# Annual Report 2014

Committed to Excellence

Pakistan International Container Terminal Ltd.

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ZPMC
SWL 45LT

# Contents



## Vision

Operate a Container Terminal at Karachi Port that provides the highest level of quality services to its clients.


# Mission

A Company dedicated to fulfilling the Port Service requirements of Customers and Users of Karachi Port at an economic cost through optimum use of human and financial resources and giving a fair return to investors.


PICT

# Company Information

## Board of Directors

**Chairman**
Capt. Haleem A. Siddiqui

**Directors**
Mr. Christian R. Gonzalez
Mr. Aasim Azim Siddiqui
Mr. Edgardo Q. Abesamis*
Mr. Rafael Consing, Jr.
Mr. Jose M. De Jesus
Mr. Hans Ole Madsen
Mr. Roman Felipe S. Reyes**

*Retired on January 8, 2015
**Appointed on January 8, 2015

Chief Executive Officer
Capt. Zafar Iqbal Awan

Chief Financial Officer
Mr. Owais Kazi

Company Secretary
Mr. Muhammad Hunain

## Audit Committee

Chairman
Mr. Edgardo Q. Abesamis

Members
Mr. Aasim Azim Siddiqui
Mr. Jose M. De Jesus

Chief Internal Auditor
Mr. Moammar Raza

Secretary
Mr. Muhammad Hunain

## Human Resource & Remuneration Committee

Chairman
Mr. Edgardo Q. Abesamis

Members
Mr. Aasim Azim Siddiqui
Mr. Jose M. De Jesus

## Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
6th Floor, Progressive Plaza, Beaumont Road,
P.O. Box 15541, Karachi-75530

## Legal Advisors

Kabraji & Talibuddin,
64-A/1, Gulshan-e-Faisal, Bath Island,
Karachi.

Usmani & Iqbal,
6th Floor, Business Centre,
Mumtaz Hassan Road, Karachi.

The Continental Law Associates,
Panorama Centre, Saddar, Karachi.

## Bankers

Albaraka Bank Pakistan Limited
Bank Islami Pakistan Limited
Barclays Bank PLC, Pakistan
Faysal Bank Limited
Habib Bank Limited
JS Bank Limited
National Bank of Pakistan
Samba Bank Limited

## Registered & Terminal Office

Berths 6-9, East Wharf, Karachi Port,
Karachi - Pakistan
Tel: 92-91-32855701
Fax: (+9221) 3285 4815

## Share Registrar / Transfer Agent

Technology Trade (Pvt.) Ltd.
241-C, Block-2, P.E.C.H.S., Karachi.
Tel: 92-21-34391316-7
Fax: (+9221) 3285 4815

# Board of Directors

From Left to Right:

| | |
|---|---|
| Owais M. Kazi, | Chief Financial Officer |
| Aasim Azim Siddiqui, | Director |
| Rafael Consing Jr., | Director |
| Capt. Haleem A. Siddiqui, | Chairman |

From Left to Right:
Christian R. Gonzalez, Director
Capt. Zafar Iqbal Awan, Chief Executive Officer
Hans Ole Madsen, Director
Muhammad Hunain, Company Secretary

# Profile of the Board of Directors

Captain
Haleem Ahmed Siddiqui

Captain Haleem Ahmed Siddiqui is the chairman of Marine Group of Companies and PICT. He founded the first stevedoring company in the country, PMS. He was also instrumental in making Marine Group a one stop shop for all ship related services in the country. He joined Pakistan Merchant Navy in February 1959 as Cadet Officer on Pakistani Flag Vessel and served in various capacities on Pakistani Flag Vessel as well as on British Ship after obtaining the required qualifications. He got first command in June 1968 after obtaining the qualification of Master Marine from U.K. and commanded various vessels till 1971. He is a Fellow Member of Chartered Management Institute of U.K, Chartered Institute of Logistics & Transport of U.K, International Federation of Shipmasters' Associations, U.K, SAARC Chamber of Commerce & Industry, and Lifetime Special Member of the Confederation of Asia-Pacific Chambers of Commerce and Industry.

Mr. Christian R. Gonzalez

Mr. Christian R. Gonzalez is Vice-President and General Manager of Manila International Container Terminal (MICT) and Asia Region Head. Prior to this, he was the Director General and Chief Executive Officer of Madagascar International Container Terminal Services Ltd. (MICTSL), a wholly owned subsidiary of ICTSI, which operates the port in Toamasina, Madagascar.

He is currently the President of Bauan International port, Inc. (BIPI); Chairman of the Board of Subic Bay International Terminal Corp. (SBITC); President Commissioner of PT ICTSI Jasa Prima Tbk.; Commissioner of Commissioner of PT Makassar Terminal Services (PT MTS); and a Director of ICTSI Subic Inc., Subic Bay International Terminal Holdings, Inc. (SBITHI), Davao Integrated Port & Stevedoring Services Corp. (DIPSSCOR), Mindanao International Container Terminal Services, Inc. (MICTSI), ICTSI (India) Private Ltd., Yantai International Container Terminal Ltd. (YICTL), Hijo International Port Services, Inc. (HIPS), Victoria International Container Terminal Limited (VICTL), ICTSI Far East PTE. Ltd., Bloomberry Resorts Corporation, Sureste Properties, Inc., and Prime Metroline Transit Corporation.

Mr. Gonzalez is a graduate of Instituto de Estudios Superiores de la Empresa (IESE) Business School, the graduate school of management of the University of Navarra, in Barcelona, Spain, where he received his Bilingual Masters in Business Administration. He is also a graduate of Business Administration from Pepperdine University in California.

Mr. Aasim Azim Siddiqui

Aasim Azim Siddiqui is the managing director of Marine Group of Companies. He founded corporate sector's first and leading exhibition organizing company in Pakistan, the Pegasus. He also founded Organization for Social Development Initiatives (OSDI). OSDI has formed with an objective to improve living conditions for the poorest communities in the rural areas of Pakistan through sustainable poverty reduction strategies. He has been engaged with marine and shipping industry over the last twenty (20) years and has been with PICT since its inception. He was instrumental in arranging financing from IFC and OFID for PICT and has played instrumental role in project roll out of PICT. Further he played pivotal role in arranging financing of USD 53 million for PICT from IFC & OFID. Mr. Aasim did his Master of Business Administration from Clark University, Worcester, MA USA.

Mr. Rafael J. Consing Jr.

Mr. Rafael J. Consing Jr. was appointed Vice President and Treasurer of ICTSI in April 2007. Concurrently, he is the Treasurer of ICTSI Ltd., Director B of ICTSI Capital B.V. and Royal Capital B.V. Director A, ICON Logistiek, B.V., and a member of the Board of Directors of the following ICTSI subsidiaries: DIPSSCOR, HIPS, MICTSI, SBITC, SBITHI, ICTSI Subic Inc., CPHI, ICTSI Africa (Pty) Ltd., and ICTSI Far East Pte, Ltd. He is also Director A of Global Container B.V.; Contecon Guayaquil S.A. (CGSA B.V.); Sociedad Puerte Industrial del Aguadulce S.A. (SPIA Colombia B.V.); Contecon Manzanillo SA de C.V. (CMSA B.V.); Tecon Suape S.A. B.V. (TSSA B.V.); ICTSI Treasury B.V.; ICTSI Cooperatief U.A.; ICTSI Oceania B.V.; ICTSI Tuxpan B.V.; and ICTSI Global Finance B.V. Mr. Consing is also Commissioner of PT ICTSI Jasa Prima Tbk.

From 1999 to 2007, Mr. Consing assumed various roles at HSBC, a global commercial banking firm, starting as Director and Head of Debt Capital Markets for the Philippines, and subsequently for South East Asia based in Singapore. His last position was Managing Director and Head of the Financing Solutions Group, Asia Pacific.

Mr. Consing received an A.B degree from De La Salle University, Manila in 1989.

Mr. Hans-Ole Madsen is Senior Vice President for Europe & Middle East of International Container Terminal Services Inc. (ICTSI). Concurrently, he is a Director of the following ICTSI subsidiaries: Baltic Container Terminal Ltd. (BCT); Batumi International Container Terminal LLC (BICT); ICTSI (ME) JLT; and Adriatic Gate Container Terminal (AGCT).

Prior to joining ICTSI, Mr. Madsen was Vice President for Business Development at APM Terminals Zeebrugge N.V. He was also Chairman of GPPL. He also served as a Director of Pipavav Railway Corporation Limited. He also served as a Director of Gujarat Pipavav Port Limited until September 10, 2008.

