
Additions / transfers from CWIP during the period / year	5.1.1	<u>34,519</u>	<u>291,137</u>
		<u>2,876,766</u>	3,452,974
Less:			
Disposals during the period / year at written down value	5.1.2	<u>(1,038)</u>	<u>(12,883)</u>
Depreciation charged during the period / year		<u>(319,348)</u>	<u>(610,727)</u>
		<u>2,557,418</u>	<u>2,842,247</u>

	June 30, 2018 (Un-audited) ----- (Rupees in '000) -----	December 31, 2017 (Audited)
<b>5.1.1. Additions / transfers from CWIP during the period / year</b>		
Leasehold improvements	2,002	26,204
Container / terminal handling / workshop equipment	19,523	179,745
Port power generation	-	48,822
Vehicles	-	1,128
Computers and other equipment	12,830	32,623
Furniture and fixtures	164	2,615
	<u>34,519</u>	<u>291,137</u>
<b>5.1.2. Disposals during the period / year at written down value</b>		
Container / terminal handling / workshop equipment	1,012	7,042
Vehicles	-	4,822
Computers and other equipment	-	701
Furniture and fixtures	26	318
	<u>1,038</u>	<u>12,883</u>

**6. TRADE DEBTS - net**

Includes Rs. 4.1 million (December 31, 2017: Rs. 2.24 million) receivable from related parties.

	June 30, 2018 (Un-Audited) ----- (Rupees in `000) -----	December 31, 2017 (Audited)
<b>Note</b>		

**7. SHORT-TERM INVESTMENTS - net**
**Held to maturity investments**

Certificate of investments (COIs)	43,000	43,000
Provision for impairment	(43,000)	(43,000)
	<u>-</u>	<u>-</u>

7.1

7.1 Represents investment in COIs of Saudi Pak Leasing Company (the Investee Company). The Investee Company made default in repayment against COIs in August 2009 due to serious financial and liquidity crunch reportedly being faced by it. Due to uncertainties involved, the Company has carried impairment provision in these condensed interim financial statements as a matter of prudence, however, the Company is continuously pursuing for the recovery of the investment amount.

	June 30, 2018 (Un-audited) ----- (Rupees in '000) -----	December 31, 2017 (Audited)
--	--	-----------------------------------

**8. DEFERRED TAXATION - net**
**Credit / (debit) balances arising in respect of timing differences relating to:**

Accelerated tax depreciation and amortisation	378,950	455,584
Others	(119,107)	(123,457)
	<u>259,843</u>	<u>332,127</u>

**9. TRADE AND OTHER PAYABLES**

Include Rs. 210.8 million (December 31, 2017: Rs. 201 million) payable to related parties.

## 10. CONTINGENCIES AND COMMITMENTS

### 10.1. Contingencies

- 10.1.1.** In 2007, the Trustees of the Port of Karachi (KPT) filed a civil suit against the Company in the Honorable High Court of Sindh (HCS) claiming a sum of Rs. 304.5 million along with the interest, as default payment of wharfage and penalty thereon, for the alleged mis-declaration of the category of goods on the import of Ship to Shore Cranes and Rubber Tyre Gantry Cranes in 2004.

In 2017, HCS passed the judgment and decree in favour of the Company and ordered that KPT is not entitled to the amount of wharfage charges claimed by it. In June 2017, KPT filed an appeal against the aforesaid HCS' judgment before the Divisional Bench of HCS.

Upon advice of the Company's legal advisor, management is confident that there is no merit in this claim and accordingly no provision in respect of above has been made in these condensed interim financial statements.

- 10.1.2.** In 2007, the Company has filed an interpleader civil suit before HCS against the Deputy District Officer, Excise and Taxation (DDO) and the Trustees of KPT in respect of demand raised by the DDO on the Company to pay property tax out of the Handling, Marshaling and Storage (HMS) charges payable to KPT amounting to Rs. 34.6 million for the period from 2003 to 2007. In compliance with the Order of HCS, the Company deposited the amount with Nazir of HCS, out of amount withheld by the company from HMS charges billed by KPT.

In 2014, another demand was made by the DDO amounting to Rs. 96.1 million for the period 2008 to 2014. On an application filed by the Company for directions, HCS ordered for deposit of the aforementioned amount out of HMS charges billed by KPT. The Company complied with the order of HCS. In 2015, HCS issued further orders directing the Company to deposit the remaining HMS charges due and payable with Nazir of HCS in quarterly instalments. Accordingly, the Company complied with the order of HCS. The amount deposited with Nazir of HCS is netted off with the HMS payable to KPT.

