

# Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019

For the year ended December 31, 2022

The Company has complied with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 (here-in-after referred as 'the Regulations') in the following manner:

1. The total number of directors are 7 as per the following:
  - a) Male: Six (6)
  - b) Female: one (1)
2. The composition of the Board is as follows:
  - a) Independent Directors:
    - i. Mr. Gordon Alan P. Joseph
    - ii. Mr. Rune Rasmussen
  - b) Non-executive Directors:
    - i. Mr. Hans Ole Madsen - Chairman of the Board
    - ii. Mr. Arnie Dizon Tablante
    - iii. Mr. Jacob Christian Gulmann
    - iv. Mr. Bilal Shahid
    - v. Ms. Lirene Coloquio Mora-Suarez [**Female Director**]
  - c) Executive Director/ Chief Executive Officer:  
Mr. Khurram Khan

\* For the purposes of number of Independent Directors on the Board, the Company has not rounded up the fraction in one-third as one, since the Company contemplates that keeping in view the comparison of the number of non-executive Directors [five], Chief Executive Officer [One] with number of Independent Directors [two], the Board under the current composition is adequately independent.

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company;
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy, and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/shareholders as empowered by the relevant provisions of the Companies Act, 2017 (the Act) and the Regulations;
7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and the Regulations;
9. During the year no Director has obtained Directors Training Certification;
10. The Board has approved appointment of the Company Secretary including his remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. There have been no changes in the position of the Chief Financial Officer (CFO) and the Head of Internal Audit during the year;
11. The Chief Financial Officer and the Chief Executive Officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed the following committees comprising of members given below:

- a) Audit Committee
  - i. Mr. Rune Rasmussen, Chairman
  - ii. Mr. Arnie Dizon Tablante, Member
  - iii. Mr. Bilal Shahid, Member
- b) Human Resource and Remuneration Committee
  - i. Mr. Gordon Alan P. Joseph, Chairman
  - ii. Mr. Hans-Ole Madsen, Member
  - iii. Ms. Lirene Coloquio Mora-Suarez, Member
- c) Risk Management Committee
  - i. Mr. Gordon Alan P. Joseph, Chairman
  - ii. Mr. Hans-Ole Madsen, Member
  - iii. Mr. Bilal Shahid, Member

13. The terms of reference of the aforesaid committees have been formed, documented, and advised to the committees for compliance;
14. The frequency of meetings of the committees were as per following:
  - a) Audit Committee [Quarterly]
  - b) Human Resource and Remuneration Committee [Yearly]
  - c) Risk Management Committee [Semi-annually]
15. The Board has set up an effective internal audit function that is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company;
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan (ICAP) and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, the Chief Financial Officer, the Head of Internal Audit, the Company Secretary or the Directors of the Company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, the regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.



Mr. Hans-Ole Madsen  
Chairman of the Board  
Karachi  
Dated: May 03, 2023



Mr. Khurram Khan  
Chief Executive Officer





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## INDEPENDENT AUDITOR'S REPORT

To the members of Pakistan International Container Terminal Limited

Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of **Pakistan International Container Terminal Limited** (the Company), which comprise the statement of financial position as at **31 December 2022**, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2022 and of the profit and its comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

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

### Material Uncertainty Related to Going Concern

We draw attention to the matter disclosed in note 2.3 to the accompanying financial statements, which describes that the Company's Build, Operate and Transfer contract (Concession Agreement) with Karachi Port Trust (KPT) is expiring on 17 June 2023. In this regard, the Company instituted a legal suit before the Honorable High Court of Sindh (HCS) seeking early extension in concession terms and expansion of infrastructure and to provide status quo to restrain KPT from terminating the Concession Agreement. The HCS in December 2021, provided an interim injunction / stay order for status quo whereby KPT was restrained from terminating the Concession Agreement or inviting bids for award of contract for relevant terminal operation. However, in March 2023, the HCS dismissed the said interim order. While the Company intends to continue its operations even after the conclusion of the Concession Agreement for the purposes explained in the above referred note and has sufficient resources as well as commitment of financial support from the ultimate parent entity in this regard, the above events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