Mr. Hans-Ole Madsen

Mr. Jose M. De Jesus

Mr. Jose Manuel Mantecon De Jesus was appointed by ICTSI as Vice-President for Business Development - Asia in September 2008. Concurrently, he is Director of the following ICTSI subsidiaries: DIPSSCOR, ICTSI Subic Inc., MICTSI, SBITC, SCIPSI, ICTSI (India) Private Ltd., PT ICTSI Jasa Prima Tbk, HIPS, AHI, SBITHI, Cordilla Properties Holdings, Inc. NMCTS (CPHI), Naha International Container Terminal, Inc. (NICTI), ICTSI Far East Pte. Ltd., and AICTL, .

Prior to his role as Vice Presdient for Business Development - Asia, he was Director of Business Development for the Americas. In 2005, he headed the Asia Business Development Group. Before that, he was seconded and had held numerous posts such as Director for Strategic Planning of ICTSI's Regional Development Offices in Miami and Dubai, and General Manager of Thai Laemchabang Terminals, Inc. He joined ICTSI in 1995 as Executive Assistant to the Chairman.

Mr. De Jesus is an Industrial Management Engineering graduate of De La Salle University in Manila.

Edgardo Q. Abesamis serves as President of Naha International Container Terminal,Inc. He served as an Executive Vice President of International Container Terminal Services Inc. from 1995 to August 15, 2012. He served as Senior Vice President of Operations at International Container Terminal Services Inc. since 1988. He served as President and Deputy Project Director of Integrated Cargo Handling Operations at Razon International Stevedoring Corp. He serves as the Chairman of CPHI and South Cotabato International Port Services, Inc. (SCIPSI). He serves as the Chairman of Tartous International Container Terminal jsc and IW Cargo Handlers, Inc.
Mr. Abesamis is a graduate of the United States Military Academyat West Point and holds a Master's Degree in Economics from the University of the Philippines. Mr. Abesamis was resigned from the board on January 8, 2015.

Mr. Edgardo Q. Abesamis

Mr. Roman Felipe S. Reyes

Mr. Roman has over 35 years of providing audit and advisory services to leading companies in different industries such as utilities and power generation, port services, land transport, broadcasting, real estate, oil refinery, steel manufacturing, and banks. Roman was a senior partner and vice chairman for client services at SyCip Gorres Velayo & Co. (SGV) and member of its Management Committee and Operations Committee. He was also the head of SGV's Japan Business Services.

He has a bachelor's degree in commerce, major in accounting from San Beda College and a master's degree in business administration, with concentration in finance from the University of Detroit, Michigan, USA. He has been recognized as Most Distinguished Bedan Awardee in 2004, Outstanding Alumnus of San Beda College in 1993 and Outstanding Bulakeno Dangal ng Lipi awardee in 1994. Manny is a Certified Public Accountant.
Mr. Roman was appointed in place of Mr. Abesamis.

# Notice of the 14th Annual General Meeting

Notice is hereby given that the 14th Annual General Meeting of Pakistan International Container Terminal Limited will be held on February 24, 2015 at 11:00 a.m., at Beach Luxury Hotel, Karachi, to transact the following business:

## Ordinary Business:

1. To confirm the minutes of the Annual General Meeting held on March 27, 2014.

2. To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended December 31, 2014 together with the Directors` and Auditors` Reports thereon.

3. To elect seven (7) directors of the Company for a period of three years. The number of directors to be elected has been fixed by the Board of Directors as seven in accordance with the provisions of Section 178(1) of the Companies Ordinance, 1984.

   Names of the retiring directors are as follows:

   i. Capt. Haleem A Siddiqui
   ii. Mr. Christian R Gonzales
   iii. Mr. Aasim Azim Siddiqui
   iv. Mr. Roman Felipe S. Reyes
   v. Mr. Jose M. De Jesus
   vi. Mr. Rafael D. Consing, Jr
   vii. Mr. Hans-Ole Madson

4. To appoint Auditors and fix their remuneration for the year ending December 31, 2015. The present auditors Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, retire and being eligible have offered themselves for reappointment.

5. To consider and approve the final cash dividend of Rs. 3.5 per share i.e. 35% in addition to the interim cash dividend of Rs. 10 per share already paid thereby making a total cash dividend of 135% for the year ended December 31, 2014, as recommended by the Board of Directors.

6. To transact any other business as may be placed before the meeting with the permission of the Chair.

By order of the Board

Muhammad Hunain
Company Secretary
Karachi: February 03, 2015

## NOTES:

1. The Share Transfer Books of the Company will remain closed from February 18, 2015 to February 24, 2015 (both days inclusive) when no transfer of shares will be accepted for registration. Transfers in good order, received at the office of Company's share registrar, Technology Trade (Pvt.) Ltd., 241-C, P.E.C.H.S., Block 2, Karachi by the close of business on February 17, 2015 will be treated in time for the purpose of transfer of shares to the transferees.

2. The Individual Members who have not yet submitted photocopy of their valid Computerized National Identity Card (CNIC), are once again reminded to send the same at the earliest directly to the Company's share registrar at the above address at the earliest. The Corporate Entities are requested to provide their National Tax Number (NTN). Please give Folio Number with the copy of CNIC / NTN details.

3. A Member of the Company, entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another person as his/her proxy to attend, speak and vote instead of him/her and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Annual General Meeting as are available to the Member.

4. Duly completed instrument of proxy, and the other authority under which it is signed, or a notarially certified copy thereof, in order to be valid, must be received at the Registered Office of the Company not less than 48 hours before the time of the Meeting.

5. Any change of address of Members should be immediately notified to the Company's share registrar Technology Trade (Pvt.) Ltd., 241-C, P.E.C.H.S., Block 2, Karachi.

6. CDC Account Holders will further have to follow the below mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

### A. For Attending the Shareholders' Meeting

i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his / her identity by showing his / her original Computerized National Identity Card (CNIC), or original passport at the time of attending the meeting.

   The shareholders registered on CDC are also requested to bring their particulars, I.D. numbers and account numbers in CDS.

ii. In case of a corporate entity, the Board of Directors'/Trustees' resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

### B. For Appointment of Proxies

i. In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per requirement notified by the company.

ii. The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

iv. The proxy shall produce his / her original CNIC or passport at the time of the meeting.

v. In case of corporate entity, the Board of Directors'/Trustees' resolution/power of attorney with specimen signature of the nominee shall be submitted with the proxy form to the Company, and the same shall be produced in original at the time of the meeting to authenticate the identity.

vi. Form of proxy is attached to the notice of the meeting being sent to the members.

Availability of audited financial statements on company's website:
The audited financial statements of the Company for the year ended December 31, 2014 have been made available on the Company's website www.pict.com.pk in addition to annual and quarterly financial statements for the prior year.

## Minutes of previous AGM:

Copies of the minutes of the Annual General Meeting held on March 27, 2014 will be available to the Members on request.

## Consent for Video Conference Facility:

Members can also avail video conference facility in (name of cities where facility can be provided keeping in view geographical dispersal of members). In this regard, please fill the following and submit to registered address of the company 10 days before holding of the annual general meeting.

"I/We,_________________________ of ______________________, being a member of Pakistan International Container Terminal Limited, holder of _________________________ ordinary share(s) as per register Folio No. _________________ hereby opt for video conference facility at _______________.

## Election of Director

Any person seeking to contest the election to the office of Director, whether he / she is a retiring director or otherwise, shall file the following documents with the Company at its Registered Office, not later than fourteen (14) days before the above said meeting, his/her intention to offer himself or herself for election as a Director in accordance with the provisions of Companies Ordinance, 1984 along with:

a) Consent to act as Director in Form 28, duly completed, as required under Section 184 of the Companies Ordinance, 1984

b) Detailed profile along with office address for placement onto the Company's website seven days prior to the date of election in terms of SRO 25(1) 2012 of 16 January 2012; and

c) Signed declarations in respect of being compliant with the requirements of the Code of Corporate Governance, 2012 and the eligibility criteria as set out in the Companies Ordinance, 1984 to act as Director of a listed company

## Submission of CNIC (Mandatory)

Pursuant to the directive of the Securities & Exchange Commission of Pakistan (SECP), CNIC numbers of shareholders are mandatorily required to be mentioned on dividend warrants. Shareholders are therefore requested to submit a copy of their CNIC (if not already provided) to the Share Registrar, Technology Trade (Pvt.) Ltd., 241-C, P.E.C.H.S., Block 2, Karachi.

