



*An ICTSI Group Company*

## **Pakistan International Container Terminal Limited**



# QUARTERLY REPORT

## SEPTEMBER 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 period ended September 30, 2018.

### General Review

The Company during the period ended September 30, 2018 handled 328,682 containers as compared to 525,653 containers handled during the corresponding period last year. The decline in handling is majorly attributable to the ongoing global consolidation of shipping lines coupled with increase in vessel sizes and emergence of excess handling capacity at Karachi port.

### Operating & Financial Results for the period ended September 30, 2018

These are summarized below:

	(Rupees in '000)
Profit before taxation	2,356,548
Less: Taxation	<u>849,285</u>
Profit after taxation	1,507,263
Reserves brought forward	<u>1,248,925</u>
Reserves carried forward	<u><u>1,235,684</u></u>
Earnings per Ordinary Share – Basic and Diluted	<u>13.81</u>

During the period ended September 30, 2018, the turnover of the Company has decreased to Rs. 6,101 million as compared to Rs. 7,121 million in corresponding period last year, reason being drop in handling.

The business environment remains challenging and competitive. Higher cost of services due to inflationary pressures have resulted in gross profit of Rs. 2,675 million for the period as compared to Rs. 3,457 million in the same period last year. After accounting for finance cost and taxation, the Company has generated net profit of Rs. 1,507 million resulting in EPS of Rs. 13.81 for the period ended September 30, 2018.

The company is exerting every effort to reduce the impacts of the competition through operational efficiencies and customers relationship management. The company will strive hard to have 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

\_\_\_\_\_  
**Christian R. Gonzalez**  
Chairman

Karachi; October 15, 2018

## بیان نظام

مجلس نظام، 30 ستمبر 2018 کو ختم ہونے والی مدت کے لئے کمپنی کے غیر محاسب ملخص عبوری مالیاتی گوشوارے آپ کی خدمت میں پیش کرتی ہے۔

عمومی معروضات

30 ستمبر 2018 کو ختم ہونے والی مدت کے دوران کمپنی نے 328,682 کنٹینرز سنبھالے۔ گزشتہ سال اسی مدت کے دوران 525,653 کنٹینرز سنبھالے گئے تھے۔ کسی کی بنیادی وجہ، شپنگ لائنوں کے جاری عالمی انضمام کے ساتھ جہازوں کی لمبائی میں اضافہ اور کراچی بندرگاہ پر اضافی بینڈ لنگ کی صلاحیت کا آئینہ ہے۔

30 ستمبر 2018 کو ختم ہونے والی ششماہی مدت کے عمل کاری اور مالیاتی نتائج کا خلاصہ درج ذیل ہے:

(روپے ہزاروں میں)

2,356,548

منافع قبل از محصولات

849,285

تفریق: محصولات

1,507,263

منافع بعد از محصولات

1,248,925

ذخائر آوردہ

1,235,684

ذخائر فرستادہ

13.81

آمدنی فی عمومی حصص - بنیادی اور خفیف (روپے)

30 ستمبر 2018 کو ختم ہونے والی مدت میں کمپنی نے 6,101 ملین روپے آمدنی حاصل کی جبکہ گزشتہ سال کے اسی مدت کے دوران 7,121 ملین روپے آمدنی رہی۔

کاروباری ماحول مشکل اور مسابقتی ہے۔ افراط زر کے سبب خدمات کی بروقتی ہوئی لاگت کے باعث خام منافع 2,675 ملین روپے رہا جو کہ گزشتہ سال کے اسی مدت کے خام منافع 3,457 ملین روپے سے کم رہا۔ مالیاتی لاگت اور محصولات کی تخصیص کے بعد کمپنی نے 30 ستمبر 2018 کو ختم ہونے والی مدت کے دوران 1,507 ملین روپے کا خالص منافع حاصل کیا جس کے نتیجے میں فی عمومی حصص آمدنی 13.81 روپے رہی۔