A member firm of Ernst & Young Global Limited



### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S No.	Key audit matters	How our audit addressed the key audit matter
1.	<b>Contingencies</b>	
	<p>As at the reporting date, the Company has various contingent liabilities in respect of income tax and sales tax related matters and pending litigation from the concerned authorities as disclosed in note 17 of the financial statements.</p> <p>Due to the significance of the amounts involved in such matters and the inherent uncertainties in respect of their ultimate outcome, the management judgements and estimates in relation to such contingencies may be complex. Accordingly, we have considered the contingencies as a key audit matter.</p>	<p>Our key audit procedures on contingencies included, amongst others, obtained an understanding of the management's processes and controls over litigations through meetings with the management and review of the minutes of the Board of Directors and Audit Committee:</p> <ul style="list-style-type: none"> <li>- Obtained and reviewed confirmations from the Company's external advisors for their views on the legal position of the Company in relation to the contingencies;</li> <li>- Involved our internal tax professionals to assess management's conclusions on tax matters and to evaluate the consistency of such conclusions with the views of the external tax advisors engaged by the Company; and</li> <li>- Evaluated the adequacy of disclosures made in respect of the contingencies in accordance with the requirements of the financial reporting standards as applicable in Pakistan.</li> </ul>
2.	<b>Revenue recognition</b>	
	<p>The Company's revenue is generated from rendering of container handling services to various customers in accordance with the terms of respective agreements. During the year, revenue of the Company increased by 8% as compared to the previous year.</p> <p>When identifying and assessing the risk relating to revenue recognition, we focused during our performance of audit procedures relating to revenue that whether the sales recorded by the management was occurred during the year</p>	<p>Our key audit procedures in this area amongst others included the following:</p> <ul style="list-style-type: none"> <li>- Obtained an understanding of the Company's process with respect to revenue recognition and tested design and operating effectiveness of controls relevant to such process, including general Information Technology (IT) controls, key application controls and IT dependent manual controls for the relevant IT systems which govern revenue recognition;</li> </ul>

S No.	Key audit matters	How our audit addressed the key audit matter
	<p>and properly recorded in the correct accounting period.</p> <p>Considering the aforementioned reasons together with growth in revenue during the year, we have identified this area as a key audit matter.</p> <p>Refer to notes 3.16 and 18 accounting policy and relevant disclosures respectively in respect of revenue.</p>	<ul style="list-style-type: none"> <li>- Reviewed the terms and conditions of container handling with customers, on sample basis, and assessed the appropriateness of revenue recognition policies and practices followed by the Company;</li> <li>- For test of details, we selected sample of transactions and performed the following procedures: <ul style="list-style-type: none"> <li>• agreed the applied tariff to the respective terms in the contracts;</li> <li>• agreed container handling rates, used in the calculation of tariff, to the pre-billing vessel wise summary; and</li> <li>• tested revenue calculations and agreed the revenue recognized to the underlying accounting records.</li> </ul> </li> <li>- We also Performed cut-off procedures to check that revenue has been recognised in the appropriate accounting period;</li> <li>- Performed journal entry testing using a risk-based criterion, on a sample basis, relating to revenue transactions recorded by the Company and reviewed underlying documentation and business rationale of such journal entries; and</li> <li>- Assessed the adequacy of the disclosures as per the guidelines set out in the applicable financial reporting requirements.</li> </ul>

### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises of information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

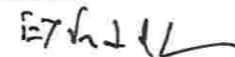
From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

The engagement partner on the audit resulting in this independent auditor's report is **Shaikh Ahmed Salman**.



**Chartered Accountants**

**Place:** Karachi

**UDIN:** AR202210076oX8RTyUJE

**Date:** 05 May 2023