## Dividend Mandate – Payment of Cash Dividend Electronically (Optional)

In compliance with the SECP's Circular No. 8(4)SM/CDC 2008 dated 5 April 2013, the Company wishes to inform its shareholders that under the law they are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders, wishing to exercise this option, may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant)/CDC.

## Electronic Transmission of Annual Financial Statements And Notices

Pursuant to Notification vide SRO.787 (1)/2014 of September 08, 2014, the Securities and Exchange Commission of Pakistan's (SECP) has directed to facilitate the members of the company receiving Annual Financial Statements and Notices through electronic mail system (e-mail).We are pleased to offer this facility to our members who desire to receive Annual Financial Statements and Notices of the Company through email in future. In this respect members are hereby requested to convey their consent via email on a standard request form which is available at the Company website i.e. www.pict.com.pk. Please ensure that your email has sufficient rights and space available to receive such email which may be larger than 1 MB file in size. Further, it is the responsibility of the member to timely update the Share Registrar of any change in the registered email address.

### Deduction of withholding tax on the amount of dividend

Pursuant to SECP directives vide Circular No.19/2014 dated October 24, 2014 SECP has directed all companies to inform shareholders about changes made in the section 150 of the Income Tax Ordinance, we hereby advise shareholder as under;

(i) The Government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. These tax rates are as under:

a. For filers of income tax returns: 10%
b. For non-filers of income tax returns: 15%

To enable the company to make tax deduction on the amount of cash dividend @ 10% instead of 15%, all the shareholders whose names are not entered into the Active Tax payers List (ATL) provided on the website of FBR, despite the fact that they are filers , are advised to make sure that their names are entered into ATL for future payment of dividend if any. For any query/problem/information, the investors may contact our Share Registrar.

The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the company or its Share Registrar i.e. Technology Trade (Pvt.) Ltd., 241-C, P.E.C.H.S., Block 2, Karachi. The shareholders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

PICT endeavors to achieve more business volumes and ensure business enhancement, keeping in view the same priority to add shareholder value by reinvesting part of our earnings in the Company to support our expansion plans in order to maintain and capture a significant share in growth in Pakistan's container volume.

# Chairman's Review

Pakistan International Container Terminal Limited [PICT] has realized noteworthy progress during the year 2014 in every function of the organization. By the grace of ALLAH and with the combined effort and capability of our employees, the Company handled the highest volume of 699,852 TEUs (Twenty Foot Equivalent Container Units) in PICT's history.

Despite the competitive economic and trade conditions globally and within the country, I am pleased with the efforts made by the Management of PICT for achieving growth in the containers handled together with sustained revenues and profits of the Company in the financial year 2014,

PICT endeavors to achieve more business volumes and ensure business enhancement, keeping in view the same priority to add shareholder value by reinvesting part of our earnings in the Company to support our expansion plans in order to maintain and capture a significant share in growth in Pakistan's container volume.

I am also pleased to announce that the Directors of the company have recommended final cash dividend @ 35% (Rs. 3.5/- per ordinary share) for the year ended December 31, 2014.

2014 was another year of good performance for PICT, thanks to a consistent strategy, a stable management team, supportive clients, customers and shareholders. The Board remains confident in the continuous success of the Company in years ahead.

Capt. Haleem A. Siddiqui
Chairman

Karachi: January 28, 2015

# Directors' Report

The Board of Directors is pleased to present the Annual Report and the Audited Financial Statements for the financial year ended December 31, 2014.

## Operational Performance

During the year the Company has continuously improved its performance and given a commendable finish to the year. Despite fierce competition, the Company remained consistent and achieved a glorious milestone of handling 699,582 TEUs; highest ever containers handled by the Company. Thus, for the year ending December 31, 2014 your Company has shown positive progress in terms of growth in containers handled.

## Financial Performance

| | 2014 | 2013 |
|---|---|---|
| | Rupees in '000 | |
| Revenue | 7,921,660 | 7,974,394 |
| Gross Profit | 3,507,192 | 4,012,570 |
| Profit before taxation | 2,997,115 | 3,429,491 |
| Profit after taxation | 2,086,307 | 2,250,781 |

## Future Plans

Consistent with the historical achievements, your Company endeavors to maximize efficiencies and improve its services to its customers through streamlined systems and to achieve higher standards of productivity.

## Dividends and Appropriations

To pass on the benefits of this achievement to shareholders, the Directors have recommended a final cash dividend of Rs 3.50 per share (i.e. 35% of per ordinary share of Rs. 10), subject to the approval of the members at the forthcoming annual general meeting. With the interim dividend of Rs. 10 (i.e. 100% of per ordinary share of Rs. 10) already paid during the year. Accordingly following appropriation have been made:

| | Rupees in '000 |
|---|---|
| **Un-appropriated profit as at December 31, 2013** | 1,518,273 |
| Final cash dividend for the year ended December 31, 2013 @ Rs.11 | (1,200,685) |
| Profit after taxation for the year 2014 | 2,086,307 |
| Interim cash dividend for the year ended December 31, 2014 @ Rs. 10 | (1,091,531) |
| **Un-appropriated profit carried forward** | 1,312,364 |
| **Subsequent effects:** | |
| Proposed final dividend at Rs 3.5 per share | 382,036 |
| Total dividend per share for the year Rs 13.5 | 1,473,567 |

## Earnings per share

The basic and diluted earnings per share after tax is Rs. 19.11

### Pattern of Shareholding

A statement showing pattern of shareholdings of the Company and additional information as at December 31, 2014 is included in the report.

### Holding Company

As of the balance sheet date, International Container Terminal Services, Inc. (ICTSI), a company incorporated in Manila, Philippines, held (directly and indirectly) 64.54 percent shareholding of the Company and is the ultimate Parent Company of the Company.

### Auditors

The present auditors, M/s Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants retire at the conclusion of upcoming Annual General Meeting and being eligible offer themselves for reappointment.

The Audit Committee has recommended the reappointment of the retiring auditors for the year ending December 31, 2015 and the Board agrees to the recommendation of the Audit Committee.

### Compliance with the Code of Corporate Governance

Governance set out by the Karachi Stock Exchange in the listing regulations, relevant for the year ended December 31, 2014 have been duly complied with. A statement to this effect is annexed with the report.

### Board of Directors

During the year, four Board Meetings, four Audit Committee and two Human Resources and Remuneration Committee Meetings were held. These were attended as follows:

Name of Meetings Attended

| S. No. | Name of Directors | Audit/ / HR & R Committee Member | Meetings Attended | | |
|---|---|---|---|---|---|
| | | | Board Meetings | Audit Committee Meetings | Human Resource and Remuneration (HR&R) Committee |
| 1 | Capt. Haleem A. Siddiqui | - | 4 | - | - |
| 2 | Mr. Edgardo Q. Abesamis, | √ | 2 | 2 | 2 |
| 3 | Mr. Aasim A. Siddiqui | √ | 4 | 4 | 2 |
| 4 | Mr. Christian R. Gonzalez | - | 2 | - | - |
| 5 | Mr. Jose M. De Jesus | √ | 4 | 4 | 2 |
| 6 | Mr. Rafael D. Consing, Jr | - | 4 | - | - |
| 7 | Mr. Hans-Ole Madsen | - | 3 | - | - |

* Resigned on January 8, 2015

### Corporate and Financial Reporting Framework

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

- Proper books of account have been maintained by the Company.

- Appropriate accounting policies have been consistently applied except for changes in note 2.3 and 3.4 of the financial statements in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

- The system of internal control is sound in design and has been effectively implemented and monitored.

- There are no significant doubts upon the Company's ability to continue as a going concern.

- There has been no material departure from the best practices of corporate governance, as detailed in the Listing Regulations.

- A summary of key operating and financial data is annexed with the annual report.

- Details of purchase/sale of shares of the company by its directors, CEO, CFO Company secretary and their spouses and minor children are given alongwith pattern of shareholding.

- Information about taxed and levies is given in the respective notes to the Financial Statements.

- The Company operates a contributory Provident Fund Scheme for all employees. The value of its investments as at December 31, 2014 is Rs 78.2 million.

## Code of Ethics & Business Principles

The Board has adopted the Code of Ethics and Business Principles, which is signed and acknowledged by all the Directors and employees of the Company; and all are required to abide by the Code.

## Corporate Social Responsibility

PICT's strategy for corporate social responsibility focuses on giving back to its environment by protecting and nourishing it and by looking after the comfort and security of its immediate workforce. Since its inception, PICT has undertaken various initiatives in the areas of health, safety, education, environmental protection and preservation, and other social activities of individuals and groups, attached directly or indirectly to its business activities.