The decision of the suit is still pending, and the Company's legal advisor believes that there may be no adverse implication for depositing the payments with Nazir of HCS due to KPT in view of complying with the HCS's order. Accordingly, no provision has been made in this respect in these condensed interim financial statements.

- 10.1.3** While completing the audit proceedings for the tax year 2013, the Deputy Commissioner Inland Revenue (DCIR) modified the deemed assessment of the Company by passing an order under section 122(1) of the Income Tax Ordinance, 2001 and made certain disallowances / additions in the taxable income and raised an income tax demand of Rs. 130.4 million. The Company filed an appeal before the Commissioner Inland Revenue – Appeals (CIR-A) who partly decided the appeal in favour of the Company. Consequently, the Company made the payment of Rs. 100 million and filed a second appeal before the Appellate Tribunal Inland Revenue (ATIR), in respect of issues confirmed by the CIR (A), which is now pending for adjudication. The tax advisor of the Company is of the view that the issues involved in the appeal will be decided in favour of the Company and accordingly, no provision in respect of excess demand raised by the DCIR has been made in these condensed interim financial statements.

- 10.1.4** In 2017, the Assistant Commissioner Sindh Revenue Board (AC-SRB) under Sindh Sales Tax on Services Act, 2011 raised a demand of Rs. 514.4 million along with penalty and default surcharge, for tax periods January 2013 to December 2014 on exempt services provided by the Company. The Company filed an appeal with Commissioner Appeals – SRB which is pending for hearing. The Company has also filed a petition before the HCS in respect of the subject order passed by AC-SRB seeking protection from any adverse action. HCS has granted an interim order restraining SRB from taking any adverse action relating to recovery of above demand.

The tax and legal advisors of the Company are of the view that the Company has a strong defense and appeal will be decided in favour of the Company. Accordingly, the Company has not made any provision in respect of the above demand in these condensed interim financial statements.

- 10.1.5** In 2017, the Additional Commissioner Inland Revenue (ACIR) modified the deemed assessment of the Company for the tax year 2016 by passing an order under section 122(5A) of the Income Tax Ordinance, 2001 and made certain additions / disallowances to the taxable income and tax credits claimed by the Company and raised an income tax demand of Rs. 222.2 million. The Company filed an appeal before the Commissioner Inland Revenue – Appeals (CIR-A) who had decided the appeal partly in favour of the Company. Being aggrieved by the decision of CIR-A, the Company as well as the tax department filed the appeals before Appellate Tribunal Inland Revenue (ATIR) which are pending for adjudication. The Company has also sought stay from HCS against the demand created by ACIR after appeal effect proceedings. HCS vide its final order directed the ACIR not to take any coercive recovery measures till the finalization of appeal before the ATIR which is pending adjudication.

The tax advisor of the Company is of the view that the issues involved in the appeal will be decided in favour of the Company. Accordingly, no provision in respect of excess demand raised by the ACIR has been made in these condensed interim financial statements.

June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
----- (Rupees in '000) -----	

## 10.2. Commitments

<b>10.2.1.</b> Commitments for capital expenditure	<b>39,734</b>	5,883
<b>10.2.2.</b> Outstanding letters of guarantees	<b>114,994</b>	109,354
<b>10.2.3.</b> Outstanding letters of credit	<b>4,980</b>	784
<b>10.2.4.</b> Handling, Marshalling and Storage charges payable to KPT:		
Not later than one year	176,736	172,013
Later than one year but not later than five years	<b>801,356</b>	770,324
Later than five years	-	207,768
	<b>978,092</b>	1,150,105

	Half Year Ended		Quarter Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	----- (Un-audited) -----			
<b>Note</b>	----- (Rupees in '000) -----			

## 11. TAXATION

Current		550,178	724,809	250,605	327,454
Deferred		(72,283)	(84,380)	(42,493)	(46,875)
Prior	11.1	134,796	136,840	67,397	136,840
		<b>612,691</b>	777,269	<b>275,509</b>	417,419

- 11.1.** This represents super tax of Rs. 134.8 million (June 30, 2017: Rs. 136.8 million) imposed for rehabilitation of temporarily displaced persons under section 4B of the Income Tax Ordinance, 2001 through Finance Act, 2018.

**12. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise of financial assets and financial liabilities. Financial assets consist of bank balances, advances, trade deposits, other receivables and short-term investments. Financial liabilities consist of trade and other payables. The fair values of financial instruments are not materially different from their carrying values.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Fair value measurements using 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:** Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As of the date of statement of financial position, the Company does not have any financial assets carried at fair value that required categorisation in Level 1, Level 2 and Level 3.