کمپنی مسابقت کے آثار کو کم کرنے کے لیے عملی کارکردگی کو بڑھانے اور اپنے گاہکوں کی رابطہ کاری کو مزید بہتر بنانے کے لیے کوشاں ہے۔ کمپنی مالی سال 2018 کے مہربان اختتام کے لیے سخت محنت کرے گی۔

ہم کمپنی سے جڑے ہوئے تمام افراد کی طرف سے مسلسل حمایت کے لئے ان کے شکر گزار ہیں اور انتظامیہ و ملازمین کی لگن اور انتھک محنت کے لئے ان کا شکریہ ادا کرتے ہیں۔

مجلس نظام، کی طرف اور جانب سے

کرشمین آرگنوزائز

خرم عزیز خان

صدر مجلس نظام

کمپنی کے سربراہ

کراچی، 15 اکتوبر 2018

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

	September 30, 2018 (Un-audited)	December 31, 2017 (Audited)
Note	----- (Rupees in `000) -----	
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	5 2,512,357	2,921,044
Intangibles	32,709	43,270
Long-term deposits	9,654	8,729
	<u>2,554,720</u>	<u>2,973,043</u>
<b>CURRENT ASSETS</b>		
Stores, spare parts and loose tools – net	488,410	509,258
Trade debts - net	6 367,321	335,914
Advances	26,592	17,231
Deposits, prepayments and other receivables	220,783	179,908
Taxation -net	21,341	-
Short-term investments – net	7 -	-
Cash and bank balances	370,065	162,854
	<u>1,494,512</u>	<u>1,205,165</u>
<b>TOTAL ASSETS</b>	<u>4,049,232</u>	<u>4,178,208</u>
<b>SHARE CAPITAL AND RESERVES</b>		
Issued, subscribed and paid-up capital	1,091,532	1,091,532
Reserves	1,235,684	1,248,925
	<u>2,327,216</u>	<u>2,340,457</u>
<b>NON-CURRENT LIABILITIES</b>		
Deferred taxation - net	8 230,579	332,127
Long term employee benefits	51,429	53,458
	<u>282,008</u>	<u>385,585</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	9 1,394,121	1,387,344
Unpaid and unclaimed dividends	45,887	45,790
Taxation – net	-	19,032
	<u>1,440,008</u>	<u>1,452,166</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>4,049,232</u>	<u>4,178,208</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	10	

The annexed notes from 1 to 16 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 NINE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2018  
(UN-AUDITED)**

	Nine Months Ended		Quarter Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Note	----- (Rupees in `000) -----			
<b>Revenue – net</b>	<b>6,101,011</b>	7,121,000	<b>1,877,692</b>	2,221,121
Cost of services	<b>(3,425,891)</b>	(3,663,973)	<b>(1,101,995)</b>	(1,166,001)
<b>Gross profit</b>	<b>2,675,120</b>	3,457,027	<b>775,697</b>	1,055,120
Administrative expenses	<b>(336,803)</b>	(302,554)	<b>(109,313)</b>	(108,100)
Other expenses	<b>(4,553)</b>	(46,849)	<b>(1,266)</b>	(1,190)
Finance cost	<b>(496)</b>	(8,271)	<b>(86)</b>	(35)
Other Income	<b>23,280</b>	57,472	<b>5,968</b>	27,204
<b>Profit before taxation</b>	<b>2,356,548</b>	3,156,825	<b>671,000</b>	972,999
Taxation	<b>(849,285)</b>	(1,063,803)	<b>(236,594)</b>	(286,534)
<b>Profit after taxation</b>	<b>1,507,263</b>	2,093,022	<b>434,406</b>	686,465
<b>Earnings per ordinary share - basic and diluted (Rupees)</b>	<b>13.81</b>	19.18	<b>3.98</b>	6.29

The annexed notes from 1 to 16 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 NINE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2018  
(UN-AUDITED)**