## Agricultural Development Programs (ADP)

In September 2009, Organization for Social Development Initiatives (OSDI) began its activities under the umbrella of PICT's CSR program. OSDI is a non - governmental organization (NGO) working in the rural and poverty struck areas of Pakistan. OSDI considers sustainable development to be the only solution for the betterment of society and the people of Pakistan.

OSDI's Livelihood Assistance Program targets the poor and vulnerable families within its focused villages and empowers its beneficiaries to adopt best agricultural and livestock rearing practices, and start small businesses through micro-financing, appropriate trainings, and capacity-building to enhance their earnings. The beneficiaries are also encouraged to learn about savings and asset creation. The Agricultural Development Program (ADP) is part of OSDI's Livelihood Assistance Programs. ADP is focused on designing income-generating strategies for farmers to increase the crop production and pave the way for better financial income. OSDI's appointed Agriculture Expert kept close monitoring of beneficiaries' crops throughout the growth phase. The farmers were constantly updated about the modern agricultural practices and techniques to prevent any cultivation lose. With the assistance of contribution from PICT, in 2013-14, 32 families were assisted with the production of wheat, barley and sunflower over 103 acres in District Khairpur.

## Community Development Programs

With the assistance of PICT, OSDI has recently completed the construction of a five classroom school building in village Malhee, District Shikarpur. The school constructed in Malhee started out as a Temporary Learning Center in 2010. After an overwhelmingly positive response from the community, it was decided to house the 165 students into a more spacious, properly equipped concrete structure.

A 2,000 sq. ft. plot of land was designated as the location for the school construction. To ensure minimal disruption of academic studies during the construction process, a makeshift camp was setup beside the construction site where the students received their lessons for a period of four months. Some of the main improvements include an open courtyard for holding school assembly and proper sanitation for both males and females.

A total of 165 students are receiving their daily lessons through five teachers who have been appointed by OSDI to educate the school children. Each section has a designated class teacher. In order to secure the premises due to the security and safety concerns of the students and teachers, an iron gate along with a watchman has been installed. Most of the parents consider it a matter of prestige to be able to send their children to acquire quality education at OSDI's Primary School.

## Material Changes & Commitments

There have been no material changes or events since December 31, 2014 to the date of this report, which has an impact on the financial statements, except the proposal of final dividend which is subject to the approval of the Members at the forthcoming Annual General Meeting. The effect of such declaration shall be reflected in the next year's financial statements.

## Acknowledgement

Our people are the key drivers behind the sustained growth of your Company. The directors acknowledge the contribution of each and every employee of the Company. The Board also places on record its gratitude to extremely valued shareholders, customers, suppliers, contractors and financial institutions for their support, confidence and co-operation which are enabling us to grow and progress continuously. This continued support gives us confidence and encouragement and we remain committed to achieve excellence in all areas of activity.

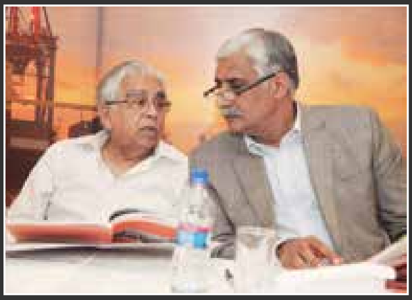
Thanking you all.

On behalf of Board of Directors

Capt. Zafar Iqbal Awan
Chief Executive Officer

Karachi, January 28, 2015

# 13th Annual General Meeting - at a glance

# Key Operating & Financial Data

| | December 31, 2014 | December 31, 2013 | Half Year December 31, 2012 | June 30, 2012 | June 30, 2011 | June 30, 2010 | June 30, 2009 |
|---|---|---|---|---|---|---|---|
| **TURNOVER & PROFITS** | | | | | | | |
| Revenue | 7,921.66 | 7,974.39 | 3,083.43 | 6,692.31 | 6,123.78 | 5,125.12 | 4,564.26 |
| Gross Profit | 3,507.19 | 4,012.57 | 1,384.10 | 2,966.43 | 2,599.12 | 2,183.05 | 2,069.42 |
| Operating Profit | 3,230.36 | 3,701.03 | 1,225.50 | 2,694.00 | 2,349.12 | 1,930.69 | 1,883.17 |
| Profit Before Taxation | 2,997.12 | 3,429.49 | 1,051.21 | 2,170.82 | 2,128.81 | 1,520.96 | 1,174.53 |
| Profit After Taxation | 2,086.31 | 2,250.78 | 667.65 | 1,410.04 | 1,253.86 | 907.81 | 935.69 |
| **ASSETS EMPLOYED** | | | | | | | |
| Operating Assets - net | 4,086.98 | 4,378.13 | 4,909.67 | 5,158.01 | 5,434.61 | 5,346.13 | 4,724.75 |
| Intangible Assets - net | 16.67 | 17.10 | 30.78 | 37.63 | 51.31 | 64.99 | 0.25 |
| Net Current Assets | 90.61 | 560.51 | 1,673.71 | 1,320.74 | 1,661.49 | 1,213.80 | 785.08 |
| **FINANCED BY** | | | | | | | |
| Share Capital | 1,091.53 | 1,091.53 | 1,091.53 | 1,271.53 | 1,271.53 | 1,271.53 | 1,089.61 |
| Share Holders' Equity | 2,583.90 | 2,789.81 | 4,195.65 | 3,708.00 | 4,680.95 | 3,717.98 | 2,964.60 |
| Long Term Loans | 896.27 | 1,493.77 | 1,484.53 | 1,732.17 | 1,852.90 | 2,298.04 | 2,656.03 |
| **STATISTICS** | | | | | | | |
| Break up Value Per Ordinary Share (Rs.) | 23.67 | 25.56 | 38.44 | 32.32 | 41.24 | 32.41 | 30.61 |
| Market Value Per Ordinary Share (Rs.) | 300.00 | 240.50 | 209.03 | 146.00 | 81.25 | 75.00 | 53.43 |
| Earnings Per Ordinary Share (Rs.) | 19.11 | 20.62 | 6.12 | 12.75 | 11.32 | 8.15 | 8.41 |
| Total TEUs for the Year (Numbers) | 699,582 | 675,457 | 266,123 | 631,411 | 669,806 | 602,106 | 513,580 |
| Total Boxes for the Year (Numbers) | 504,413 | 482,119 | 190,423 | 461,055 | 497,389 | 453,108 | 388,511 |
| **CAPITAL MARKET ANALYSIS RATIOS** | | | | | | | |
| Price Earning Ratio | 15.70 | 11.66 | 34.16 | 11.45 | 7.18 | 9.20 | 6.35 |
| **LIQUIDITY ANALYSIS RATIOS** | | | | | | | |
| Current Ratio | 1.05 | 1.23 | 2.29 | 1.92 | 2.31 | 2.05 | 1.72 |
| **PROFITABILITY ANALYSIS RATIOS** | | | | | | | |
| Return on Assets (before tax) | 43.37% | 43.53% | 13.07% | 25.49% | 24.54% | 18.97% | 17.43% |
| Return on Capital Employed (before tax) | 111.55% | 98.18% | 26.60% | 51.75% | 50.69% | 45.52% | 44.45% |
| Return on Capital Employed (after tax) | 77.65% | 64.42% | 16.89% | 33.62% | 29.86% | 27.17% | 35.41% |
| Gross Profit Margin | 44.27% | 50.31% | 44.89% | 44.33% | 42.44% | 42.60% | 45.34% |
| Net Profit Margin - Before Tax | 37.83% | 43.00% | 34.09% | 32.44% | 34.76% | 29.68% | 25.73% |
| Net Profit Margin - After Tax | 26.34% | 28.22% | 21.65% | 21.07% | 20.48% | 17.71% | 20.50% |
| **CAPITAL STRUCTURE ANALYSIS RATIOS** | | | | | | | |
| Debt Ratio | 24.46% | 19.63% | 26.07% | 31.05% | 28.26% | 37.37% | 45.15% |
| Debt Equity Ratio | 37:63 | 35:65 | 32:68 | 40:60 | 35:65 | 46:54 | 54:46 |
| Interest Coverage | 18.44 | 18.91 | 8.41 | 6.21 | 14.45 | 9.18 | 6.62 |

