

Quarterly Report

September 30, 2019



An ICTSI Group Company

Pakistan International Container Terminal Limited

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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. Andrew James Dawes
 (Appointed on January 21, 2019)
 (Non-Executive Director)

Directors

Mr. Aasim Azim Siddiqui
 (Non-Executive Director)
 Ms. Gigi Iluminada Miguel
 (Non-Executive Director)
 Mr. Gordon Alan P. Joseph
 (Independent Director)
 Mr. Hans-Ole Madsen
 (Non-Executive Director)
 Mr. Roman Felipe S. Reyes
 (Independent Director)
 Mr. Sharique Azim Siddiqui
 (Non-Executive Director)

Company Secretary

Mr. Adil Siddique

Audit Committee

Chairman
 Mr. Roman Felipe S. Reyes

Members

Mr. Sharique Azim Siddiqui
 Ms. Gigi Iluminada Miguel

Chief Internal Auditor

Mr. Moammar Raza

Human Resource & Remuneration Committee

Chairman
 Mr. Gordon Alan P. Joseph

Members

Mr. Aasim Azim Siddiqui
 Mr. Andrew James Dawes
 (Appointed on January 21, 2019)
 Mr. Christian R. Gonzalez
 (Resigned on January 21, 2019)

Risk Management Committee

Chairman
 Mr. Gordon Alan P. Joseph

Members

Mr. Andrew James Dawes
 (Appointed on January 21, 2019)
 Mr. Christian R. Gonzalez
 (Resigned on January 21, 2019)
 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, 6th 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

CDC Share Registrar Services Limited,
 CDC House, 99-B, Block B, S.M.C.H.S.,
 Main Shakra-e-Faisal, Karachi - 74400
 Tel: +92-0800-23275 Fax: +92-21-34326053

**DIRECTORS' REPORT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019**

We the undersigned for and on behalf of the Board of Directors are pleased to present un-audited condensed interim financial statements of the Company for the nine months ended September 30, 2019.

BUSINESS PERFORMANCE REVIEW

Challenges at the macro-economic level continued due to volatility in Pak Rupee. Higher interest rates and increasing inflation continue to slowdown economic activity during the third quarter. Further, Government's strategy for controlling trade imbalance by reducing imports have led to contracting container volumes. This has resulted in excess handling capacity at the Karachi port giving rise to the cut-throat competition.

Overall economic slowdown along with vessel upsizing in the shipping industry and increased handling capacity at Karachi Port has led to a sizeable contraction in container volumes during the nine months ended September 30, 2019 as compared to the same period last year.

Since last year your Company has been responding effectively and has been making concentrated efforts for ensuring financial and operational sustainability. Despite intense competition and contracting market conditions, your Company managed to retain sustainable market share in the given circumstances and handled 271,730 containers as compared to 328,682 containers handled during the corresponding period last year.

OPERATING AND FINANCIAL RESULTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019

	(Rupees in million)
Revenue	5,826.6
Gross Profit	2,517.8
Profit before taxation	2,188.3
Profit after taxation	1,553.5
Un appropriated profit brought forward	1,028.4
Unappropriated profit carried forward	1,261.1
Earnings per Ordinary Share – Basic and Diluted	Rs. 14.23

During the nine months ended September 30, 2019, the Company has achieved Revenue of Rs 5,826.6 million as compared to Rs 6,101.1 million in the corresponding period last year. This reduction in revenue is majorly attributable to decreasing volumes and lower dwell time of containers. Your company has achieved gross profit of Rs 2,517.8 million for the period depicting decrease of 6% as against reduction in volume handled of 17%.

After accounting for finance cost and taxation, the Company generated net profit of Rs 1,553.5 million which is 3.1% higher as compared to the same period last year.

The Company endeavours to mitigate the effect of the competition through maximization of efficiencies, increased productivity through innovation and provision of improved quality services to the customers.

ACKNOWLEDGEMENT

The Board acknowledges the contribution of each and every employee of the Company in maintaining sustainable improved results despite intense competition and contracting volumes. The Board also places on record its sincere gratitude to extremely valued shareholders, customers, suppliers, employees and financial institutions for their support, confidence and cooperation which enables the Company to sustain the competitive environment. We would also like to thank all concerned regulatory authorities for their prompt guidance and support. This continued support gives us confidence and courage and we remain committed to achieve excellence in all areas of operations.