**13. RELATED PARTY TRANSACTIONS**

The related parties include the Parent Company, associated companies, entities having directors in common with the Company, directors and other key management personnel. Details of transactions with related parties, other than those which have been specifically disclosed elsewhere in these condensed interim financial statements, with related parties as mentioned below are entered under normal commercial terms:

	Half Year Ended		Quarter Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	----- (Un-audited) -----			
	----- (Rupees in '000) -----			
<b>Associated companies / other related parties</b>				
Technical services fee	<b>346,434</b>	371,577	<b>175,157</b>	170,386
Terminal handling services and rent	<b>254,183</b>	318,537	<b>125,442</b>	149,435
Revenue from container handling	<b>21,083</b>	24,955	<b>9,873</b>	9,963
Traveling expenses	-	600	-	525
Donations	<b>1,800</b>	1,800	<b>900</b>	900
Dividends	<b>1,070,264</b>	961,383	<b>1,070,264</b>	961,383
<b>Key management personnel</b>				
Remuneration	<b>81,367</b>	119,023	<b>32,019</b>	47,172
<b>Staff retirement contribution plan</b>				
Provident fund contribution	<b>11,191</b>	10,864	<b>5,561</b>	5,418

June 30,                      June 30,  
2018                              2017  
----- (Un-audited) -----  
----- (Rupees in '000) -----

**14. CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before taxation	1,685,548	2,183,826
Adjustments for non-cash items:		
Depreciation and amortisation	325,390	301,906
Finance cost	410	8,236
Accrual for long-term employee benefits	104	3,504
Unrealised exchange loss - net	3,272	1,543
Mark-up on saving accounts	(12,529)	(28,885)
Loss on disposal of operating fixed assets - net	15	684
	316,662	286,988
<b>Operating profit before working capital changes</b>	<b>2,002,210</b>	<b>2,470,814</b>
<b>(Increase) in current assets</b>		
Stores, spare parts and loose tools – net	(17,790)	(59,969)
Trade debts – net	(15,670)	(50,705)
Advances, deposits, prepayments and other receivables	(5,970)	(11,528)
	(39,430)	(122,202)
	<b>1,962,780</b>	<b>2,348,612</b>
<b>(Decrease) / increase in current liabilities</b>		
Trade and other payables	(120,597)	132,896
<b>Cash generated from operations</b>	<b>1,842,183</b>	<b>2,481,508</b>

**15. EXEMPTION FROM APPLICABILITY OF IFRIC-12 "SERVICE CONCESSION ARRANGEMENTS"**

The Securities and Exchange Commission of Pakistan (SECP) in pursuance of S.R.O No. 24(I)/2012 dated January 16, 2012 has given relaxation for the implementation of IFRIC-12 "Service Concession Arrangements" due to the practical difficulties faced by the companies. However, SECP made it mandatory to disclose the impact on the results due to application of IFRIC-12.

Under IFRIC-12, the consideration required to be made by operator (the Company) for the right to use the asset is to be accounted for as an intangible asset under IAS-38 "Intangible Assets". If the Company had to follow IFRIC-12, the effect on these condensed interim financial statements would be as follows:

	June 30, 2018 (Un-audited)	December 31, 2017 (Audited)
	----- (Rupees in '000) -----	
Reclassification from property, plant and equipment (including CWIP) to intangible assets (Port Concession Rights) - written down value	1,442,868	1,568,306
Reclassification from spares to intangible assets	34,029	27,919
Recognition of intangible assets (Port Concession Rights) on account of handling and marshaling charges (HMS)	390,445	494,578
Recognition of present value of concession liability on account of intangibles (HMS)	831,957	891,794
Interest expense for the period / year on account of intangibles (HMS)	26,170	55,322
Amortisation expense for the period / year on account of intangibles (HMS)	86,739	86,014
Amortisation expense for the period / year on account of concession assets (PPE and spares)	145,892	285,498
Increase in profit before tax for the period / year on account of reversal of HMS	86,935	169,380

**16. DIVIDEND AND APPROPRIATION**

The Board of Directors in their board meeting held on August 17, 2018 have recommended an interim cash dividend of Rs. 2.5 (December 31, 2017: Rs. 23.98) per ordinary share for the year.

**17. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements have been authorised for issue by the Board of Directors of the Company on August 17, 2018.

**18. GENERAL**

Certain figures in these condensed interim financial statements have been rearranged / reclassified for better presentation, the effect of which is immaterial.

Chief Financial Officer

Chief Executive Officer

Director



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