# Statement of Value Added

| | For the year ended December 31, 2014 | For the year ended December 31, 2013 |
|---|---|---|
| | ---------- Rupees in 000's ---------- | |
| **Value Added** | | |
| Revenue | 7,921,660 | 7,974,394 |
| Net cost of services rendered | 1,155,118 | 2,332,582 |
| Other income | 111,994 | 113,942 |
| Distribution | | |
| Employees | | |
| - Salaries & Wages | 721,360 | 687,601 |
| Karachi Port Trust | | |
| - Royalty & HMS Charges | 847,901 | 832,105 |
| Government | | |
| - Taxes | 2,140,269 | 2,276,073 |
| Lenders | | |
| - Mark up on Loans and Leased Assets | 171,891 | 191,529 |
| Ordinary Share Holders | | |
| - Cash Dividend | 2,292,216 | 3,656,630 |
| - Specie Dividend | | |
| Retained in Business | 2,141,492 | 2,263,572 |
| | 8,315,129 | 9,907,510 |
| Distribution - % | | |
| Employees | 8.68% | 6.94% |
| KPT | 10.20% | 8.40% |
| Government | 25.74% | 22.97% |
| Lenders | 2.07% | 1.93% |
| Cash Dividend - Ordinary Share Holders | 27.57% | 36.91% |
| Retained in Business - For future Expansion | 25.75% | 22.85% |
| | 100% | 100% |

# Statement of Compliance with the Best Practices of Code of Corporate Governance

For the Year Ended December 31, 2014

This statement is being presented to comply with the Code of Corporate Governance (the “Code”) contained in Regulation No. 35, of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

Pakistan International Container Terminal Limited has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors (the Board). At present the Board includes:

| Category | Names |
|---|---|
| Independent Director | Edgardo Q. Abesamis |
| Executive Director | Capt. Haleem Ahmed Siddiqui |
| Non-Executive Director | Aasim Azim Siddiqui |
| Non-Executive Director | Christian R. Gonzalez |
| Non-Executive Director | Jose M. De Jesus |
| Non-Executive Director | Rafael D. Consing, Jr. |
| Non-Executive Director | Hans-Ole Madsen |

2. The independent director meets the criteria of independence under clause i(b) of the Code.

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).

4. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

5. During the Year, no casual vacancy was occurred on the Board.

6. The company has adopted 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.

7. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO), other executive and non-executive directors, have been taken by the Board/ shareholders.

9. The meetings of the board were presided over by the Chairman and in his absence by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. The Board arranged two (2) training programs for its directors during the year.

11. The board has approved appointment of Chief Financial Officer (CFO) and Company Secretary, including their remuneration and terms and conditions of employment.

12. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

13. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

14. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

15. The company has complied with all the corporate and financial reporting requirements of the Code.

16. The board has formed an Audit Committee (the Committee). It comprises three members, of whom two are non-executive directors and the chairman of the committee is an independent director.

17. The meetings of the committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

18. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are non-executive directors and the chairman of the committee is an independent director.

19. The board has setup an effective internal audit function that is considered suitably qualified and experience for the purpose and is conversant with the policies and procedures of the company.

20. 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) that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

22. The 'Closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange.

23. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

24. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board of Directors

Capt. Zafar Iqbal Awan
Chief Executive Officer

Dated: January 28, 2015
Place: Karachi

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Building a better working world

Ernst & Young Ford Rhodes Sidat Hyder
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# Review Report To The Members

on Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Pakistan International Container Terminal Limited (the Company) for the year ended 31 December 2014 to comply with the requirements of Listing Regulation No. 35 Chapter XI of Karachi Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended 31 December 2014.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Date: 28 January 2015
Karachi


PAKISTAN INTERNATIONAL CONTAINER TERMINAL
PAKISTAN INTERNATIONAL C
PICT
ZPMC
HANJIN
HANJIN
HAMBURG SÜD
HANJIN

# FINANCIAL STATEMENTS

EY
Building a better working world

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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# Auditors' Report to the Members

We have audited the annexed balance sheet of Pakistan International Container Terminal Limited (the Company) as at 31 December 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for changes as stated in note 2.3 and 3.4 to the accompanying financial statements with which we concur;

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

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

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

d) in our opinion, 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 that Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Audit Engagement Partner: Shariq Ali Zaidi

Dated: 28 January, 2015
Place: Karachi

# Balance Sheet
As at December 31, 2014

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | -------- (Rs. in thousands) ------- | |
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 4 | 4,149,484 | 4,693,036 |
| Intangibles | 5 | 16,672 | 17,102 |
| Long-term deposits | | 1,847 | 675 |
| | | 4,168,003 | 4,710,813 |
| CURRENT ASSETS | | | |
| Stores, spare parts and loose tools | 6 | 357,950 | 375,129 |
| Trade debts | 7 | 346,590 | 303,837 |
| Advances | 8 | 24,302 | 33,638 |
| Deposits and prepayments | 9 | 155,923 | 171,849 |
| Other receivables | 10 | 46,590 | 8,940 |
| Short-term investments | 11 | - | 10,250 |
| Taxation – net | | 333,442 | 33,599 |
| Cash and bank balances | 12 | 724,044 | 2,015,717 |
| | | 1,988,841 | 2,952,959 |
| TOTAL ASSETS | | 6,156,844 | 7,663,772 |
| EQUITY AND LIABILITIES | | | |
| SHARE CAPITAL AND RESERVES | | | |
| Issued, subscribed and paid-up capital | 13.2 | 1,091,532 | 1,091,532 |
| Reserves | | 1,492,364 | 1,698,273 |
| | | 2,583,896 | 2,789,805 |
| NON-CURRENT LIABILITIES | | | |
| Long-term financing | 14 | 896,266 | 1,493,777 |
| Deferred tax | 15 | 734,239 | 942,759 |
| Long-term employee benefits | 16 | 44,215 | 44,987 |
| | | 1,674,720 | 2,481,523 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 17 | 1,287,689 | 2,379,147 |
| Accrued markup on loan | | 13,028 | 13,297 |
| Current maturity of long-term financing | 14 | 597,511 | - |
| | | 1,898,228 | 2,392,444 |
| TOTAL EQUITY AND LIABILITIES | | 6,156,844 | 7,663,772 |
| CONTINGENCIES AND COMMITMENTS | 18 | | |

The annexed notes from 1 to 37 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

# Profit and Loss Account

For the year ended December 31, 2014

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | ------- (Rs. in thousands) ------ | |
| Revenue | 19 | 7,921,660 | 7,974,394 |
| Cost of services | 20 | (4,414,468) | (3,961,824) |
| Gross profit | | 3,507,192 | 4,012,570 |
| Administrative expenses | 21 | (388,831) | (425,484) |
| Other income | 22 | 111,994 | 113,942 |
| Finance cost | 23 | (171,891) | (191,529) |
| Other expenses | 24 | (61,349) | (80,008) |
| Profit before taxation | | 2,997,115 | 3,429,491 |
| Taxation | 25 | (910,808) | (1,178,710) |
| Profit after taxation | | 2,086,307 | 2,250,781 |
| Earnings per ordinary share – basic and diluted | 26 | Rs. 19.11 | Rs. 20.62 |

The annexed notes from 1 to 37 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

# Statement of Comprehensive Income

For the year ended December 31, 2014

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| | ------- (Rs. in thousands) ------ | |
| Profit for the year | 2,086,307 | 2,250,781 |
| Other comprehensive income | - | - |
| Total comprehensive income for the year | 2,086,307 | 2,250,781 |

The annexed notes from 1 to 37 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

# Cash Flow Statement

For the year ended December 31, 2014

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | ------- (Rs. in thousands) ------ | |
| CASH FLOWS FROM OPERATING ACTIVITIES | 30 | 3,680,497 | 4,757,236 |
| Taxes paid | | (1,419,171) | (1,294,689) |
| Long-term employee benefits paid | 16 | (4,212) | (1,679) |
| Finance costs paid | | (162,410) | (296,065) |
| Long-term deposits | | (1,172) | - |
| Net cash generated from operating activities | | 2,093,532 | 3,164,803 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Capital expenditure | | (93,815) | (208,840) |
| Proceeds from disposal of property, plant and equipment | 4.1.1 | 18,424 | 8,136 |
| Redemption of investment | 11.1 | 500 | 603,989 |
| Markup received | | 102,956 | 96,411 |
| Net cash generated from investing activities | | 28,065 | 499,696 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of long-term financing | | - | (497,926) |
| Dividends paid | | (3,413,270) | (2,698,921) |
| Net cash used in financing activities | | (3,413,270) | (3,196,847) |
| Net (decrease) / increase in cash and cash equivalents | | (1,291,673) | 467,652 |
| Cash and cash equivalents at the beginning of the year | | 2,015,717 | 1,548,065 |
| Cash and cash equivalents at the end of the year | 12 | 724,044 | 2,015,717 |

The annexed notes from 1 to 37 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