Thanking you all

On behalf of the Board of Directors



Mr. Hans-Ole Madsen
Director



Mr. Khurram Aziz Khan
Chief Executive Officer

Karachi,
Dated: October 30, 2019

بیان نظام

ہم مجلس نظام کی جانب سے 30 ستمبر 2019 کو ختم ہونے والی مدت کے لئے آپ کی کمپنی کے غیر محاسب شدہ ملخص عبوری مالیاتی گوشوارے پیش کرنے پر مسرور ہیں۔

کاروباری کارکردگی کا جائزہ

پاکستانی روپے کی قدر میں اتار چڑھاؤ کی وجہ سے تیسری سہ ماہی میں معیشت میں چیلنجز کا سلسلہ جاری رہا۔ بڑھتے ہوئے شرح سود اور افراط زر کی وجہ سے اقتصادی سرگرمیاں ست روی کا شکار ہیں۔ حکومت کی طرف سے تجارتی عدم کو توازن میں رکھنے کے لیے درآمدات میں کمی کی وجہ سے بھی کنٹینرز کے حجم کے نمو میں کمی رہی۔ ان وجوہات کی بنا پر کراچی بندرگاہ میں اضافی کنٹینرز سنبھالنے کی صلاحیت پیدا ہوئی، اور سخت مسابقتی ماحول میں اضافہ ہوا۔

پچھلے سال کے مقابلے میں اس سال 30 ستمبر 2019 کو ختم ہونے والی مدت میں مجموعی معیشت میں ست روی، شینگ انڈسٹری میں بڑے جہاز اور کراچی بندرگاہ میں اضافی کنٹینرز سنبھالنے کی صلاحیت کی وجہ سے کنٹینرز کے حجم کے نمو میں بڑے پیمانے میں کمی ہوئی۔

آپ کی کمپنی گزشتہ سال سے ہی مالیاتی اور عملی استحکام کو یقینی بنانے کے لئے موثر انداز سے ٹھوس کوششیں کر رہی ہے۔ سخت مسابقت اور کاروباری صورتحال میں تنزیل کے باوجود آپ کی کمپنی موجودہ حالات کے تناظر میں پائیدار مارکیٹ شیئر برقرار رکھنے میں کامیاب رہی اور 271,730 کنٹینرز سنبھالے جو کہ گزشتہ سال کی اسی مدت کے دوران 328,682 رہے۔

30 ستمبر 2019 کو ختم ہونے والی مدت کے کاروباری اور مالیاتی نتائج

(روپے ملینز میں)

5,826.6

محاصل

2,517.8

مجموعی منافع

2,188.3

محصولات سے قبل منافع

1,553.5

بعد از محصولات منافع

1,028.4

آگے لایا گیا غیر منقسمہ منافع

1,261.1

غیر مختص منافع فرستادہ

14.23

بنیادی اور خفیف آمدنی فی عمومی حصص

30 ستمبر 2019 کو ختم ہونے والی مدت میں، کمپنی نے 5,826.6 ملین روپے آمدنی حاصل کی جو کہ گزشتہ سال کی اسی مدت کے دوران 6,101.1 ملین روپے رہی۔ محاصل میں کمی کی بڑی وجہ کنٹینرز کے حجم کے نمو اور ڈویل ٹائم میں کمی ہے۔ آپ کی کمپنی ٹیم کے نمومیں 17% کمی کے مقابلے میں 6% کمی کے ساتھ 2,517.8 ملین کا مجموعی منافع حاصل کیا۔

مالیاتی لاگت اور محصولات کی حساب داری کے بعد کمپنی نے 1,553.5 ملین روپے کا خام منافع حاصل کیا جو کہ گزشتہ سال کو ختم ہونے والی مدت کے مقابلے میں 3.1% زیادہ ہے۔

آپ کی کمپنی استعداد کو بڑھانے، جدت کے ذریعے نتیجہ خیزی میں اضافے اور اپنے گاہکوں کو بہتر معیاری خدمات فراہم کرتے ہوئے کامیابیوں کے تسلسل کو برقرار رکھے ہوئے کاروبار کو مسلسل گے بڑھانے کے لیے پرعزم ہیں۔