	Nine Months Ended		Quarter Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	----- (Rupees in `000) -----			
<b>Profit after taxation</b>	<b>1,507,263</b>	2,093,022	<b>434,406</b>	686,465
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<u><b>1,507,263</b></u>	<u>2,093,022</u>	<u><b>434,406</b></u>	<u>686,465</u>

The annexed notes from 1 to 16 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 NINE MONTHS ENDED SEPTEMBER 30, 2018**  
**(UN-AUDITED)**

	Note	Nine Months Ended	
		September 30, 2018	September 30, 2017
----- (Rupees in `000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	13	2,501,163	3,366,356
Taxes paid		(991,206)	(1,203,898)
Long-term employee benefits paid		(2,101)	(7,622)
Finance cost paid		(491)	(9,823)
Long term deposits		(925)	-
<b>Net cash generated from operating activities</b>		<b>1,506,440</b>	<b>2,145,013</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(70,348)	(131,710)
Proceeds from disposal of operating fixed assets		1,168	21,818
Markup received on saving accounts		17,475	35,815
<b>Net cash used in investing activities</b>		<b>(51,705)</b>	<b>(74,077)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long-term financing		-	(298,755)
Dividends paid		(1,247,524)	(1,723,462)
<b>Net cash used in financing activities</b>		<b>(1,247,524)</b>	<b>(2,022,217)</b>
Net increase in cash and cash equivalents		<b>207,211</b>	<b>48,719</b>
Cash and cash equivalents at the beginning of the period		<b>162,854</b>	<b>462,705</b>
Cash and cash equivalents at the end of the period		<b>370,065</b>	<b>511,424</b>

The annexed notes from 1 to 16 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 NINE MONTHS ENDED SEPTEMBER 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	-	-	2,093,022	2,093,022	2,093,022
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	2,093,022	2,093,022	2,093,022
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 11.3/- per ordinary share	-	-	(1,233,431)	(1,233,431)	(1,233,431)
<b>Balance as at September 30, 2017</b>	<u>1,091,532</u>	<u>180,000</u>	<u>1,046,276</u>	<u>1,226,276</u>	<u>2,317,808</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	-	-	1,507,263	1,507,263	1,507,263
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	1,507,263	1,507,263	1,507,263
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 7.5/- per ordinary share	-	-	(818,649)	(818,649)	(818,649)
<b>Balance as at September 30, 2018</b>	<u>1,091,532</u>	<u>180,000</u>	<u>1,055,684</u>	<u>1,235,684</u>	<u>2,327,216</u>

The annexed notes from 1 to 16 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 NINE MONTHS ENDED SEPTEMBER 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 nine months ended September 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 and are 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 September 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 of 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 15	Revenue from Contracts with Customers
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 is currently evaluating the impact of the above standards, amendments and interpretations and expects that the adoption of the above will not have any significant effect on 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.

		September 30, 2018 (Un-audited)	December 31, 2017 (Audited)
	Note	----- (Rupees in `000) -----	
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	2,417,283	2,842,247
Capital work-in-progress (CWIP)		<u>95,074</u>	<u>78,797</u>
		<u><b>2,512,357</b></u>	<u><b>2,921,044</b></u>
<b>5.1. Operating fixed assets</b>			
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>54,071</u>	<u>291,137</u>
		<b>2,896,318</b>	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>(479,997)</u>	<u>(597,844)</u>
		<u><b>(479,035)</b></u>	<u><b>(610,727)</b></u>
		<u><b>2,417,283</b></u>	<u><b>2,842,247</b></u>
<b>5.1.1. Additions / transfers from CWIP during the period / year</b>			
Leasehold improvements		9,100	26,204
Container / terminal handling / workshop equipment		29,669	179,745
Port power generation		141	48,822
Vehicles		-	1,128
Computers and other equipment		14,997	32,623
Furniture and fixtures		164	2,615
		<u><b>54,071</b></u>	<u><b>291,137</b></u>

Note	September 30,	December 31,
	2018 (Un-Audited)	2017 (Audited)
	----- (Rupees in '000) -----	
<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 8.05 million (December 31, 2017: Rs 2.24 million) receivable from related parties.