# Statement of Changes in Equity

For the year ended December 31, 2014

| | Share Capital | Reserves: Capital redemption reserve fund | Reserves: Unappropriated profit | Reserves: Sub Total | Total |
|---|---|---|---|---|---|
| | ------ | ------ | (Rs. in thousands) | ------ | ------ |
| Balance as at January 01, 2013 | 1,091,532 | 180,000 | 2,924,122 | 3,104,122 | 4,195,654 |
| Profit after taxation | - | - | 2,250,781 | 2,250,781 | 2,250,781 |
| Other comprehensive income - net of taxation | - | - | - | - | - |
| Total comprehensive income | - | - | 2,250,781 | 2,250,781 | 2,250,781 |
| Interim cash dividend for the year ended December 31, 2013 @ Rs. 33.5/- per ordinary share | - | - | (3,656,630) | (3,656,630) | (3,656,630) |
| Balance as at December31, 2013 | 1,091,532 | 180,000 | 1,518,273 | 1,698,273 | 2,789,805 |
| Profit after taxation | - | - | 2,086,307 | 2,086,307 | 2,086,307 |
| Other comprehensive income - net of taxation | - | - | - | - | - |
| Total comprehensive income | - | - | 2,086,307 | 2,086,307 | 2,086,307 |
| Final cash dividend for the year ended December 31, 2013 @ Rs.11/- per ordinary share | - | - | (1,200,685) | (1,200,685) | (1,200,685) |
| Interim cash dividend for the year ended December 31, 2014 @ Rs. 10/- per ordinary share | - | - | (1,091,531) | (1,091,531) | (1,091,531) |
| Balance as at December 31, 2014 | 1,091,532 | 180,000 | 1,312,364 | 1,492,364 | 2,583,896 |

The annexed notes from 1 to 37 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

## 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 Karachi Stock Exchange 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 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 land and all the related concession assets to KPT as disclosed in note 35 to these financial statements.

1.3. As of the balance sheet date, International Container Terminal Services, Inc. (ICTSI), a company incorporated in Manila, Philippines, held (directly and indirectly) 64.54 percent (2013: 64.54 percent) shareholding of the Company and is the ultimate Parent Company of the Company.

## 2. BASIS OF PREPARATION

### 2.1. Statement of compliance

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

The Securities and Exchange Commission of Pakistan in pursuance of the S.R.O No. 24 (1) 2012 dated January 16, 2012 has given relaxation for the implementation of IFRIC 12 – “Service Concession Arrangements” due to the practical difficulties facing the companies. The impact on the financial results of the Company due to application of IFRIC-12 is disclosed in note 35 to these financial statements.

### 2.2. Accounting convention

These financial statements have been prepared under the historical cost convention unless otherwise specifically stated.

### 2.3. New standards, amendments to approved accounting standards and new interpretations

#### 2.3.1. New amendments to approved accounting standards and interpretation which became effective during the year ended December 31, 2014

The accounting policies adopted in the preparation of these financial statements are consistent with those of previous financial period except as described below:

**New and amended standards and interpretations**

The Company has adopted the following amended IFRSs and IFRIC interpretations which became effective during the period:

IAS 32 – Financial Instruments: Presentation – (Amendment)– Offsetting Financial Assets and Financial Liabilities

IAS 36 – Impairment of Assets – (Amendment)– Recoverable Amount Disclosures for Non-Financial Assets

IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment)– Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 – Levies

The adoption of the above standards, amendments / improvements and interpretations did not have any material effect on the financial statements.

2.3.2. New standards, amendments to approved accounting standards and new interpretation that is not yet effective and has not been early adopted by the Company

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

| Standard or Interpretation | Effective date (annual periods Beginning on or after) |
|---|---|
| IFRS 10 – Consolidated Financial Statements | 01 January 2015 |
| IFRS 11 – Joint Arrangements | 01 January 2015 |
| IFRS 12 – Disclosure of Interests in Other Entities | 01 January 2015 |
| IFRS 13 – Fair Value Measurement | 01 January 2015 |
| IAS 1 – Presentation of Financial Statements – Disclosure Initiative (Amendment) | 01 January 2016 |
| IAS 16 & 38 – Property, Plant and Equipment & intangible assets – Clarification of Acceptable Method of Depreciation and Amortisation (Amendment) | 01 January 2016 |
| IAS 16 & 41 – Property, Plant and Equipment & Agriculture: Agriculture: Bearer Plants (Amendment) | 01 January 2016 |
| IAS 19 – Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendment) | 01 July 2014 |

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.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standard | IASB Effective date (annual periods beginning on or after) |
|---|---|
| IFRS 9 – Financial Instruments: Classification and Measurement | 01 January 2018 |
| IFRS 14 – Regulatory Deferral Accounts | 01 January 2016 |
| IFRS 15 – Revenue from Contracts with Customers | 01 January 2017 |

### 2.4. Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, the management has made the following estimates and judgments which are significant to the financial statements:

a) assumptions and estimates used in determining the recoverable amount, residual values and useful lives of property, plant and equipment (note 4);

b) assumptions and estimates used in determining the useful lives and residual values of intangibles (note 5);

c) assumptions and estimates used in determining the provision for slow moving stores, spare parts and loose tools (note 6);

d) assumptions and estimates used in calculating the provision for impairment in short-term investments (note 11);

e) assumptions and estimates used in the recognition of deferred taxation (note 15); and

f) assumptions and estimates used in disclosure and assessment of provision for contingencies (note 18).

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1. Property, plant and equipment

#### 3.1.1. Operating fixed assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for leasehold land and capital work in progress which are stated at cost.

Depreciation is charged to profit and loss account using straight line method so as to write off the historical cost of the assets over their estimated useful lives at the rates specified in note 4.1 to these financial statements. Depreciation on additions is charged from the month in which the asset is available to use and on disposals up to the month the respective asset was in use.

Assets residual values, useful lives and methods of depreciation are reviewed, and adjusted, if appropriate, at each reporting date.

The carrying values of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals and improvements, if any, are capitalised when it is probable that respective future economic benefits will flow to the Company.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account in the period in which they arise.

#### 3.1.2. Capital work-in-progress

All expenditure connected with specific assets incurred during installation and construction period including advances to suppliers and contractors are carried under this head. These are transferred to specific assets as and when these assets are available for use.

### 3.2. Intangibles

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably.

Costs incurred on the acquisition of intangibles are capitalised and are amortised on straight line basis over their estimated useful life. Amortisation is charged in the month in which the asset is available for use at the rates stated in note 5 to these financial statements.

Useful lives of intangible assets are reviewed, at each reporting date and adjusted if appropriate.

The carrying values of intangible assets are reviewed for impairment at each reporting date for events or changes in circumstances that indicate the carrying value may not be recoverable.

### 3.3. Borrowing costs

Borrowing costs that are directly attributable to the acquisition and construction of assets and incurred during the period in connection with the activities necessary to prepare the asset for its intended use are capitalised as a part of the cost of related asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 3.4. Stores, spare parts and loose tools

Stores, spare parts and loose tools are valued at lower of net realisable value and cost. Cost of items of stores, spare parts and loose tools is determined as invoice value plus other charges accured thereon to the balance sheet date. Provision is made annually in the financial statements for slow moving and obsolete items if required.

Change in accounting policy

During the year, the Company has changed its accounting policy for valuation of stores, spares and loose tools with effect from January 01, 2014. In accordance with the new policy, stores, spares and loose tools are valued on First In First Out (FIFO) cost basis whereas previously these were valued on weighted average cost basis. The said accounting policy has been revised to bring the policy of the Company in agreement with the policy adopted by the ultimate Parent company (ICTSI). However, the above change in accounting policy has no material effect to the financial statements. Accordingly, such effect has not been accounted for retrospectively and aforesaid impact has been taken in the financial statements of the current year.

3.5. Trade debts

Trade debts originated by the Company are recognised and carried at original invoice amounts less a provision for doubtful debts. Provision for doubtful debts is based on the management's assessment of customers' outstanding balances and creditworthiness. Bad debts are written-off when identified.

3.6. Loans, advances and other receivables

After initial measurement these are carried at amortised cost less any allowance for impairment.

Gains and losses are recognised in the profit or loss when the loans, advances and other receivables are derecognised or impaired.

3.7. Investments

The investments of the Company, upon initial recognition, are classified as investment at fair value through profit or loss, held to maturity investment or available for sale investment, as appropriate. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

When investments are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

At fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains or losses recognised directly in the profit and loss account. Transaction costs are charged to profit and loss account when incurred.