اظہار تشکر

مجلس نظماء ہر ایک ملازم کی سخت مسابقت اور حجم کے نمومیں کمی کے باوجود مستحکم اور بہتر نتائج برقرار رکھنے کے لیے شکر گزار ہے۔ مجلس نظماء اپنے انتہائی قابل قدر حصص یافتگان، گاہکوں، سپلائرز، ملازمین اور مالیاتی اداروں کی حمایت، اعتماد اور تعاون کا تہہ دل سے شکریہ ادا کرتی ہے جو کمپنی کو مسابقتی ماحول میں برقرار رکھنے کا باعث بنتے ہیں۔ ہم تمام انضباطی اداروں کی فوری طور پر رہنمائی اور تعاون کے بھی مشکور ہیں۔ یہ مسلسل حمایت ہمارے اعتماد اور حوصلہ افزائی کا باعث بنتا ہے جس کی وجہ سے ہم اپنی تمام عمل کاری میں عمدگی حاصل کرنے کے لیے پرعزم رہتے ہیں۔

آپ سب کا شکریہ۔

مجلس نظماء کی جانب سے



خرم عزیز خان

کمپنی کے سربراہ



ہانزا ولے میڈسن

ڈائریکٹر


کراچی

بتاریخ 30 اکتوبر 2019

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2019**

		September 30, 2019 (Un-audited)	December 31, 2018 (Audited)
	Note	----- (Rupees in `000) -----	----- (Rupees in `000) -----
NON-CURRENT ASSETS			
Property, plant and equipment	5	2,102,112	2,500,137
Intangibles		76,881	99,403
Long-term deposits		10,424	10,424
		<u>2,189,417</u>	<u>2,609,964</u>
CURRENT ASSETS			
Stores, spare parts and loose tools - net		440,935	473,947
Trade debts - net	6	432,652	419,206
Advances		9,612	35,415
Deposits, prepayments and other receivables		239,424	204,682
Taxation - net		11,284	-
Short-term investments - net	7	-	-
Cash and bank balances		779,680	425,339
		<u>1,913,587</u>	<u>1,558,589</u>
TOTAL ASSETS		<u>4,103,004</u>	<u>4,168,553</u>
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		1,091,532	1,091,532
Reserves		1,441,185	1,208,427
		<u>2,532,717</u>	<u>2,299,959</u>
NON-CURRENT LIABILITIES			
Deferred taxation - net	8	110,682	205,974
Long-term employee benefits		57,526	54,323
		<u>168,208</u>	<u>260,297</u>
CURRENT LIABILITIES			
Trade and other payables	9	1,346,706	1,478,512
Unclaimed dividends		55,373	122,578
Taxation - net		-	7,207
		<u>1,402,079</u>	<u>1,608,297</u>
TOTAL EQUITY AND LIABILITIES		<u>4,103,004</u>	<u>4,168,553</u>
CONTINGENCIES AND COMMITMENTS			
	10		

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer

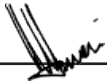


Director

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE NINE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2019
(UN-AUDITED)**

	Nine Months Ended		Quarter Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
----- (Rupees in `000) -----				
Revenue - net	5,826,585	6,101,011	2,021,100	1,877,692
Cost of services	(3,308,762)	(3,425,891)	(1,133,101)	(1,101,995)
Gross profit	2,517,823	2,675,120	887,999	775,697
Administrative expenses	(378,110)	(334,999)	(133,106)	(109,363)
Other expenses	(10,340)	(6,357)	(45)	(1,216)
Finance cost	(396)	(496)	(142)	(86)
Other income	59,408	23,280	23,538	5,968
Profit before taxation	2,188,385	2,356,548	778,244	671,000
Taxation	(634,874)	(849,285)	(225,534)	(236,594)
Profit after taxation	1,553,511	1,507,263	552,710	434,406
Earnings per ordinary share - basic and diluted (Rupees)	14.23	13.81	5.06	3.98

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer

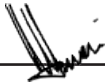


Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2019
(UN-AUDITED)**

	Nine Months Ended		Quarter Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	----- (Rupees in `000) -----			
Profit after taxation	1,553,511	1,507,263	552,710	434,406
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>1,553,511</u>	<u>1,507,263</u>	<u>552,710</u>	<u>434,406</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.