## 7. SHORT-TERM INVESTMENTS - net

### Held to maturity investments

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

- 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.

	September 30,	December 31,
	2018 (Un-audited)	2017 (Audited)
	----- (Rupees in '000) -----	
<b>8. DEFERRED TAXATION - net</b>		
<b>Credit / (debit) balances arising in respect of timing differences relating to:</b>		
Accelerated tax depreciation and amortisation	348,016	455,584
Others	(117,437)	(123,457)
	<u>230,579</u>	<u>332,127</u>

## 9. TRADE AND OTHER PAYABLES

Include Rs 337 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 favor 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 tax advisor of the Company is 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 favor 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 favor of the Company. Accordingly, no provision in respect of excess demand raised by the ACIR has been made in these condensed interim financial statements.

	September 30, 2018 (Un-audited) ----- (Rupees in '000) -----	December 31, 2017 (Audited)
<b>10.2. Commitments</b>		
10.2.1. Commitments for capital expenditure	<u>29,937</u>	<u>5,883</u>
10.2.2. Outstanding letters of guarantees	<u>114,994</u>	<u>109,354</u>
10.2.3. Outstanding letters of credit	<u>9,514</u>	<u>784</u>

## 11. 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.

## 12. 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:

	Nine Months Ended		Quarter Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	----- (Un-audited) -----			
	----- (Rupees in '000) -----			
<b>Associated companies / other related parties</b>				
Technical services fee	<u>455,467</u>	<u>530,725</u>	<u>109,033</u>	<u>159,148</u>
Terminal handling services and rent	<u>357,450</u>	<u>451,358</u>	<u>103,267</u>	<u>132,821</u>
Revenue from container handling	<u>35,662</u>	<u>35,121</u>	<u>14,579</u>	<u>10,165</u>
Traveling expenses	<u>-</u>	<u>3,260</u>	<u>-</u>	<u>2,660</u>
Donations	<u>1,800</u>	<u>2,700</u>	<u>-</u>	<u>900</u>
Dividends	<u>1,070,264</u>	<u>1,675,281</u>	<u>-</u>	<u>713,898</u>

	Nine Months Ended		Quarter Ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
	----- (Un-audited) -----			
	----- (Rupees in '000) -----			
<b>Key management personnel</b>				
Remuneration	135,324	172,122	53,957	57,878
<b>Staff retirement contribution plan</b>				
Provident fund contribution	17,501	16,779	6,310	5,916

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

**13. CASH FLOWS FROM OPERATING ACTIVITIES**

Profit before taxation	2,356,548	3,156,825
Adjustments for non-cash items:		
Depreciation and amortisation	488,558	454,099
Finance cost	491	8,271
Accrual for long-term employee benefits	72	7,465
Unrealised exchange loss - net	4,558	-
Mark-up on saving accounts	(17,226)	(41,289)
Gain on disposal of operating fixed assets - net	(130)	(10,473)
	476,323	418,073
<b>Operating profit before working capital changes</b>	<b>2,832,871</b>	<b>3,574,898</b>
<b>(Increase) in current assets</b>		
Stores, spare parts and loose tools – net	20,848	(116,226)
Trade debts – net	(31,407)	(26,830)
Advances, deposits, prepayments and other receivables	(50,485)	(77,600)
	(61,044)	(220,656)
	2,771,827	3,354,242
<b>(Decrease) / increase in current liabilities</b>		
Trade and other payables	(270,664)	12,114
<b>Cash generated from operations</b>	<b>2,501,163</b>	<b>3,366,356</b>

**14. DIVIDEND AND APPROPRIATION**

The Board of Directors in their board meeting held on October 15, 2018 have recommended an interim cash dividend of Rs. 6 (December 31, 2017: Rs. 23.98) per ordinary share for the year.

**15. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements have been authorised for issue by the Board of Directors of the Company on October 15, 2018.

**16. 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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