Held-to-maturity investments

Investments with fixed or determinable payments and fixed maturity where management has both the positive intent and ability to hold to maturity are classified as held to maturity and are stated at amortised cost using the effective interest method. Gains and losses are recognised in profit and loss account when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale. After initial measurement, these are stated at fair values with unrealised gains or losses recognised directly in other comprehensive income until the investment is disposed or determined to be impaired. At the time of disposal, the cumulative gain or loss previously recorded in other comprehensive income is recognised in the profit and loss account.

Fair value of investments

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques.

### 3.8. Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks, cheques in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

### 3.9. Taxation

Current

The charge for current taxation is based on taxable income at the current rates of taxation in accordance with Income Tax Ordinance, 2001.

Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

### 3.10. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs, and have not been designated 'as at fair value through profit or loss'. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using effective interest rate method.

Gains and losses are recognised in profit or loss account when the liabilities are derecognised as well as through the amortisation process.

### 3.11. Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services render whether or not billed to the Company.

### 3.12. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provision are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 3.13. Revenue

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and government levies, if any. The following recognition criteria must be met before revenue is recognised:

- Revenues from port operations are recognised when services are rendered;
- Profit on deposits / saving accounts are recognised on time proportion basis;
- Dividend income is recognised when the Company's right to receive the same is established; and
- Gain on redemption of investments is recognised at the time of redemption.

### 3.14. Staff retirement benefits

The Company operates a recognised provident fund scheme for all eligible employees. Equal monthly contributions are made by the Company and the employees to the fund at the rate of 8.33 percent of the basic salary.

Contributions from the Company are charged to profit and loss account for the year.

### 3.15. Long-term employee benefits

The Company provides a facility to its employees for accumulating their annual earned leave under an unfunded scheme.

Accruals are made to cover the obligation under the scheme on accrual basis and are charged to profit and loss account. Accrual for compensated absences for employees is calculated on the basis of one month's gross salary. The amount of liability recognised in the balance sheet is calculated by the Company using the above basis as the difference in liability is not expected to be material using the Projected Unit Credit Method.

### 3.16. Financial Instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument and are derecognised in case of assets, when the contractual rights under the instrument are realised, expired or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

### 3.17. Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Company has the enforceable legal right to set off the transaction and also intends either to settle on net basis or to realise the asset and settle the liability simultaneously. Income and expense arising from such assets and liabilities are also offset accordingly.

### 3.18. Foreign currency translations

Foreign currency transactions are translated into Pakistani Rupee (functional currency) using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are re-translated into Pakistani Rupee using the exchange rate ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are taken to profit and loss account.

### 3.19. Dividend and other appropriation

Dividend and appropriation to reserves are recognised in the financial statements in the period in which these are approved.

### 3.20. Impairment

#### 3.20.1. Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect of the estimated future cash flows of that asset.

#### 3.20.2. Non-financial assets

The carrying value of non-financial assets other than inventories and deferred tax assets are assessed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the recoverable amount is estimated. An impairment loss is recognised, as an expense in the profit and loss account, for the amount by which an asset's carrying amount exceeds it recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Value in use is determined through discounting of estimated future cash flows using a discount rate that reflects current market assessments of the time value of money and risk specific to the assets. For the purpose of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows (cash generating units).

### 3.21. Functional and presentation currency

These financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency.

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | -------- (Rupees in '000) -------- | |
| **4. PROPERTY, PLANT AND EQUIPMENT** | | | |
| Operating fixed assets | 4.1 | 4,086,982 | 4,378,136 |
| Capital work-in-progress | 4.2 | 62,502 | 314,900 |
| | | 4,149,484 | 4,693,036 |

## 4.1. The following is a statement of operating fixed assets:

For the year ended December 31, 2014

| | COST | | | | ACCUMULATED DEPRECIATION | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at January 01, 2014 | Additions / transfers from capital work-in-progress* | Disposals | As at December 31, 2014 | As at January 1, 2014 | Charge for the year | Disposals | As at December 31, 2014 | Written down value as at December 31,2014 | Depreciation Rate per annum |
| | ---- | ---- | ---- | ---- (Rs. in thousands) ---- | ---- | ---- | ---- | ---- | | |
| Leasehold improvements | 2,006,768 | 10,453<br>23,779* | - | 2,041,000 | 847,046 | 199,760 | - | 1,046,806 | 994,194 | 5-20 |
| Container / general cargo handling equipment | 4,139,831 | 2,868 | - | 4,142,699 | 1,645,533 | 257,293 | - | 1,902,826 | 2,239,873 | 5-9.16 |
| Port power generation | 342,914 | 6,853<br>153,415* | - | 503,182 | 175,370 | 41,485 | - | 216,855 | 286,327 | 5-10 |
| Ancillary plant and workshop equipment ** | 858,959 | 10,569<br>106,086* | - | 975,614 | 426,345 | 68,378 | - | 494,723 | 480,891 | 7-20 |
| Vehicles | 83,431 | 5,583 | (44,010) | 45,004 | 51,141 | 9,489 | (26,953) | 33,677 | 11,327 | 20 |
| Computers and other equipment | 191,088 | 6,335 | (227) | 197,196 | 130,875 | 21,425 | (94) | 152,206 | 44,990 | 10-33.33 |
| Furniture and fixtures | 59,948 | 968<br>2,740* | - | 63,656 | 28,493 | 5,783 | - | 34,276 | 29,380 | 10 |
| | 7,682,939 | 43,629<br>286,020 | (44,237) | 7,968,351 | 3,304,803 | 603,613 | (27,047) | 3,881,369 | 4,086,982 | |
| Total - 2014 | 7,682,939 | 329,649 | (44,237) | 7,968,351 | 3,304,803 | 603,613 | (27,047) | 3,881,369 | 4,086,982 | |

* Transfer from Capital work-in-progress

** Includes stand-by equipment having written down value of Rs. 69.199 million.

For the year ended December 31, 2013

| | COST | | | | ACCUMULATED DEPRECIATION | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at January 01, 2013 | Additions / transfers from capital work-in-progress* | Disposals | As at December 31, 2013 | As at January 1, 2013 | Charge for the year | Disposals | As at December 31, 2013 | Written down value as at December 31,2013 | Depreciation Rate per annum |
| | ---- | ---- | ---- | ---- (Rs. in thousands) ---- | ---- | ---- | ---- | ---- | | |
| Leasehold improvements | 2,002,682 | 4,086 | - | 2,006,768 | 649,991 | 197,055 | - | 847,046 | 1,159,722 | 5-20 |
| Container / general cargo handling equipment | 4,139,831 | - | - | 4,139,831 | 1,385,876 | 259,657 | - | 1,645,533 | 2,494,298 | 5-9.16 |
| Port power generation | 342,724 | 190 | - | 342,914 | 148,567 | 26,803 | - | 175,370 | 167,544 | 5-10 |
| Ancillary plant and workshop equipment ** | 835,429 | 42,868<br>1,313* | (20,651) | 858,959 | 377,963 | 68,679 | -<br>(20,297) | 426,345 | 432,614 | 7-20 |
| Vehicles | 84,778 | 536 | (1,883) | 83,431 | 34,460 | 18,564 | (1,883) | 51,141 | 32,290 | 20 |
| Computers and other equipment | 170,620 | 13,599<br>6,869* | - | 191,088 | 106,053 | 24,822 | - | 130,875 | 60,213 | 10-33.33 |
| Furniture and fixtures | 58,909 | 1,039 | - | 59,948 | 22,727 | 5,766 | - | 28,493 | 31,455 | 10 |
| | 7,634,973 | 62,318<br>8,182* | (22,534) | 7,682,939 | 2,725,637 | 601,346 | (22,180) | 3,304,803 | 4,378,136 | |
| Total - 2013 | 7,634,973 | 70,500 | (22,534) | 7,682,939 | 2,725,637 | 601,346 | (22,180) | 3,304,803 | 4,378,136 | |