Chief Financial Officer



Chief Executive Officer

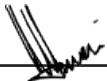


Director

**CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(UN-AUDITED)**

	Note	Nine Months Ended	
		September 30, 2019	September 30, 2018
		----- (Rupees in `000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES	13	2,528,267	2,501,163
Taxes paid		(748,657)	(991,206)
Long-term employee benefits paid		(3,400)	(2,101)
Finance cost paid		(396)	(491)
Increase in long-term deposits		-	(925)
Net cash generated from operating activities		1,775,814	1,506,440
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(86,711)	(70,348)
Proceeds from disposal of operating fixed assets		3,058	1,168
Markup on savings accounts received		50,138	17,475
Net cash used in investing activities		(33,515)	(51,705)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(1,387,958)	(1,247,524)
Net cash used in financing activities		(1,387,958)	(1,247,524)
Net increase in cash and cash equivalents		354,341	207,211
Cash and cash equivalents at the beginning of the period		425,339	162,854
Cash and cash equivalents at the end of the period		779,680	370,065

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, 2019
(UN-AUDITED)**

	Issued, subscribed and paid-up capital	Capital reserve	Revenue reserve	Total reserves	Total
		Capital redemption reserve fund	Unappropriated profit		
----- (Rupees in '000) -----					
Balance as at January 01, 2018	1,091,532	180,000	1,068,925	1,248,925	2,340,457
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 dividends for the year ended December 31, 2018 @ Rs 7.50/- per ordinary share	-	-	(818,649)	(818,649)	(818,649)
Balance as at September 30, 2018	<u>1,091,532</u>	<u>180,000</u>	<u>1,055,684</u>	<u>1,235,684</u>	<u>2,327,216</u>
Balance as at January 01, 2019	1,091,532	180,000	1,028,427	1,208,427	2,299,959
Profit after taxation	-	-	1,553,511	1,553,511	1,553,511
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	1,553,511	1,553,511	1,553,511
Final cash dividend for the year ended December 31, 2018 @ Rs 4.10/- per ordinary share	-	-	(447,528)	(447,528)	(447,528)
Interim cash dividends for the year ending December 31, 2019 @ Rs 8.00/- per ordinary share	-	-	(873,225)	(873,225)	(873,225)
Balance as at September 30, 2019	<u>1,091,532</u>	<u>180,000</u>	<u>1,261,185</u>	<u>1,441,185</u>	<u>2,532,717</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, 2019
(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 6-9, East Wharf, Karachi Port, Karachi.
- 1.2. The Company has a Build, Operate and Transfer (BOT) contract with Karachi Port Trust (KPT) for the exclusive 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 Philippines.

2. BASIS OF PREPARATION

2.1. Statement of compliance

These condensed interim financial statements 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 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, 2018.

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, 2018, 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, 2018.

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, 2018 except for the adoption of the following new and amended standards, interpretations and improvements to International Financial Reporting Standards (IFRSs) by the Company, which became effective for the current period:

IFRS 9	Financial Instruments
IFRS 9	Prepayment Features with Negative Compensation (Amendments)
IFRS 15	Revenue from Contracts with Customers
IFRS 16	Leases
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)
IAS 28	Long-term Interests in Associates and Joint Ventures (Amendments)
IFRIC 23	Uncertainty over Income Tax Treatments

Improvements to accounting standards issued by IASB in December 2017.

The adoption of above standards, interpretations and improvements to standards did not have any material effect on these condensed interim financial statements of the Company, except for the changes related to adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' as explained below:

3.1. IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments', has replaced IAS 39 'Financial Instruments: Recognition and Measurement' for annual periods beginning on or after January 01, 2019 (as notified by the Securities and Exchange Commission of Pakistan (SECP) vide SRO 229 (1)/2019), bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. IFRS 9 categorises financial assets at (a) amortised cost; (b) fair value through other comprehensive income (FVTOCI); and (c) fair value through profit or loss (FVTPL) and their classification is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 has changed the accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward looking expected credit loss (ECL) approach. IFRS 9 requires to recognise a loss allowance for ECLs on debt instruments measured subsequently at amortised cost or at FVTOCI. There are no significant changes in the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Moreover, the adoption of the ECL requirements of IFRS 9 has not resulted in increase in impairment allowances of the Company's debt financial assets.

There is no significant impact of IFRS 9 on the classification and measurement of financial assets for the period ended September 30, 2019 other than the change in classification of loans and receivables and held to maturity investments to the category of amortised cost.

As allowed under IFRS 9, the Company has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements and therefore, the information presented for prior periods does not reflect the requirements of IFRS 9, but rather those of IAS 39. Further, as initial application of IFRS 9 did not have a significant impact on the classification, measurement and impairment of the Company's existing financial assets and liabilities as at January 01, 2019, accordingly, the opening retained earnings as of January 01, 2019 have not been restated in these condensed interim financial statements.

3.2. IFRS 15 - Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It has replaced IAS 18 'Revenue Recognition', IAS 11 'Construction Contracts' and related interpretations for annual periods beginning on or after January 01, 2019. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised when a customer obtains control of the goods or services and the determination of timing of the transfer of control – at a point in time or over time requires judgement. Further, revenue is recognised at an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer.

The Company enters into contracts with customers for rendering of services and related variable consideration and has concluded that the first-time application of IFRS 15 by the Company does not have any significant effect with regard to the amount of revenue and variable consideration recognised and when it is recognised. Accordingly, opening reserves as at January 01, 2019 does not required to be restated. As allowed under IFRS 15, the Company has adopted the new standard on the required effective date using a modified retrospective method, therefore the information presented for prior periods has not been restated, that is, it is presented, as previously reported, under IAS 18 and related interpretations and additional disclosure requirements in IFRS 15 have not been applied to comparative information.

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, 2018 except, if any, as stated in note 3 to these condensed interim financial statements. 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, 2018.

	September 30, 2019 (Un-audited)	December 31, 2018 (Audited)
Note	----- (Rupees in '000) -----	-----
5. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets	5.1 1,963,734	2,335,855
Capital work-in-progress (CWIP)	<u>138,378</u>	<u>164,282</u>
	<u>2,102,112</u>	<u>2,500,137</u>
5.1. Operating fixed assets		
Written down value at the beginning of the period / year	2,335,855	2,842,247
Additions / transfers from CWIP during the period / year	5.1.1 <u>116,784</u>	<u>134,543</u>
	2,452,639	2,976,790
Less:		
Disposals during the period / year at written down value	5.1.2 (1,139)	(1,036)
Depreciation charged during the period / year	<u>(487,766)</u>	<u>(639,899)</u>
	<u>(488,905)</u>	<u>(640,935)</u>
	<u>1,963,734</u>	<u>2,335,855</u>
5.1.1. Additions / transfers from CWIP during the period / year		
Leasehold improvements	19,900	22,148
Container / terminal handling / workshop equipment	73,494	67,791
Port power generation	1,852	141
Vehicles	-	3,683
Computers and other equipment	18,138	40,616
Furniture and fixtures	<u>3,400</u>	<u>164</u>
	<u>116,784</u>	<u>134,543</u>

	September 30, 2019 (Un-audited)	December 31, 2018 (Audited)
	----- (Rupees in `000) -----	
5.1.2. Disposals during the period / year at written down value		
Container / terminal handling / workshop equipment	-	1,017
Computers and other equipment	886	-
Furniture and fixtures	253	19
	<u>1,139</u>	<u>1,036</u>

6. TRADE DEBTS - net

Includes Rs 2.37 million (December 31, 2018: Rs 6.38 million) receivable from related parties.

	September 30, 2019 (Un-audited)	December 31, 2018 (Audited)
	----- (Rupees in `000) -----	
7. SHORT-TERM INVESTMENTS - net		
At amortised cost		
Certificate of investments (COIs)	43,000	43,000
Provision for impairment	<u>(43,000)</u>	<u>(43,000)</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.

	September 30, 2019 (Un-audited)	December 31, 2018 (Audited)
	----- (Rupees in `000) -----	
8. DEFERRED TAXATION - net		
Credit / (debit) balances arising in respect of timing differences relating to:		
Accelerated tax depreciation and amortisation	228,483	323,257
Provisions	<u>(117,801)</u>	<u>(117,283)</u>
	<u>110,682</u>	<u>205,974</u>

9. TRADE AND OTHER PAYABLES

Include Rs 139.36 million (December 31, 2018: Rs 148.38 million) payable to related parties.

10. CONTINGENCIES AND COMMITMENTS

10.1. Contingencies

10.1.1. The Trustees of the Karachi Port Trust (KPT) filed a civil suit 1201/2006 against the Company on September 13, 2006, 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.

On April 24, 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. On June 3, 2017, KPT filed an appeal 287/2017 against the aforesaid HCS judgment before the Divisional Bench of HCS.

Upon advice of the Company's legal advisor, management believes 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.** The Company has filed an interpleader civil suit 827/2007 on June 29, 2007 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, Marshalling 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 installments. 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 due to KPT with Nazir of HCS 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) amended 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 defence 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) amended 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.

- 10.1.6.** The Company is defending various suits, other than those disclosed above, filed against it in various courts in Pakistan. The Company's management is confident, based on the advice of its legal advisors, that these suits will be decided in the Company's favor.

	September 30, 2019 (Un-audited) ----- (Rupees in '000) -----	December 31, 2018 (Audited)
10.2. Commitments		
10.2.1. Commitments for capital expenditure	<u>56,326</u>	<u>26,227</u>
10.2.2. Outstanding letters of guarantee	<u>144,354</u>	<u>144,354</u>
10.2.3. Outstanding letters of credit		
Utilised	11,318	19,106
Unutilised	<u>288,682</u>	<u>280,894</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 and unclaimed dividends. 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 reporting date, 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, Staff Provident Fund, directors and other key management personnel. All the transactions with related parties are entered into at agreed terms duly approved by the Board of Directors of the Company. Details of transactions / balances with related parties, other than those which have been specifically disclosed elsewhere in these condensed interim financial statements, with related parties are mentioned below:

	Nine Months Ended		Quarter Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	----- (Un-audited) -----			
	----- (Rupees in '000) -----			
Associated companies / other related parties				
Technical services fee	<u>342,740</u>	<u>455,467</u>	<u>118,888</u>	<u>109,033</u>
Terminal handling services and rent	<u>259,540</u>	<u>357,450</u>	<u>82,190</u>	<u>103,267</u>
Revenue from container handling	<u>32,725</u>	<u>35,662</u>	<u>5,863</u>	<u>14,579</u>
Donations	<u>-</u>	<u>1,800</u>	<u>-</u>	<u>-</u>
Dividends	<u>1,132,765</u>	<u>1,070,264</u>	<u>374,468</u>	<u>-</u>

	Nine Months Ended		Quarter Ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	----- (Un-audited) -----			
	----- (Rupees in '000) -----			
Key management personnel				
Remuneration	155,580	135,324	38,968	53,957
Staff retirement contribution plan				
Provident fund contribution	17,824	17,501	6,156	6,310
Directors				
Fee for attending meetings	5,851	-	2,000	-

Nine Months Ended	
September 30, 2019	September 30, 2018
----- (Un-audited) -----	
----- (Rupees in '000) -----	

13. CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	2,188,385	2,356,548
Adjustments for non-cash items:		
Depreciation and amortisation	506,119	488,558
Finance cost	396	491
Accrual for long-term employee benefits	6,603	72
Exchange loss - net	9,741	4,558
Mark-up on saving accounts	(50,131)	(17,226)
Gain on disposal of operating fixed assets - net	(1,919)	(130)
	470,809	476,323
Operating profit before working capital changes	2,659,194	2,832,871
Decrease / (increase) in current assets		
Stores, spare parts and loose tools - net	33,012	20,848
Trade debts - net	(13,446)	(31,407)
Advances, deposits, prepayments and other receivables	(8,946)	(50,485)
	10,620	(61,044)
	2,669,814	2,771,827
Decrease in current liabilities		
Trade and other payables	(141,547)	(270,664)
Cash generated from operations	2,528,267	2,501,163

14. DIVIDEND AND APPROPRIATION

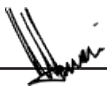
The Board of Directors in their board meeting held on October 30, 2019 have recommended an interim cash dividend of Rs 2.5 (December 31, 2018: Rs 17.60) per ordinary share for the year ending December 31, 2019.

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 30, 2019.

16. GENERAL

Certain figures in these condensed interim financial statements have been rearranged / reclassified for better presentation, the effect of which is immaterial. Figures have been rounded off to the nearest thousand rupees.



Chief Financial Officer



Chief Executive Officer



Director



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