* Transfer from Capital work-in-progress

** Includes stand-by equipment having written down value of Rs. 79.948 million.

# Notes to the Financial Statements
For the year ended December 31, 2014

## 4.1.1. Disposal of operating fixed assets:

| Particulars | Cost | Accumulated depreciation | Written Down value | Sale price | Particulars of buyer |
|---|---|---|---|---|---|
| | ----------------- (Rs. in thousands) | ----------------- | | | |
| *By Company policy to existing / separating executives* | | | | | |
| *Vehicles* | | | | | |
| Honda City | 1,335 | 1,314 | 21 | 62 | Syed Asad Ali |
| Honda City | 1,335 | 1,314 | 21 | 62 | Mobin Ahmed Qurashi |
| Suzuki Cultus | 824 | 728 | 96 | 121 | Alamgir Khan |
| Suzuki Alto | 600 | 530 | 70 | 88 | Khwaja Arshad Ahmed |
| Suzuki Alto | 600 | 530 | 70 | 88 | Muhammad Adnan |
| Suzuki Alto | 600 | 530 | 70 | 88 | Saud Ur Rehman |
| Suzuki Cultus | 719 | 690 | 29 | 175 | Nadeem Gulzar |
| Toyota Corolla GLI | 1,430 | 1,023 | 407 | 450 | Pervaiz Ahmed Khan |
| Toyota Corolla GLI | 1,430 | 1,023 | 407 | 450 | Safdar Abbas |
| Toyota Corolla GLI | 1,430 | 1,023 | 407 | 450 | Syed Muhammad Imran Moosa |
| Toyota Corolla GLI | 1,430 | 1,023 | 407 | 450 | Waqar Ali Khan |
| Toyota Corolla GLI | 1,430 | 1,023 | 407 | 450 | Syed Ziauddin |
| Toyota Corolla GLI | 1,430 | 1,023 | 407 | 450 | Muhammad Atiq |
| Toyota Corolla GLI | 1,430 | 1,023 | 407 | 450 | Muhammad Kamal |
| Suzuki Alto | 646 | 413 | 233 | 253 | Nadeem Aziz Khan |
| Suzuki Alto | 646 | 412 | 234 | 252 | Wajid Ali Sanjrani |
| Suzuki Alto | 646 | 412 | 234 | 252 | Moazzam Ali |
| Suzuki Alto | 646 | 413 | 233 | 253 | Hasan Fawad Awan |
| Audi | 5,389 | 4,030 | 1,359 | 1,359 | Muhammad Masood Ahmed Usmani |
| Suzuki Swift | 1,087 | 659 | 428 | 461 | Shahbaz Ali Naveed |
| Suzuki Swift | 1,087 | 659 | 428 | 461 | Rehan Mehmood Janjua. |
| Suzuki Cultus | 867 | 520 | 347 | 373 | Najeeb Khan Durrani |
| Suzuki Alto | 697 | 400 | 297 | 318 | Moammar Raza |
| Suzuki Alto | 697 | 400 | 297 | 318 | Rehan Shafiq Khan |
| Suzuki Swift | 1,120 | 625 | 495 | 529 | Zeeshan Sabro |
| Suzuki Swift | 1,109 | 571 | 538 | 571 | Ghulam Muhammad |
| Toyota Corolla GLI | 1,380 | 551 | 829 | 870 | Ibrahim Zaheer Khan |
| Honda Civic | 1,933 | 772 | 1,161 | 1,219 | Sharaf Basit Alavi |
| Suzuki Cultus | 815 | 328 | 487 | 514 | Syed Shadab Sohail |
| Honda Civic | 1,883 | 752 | 1,131 | 1,187 | Afzal Shaikh |
| Toyota Corolla GLI | 1,386 | 393 | 993 | 1,022 | Kamran Samad |
| Toyota Corolla GLI | 1,386 | 416 | 970 | 970 | Noman Yousuf |
| Toyota Corolla GLI | 1,386 | 448 | 938 | 979 | Mohsin Mushtaq Ahmed |
| Honda City | 1,291 | 388 | 903 | 942 | Syed Masroor-Ul-Hassan |
| Suzuki Swift | 945 | 284 | 661 | 689 | Muquadas Sharif |
| Suzuki Alto | 854 | 227 | 627 | 671 | M. Shamim |
| Honda Motor Cycle | 58 | 58 | - | 5 | Zahid Ali |
| Unique Motor Cycle | 33 | 25 | 8 | 10 | Babar Sajjad |
| *Computers and other equipment* | | | | | |
| Sony laptop | 119 | 79 | 40 | 40 | Noman Yousuf |
| *Receivable from Insurance Company* | | | | | |
| Notebook | 108 | 15 | 93 | 72 | Recover from EFU General Insurance Ltd |
| | 44,237 | 27,047 | 17,190 | 18,424 | |

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | ------- (Rs. in thousands) ------ | |
| **4.1.2. Depreciation charge for the year has been allocated as under:** | | | |
| Cost of services | 20 | 543,252 | 541,384 |
| Administrative expenses | 21 | 60,361 | 59,962 |
| | | 603,613 | 601,346 |
| **4.2. Capital work-in-progress** | | | |
| Civil works | | 4,896 | 44,009 |
| Advances to suppliers and contractors | | 25,205 | 256,143 |
| Capital spares | | 32,401 | 14,748 |
| | | 62,502 | 314,900 |

### 4.2.1. Movement

| | Civil works | Advances to suppliers and contractors | Capital spares | Advance for purchase of generator related equipment | Total |
|---|---|---|---|---|---|
| | ------- (Rs. in thousands) ------- | | | | |
| Balance as at December 31, 2012 | 5,395 | 168,936 | 14,748 | 6,869 | 195,948 |
| Capital expenditure incurred / advances made during the year * | 38,614 | 107,908 | - | - | 146,522 |
| Transfer to operating fixed assets | - | (1,313) | - | (6,869) | (8,182) |
| Adjustment made during the year | - | (19,388) | - | - | (19,388) |
| Balance as at December 31, 2013 | 44,009 | 256,143 | 14,748 | - | 314,900 |
| Capital expenditure incurred / advances made during the year | 7,176 | 25,357 | 17,653 | - | 50,186 |
| Transfer to operating fixed assets | (46,289) | (239,731) | - | - | (286,020) |
| Transfer to intangibles | - | (16,564) | - | - | (16,564) |
| Balance as at December 31, 2014 | 4,896 | 25,205 | 32,401 | - | 62,502 |

* includes cost of computer software currently in testing phase amounting to Rs. 16.564 million.

## 5. INTANGIBLES

| | COST | | | ACCUMULATED AMORTISATION | | | | |
|---|---|---|---|---|---|---|---|---|
| | As at January 01, 2014 | Transfer from Capital work-in-progress | As at December 31, 2014 | As at January 01, 2014 | Charge for the year (note 5.1) | As at December 31, 2014 | Written down value as at December 31, 2014 | Amortis-ation rate Percent |
| | ---------- | ---------- | ---------- | (Rs. in thousands) | ---------- | ---------- | ---------- | |
| Computer software | 105,767 | 16,564 | 122,331 | 88,665 | 16,994 | 105,659 | 16,672 | 20 |
| Project development cost | 37,889 | - | 37,889 | 37,889 | - | 37,889 | - | 20 |
| For the year ended December 31, 2014 | 143,656 | 16,564 | 160,220 | 126,554 | 16,994 | 143,548 | 16,672 | |
| For the year ended December 31, 2013 | 143,656 | - | 143,656 | 112,872 | 13,682 | 126,554 | 17,102 | |

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | ------- (Rs. in thousands) | ------ |
| **5.1.** Amortisation charge for the year has been allocated to Cost of services | 20 | 16,994 | 13,682 |
| **6. STORES, SPARE PARTS AND LOOSE TOOLS** | | | |
| Stores and spare parts | | 372,731 | 364,260 |
| Fuel and lubricants | | 14,883 | 22,825 |
| Tools | | 1,234 | 1,820 |
| | | 388,848 | 388,905 |
| Less: Provision for obsolescence | | 30,898 | 13,776 |
| | | 357,950 | 375,129 |
| **7. TRADE DEBTS** | | | |
| *Unsecured* | | | |
| Considered good | 7.1, 7.2 & 7.3 | 346,590 | 303,837 |
| Considered doubtful | | 1,475 | 1,475 |
| | | 348,065 | 305,312 |
| Less: Provision for doubtful debts | | 1,475 | 1,475 |
| | | 346,590 | 303,837 |

7.1. The aging of unimpaired trade debts at December 31 is as follows:

| | Total | Neither past due nor impaired | Past due but not impaired: Within 90 days | Past due but not impaired: 91 to 180 days | Past due but not impaired: Over 180 days |
|---|---|---|---|---|---|
| | ----- | ----- | (Rupees) | ----- | ----- |
| Related parties | 7,835 | 6,007 | 223 | 747 | 858 |
| Other than related parties | 338,755 | 327,332 | 8,895 | 1,500 | 1,028 |
| 2014 | 346,590 | 333,339 | 9,118 | 2,247 | 1,886 |
| Related parties | 6,883 | 5,375 | 1,508 | - | - |
| Other than related parties | 296,954 | 290,594 | 408 | 4,576 | 1,376 |
| 2013 | 303,837 | 295,969 | 1,916 | 4,576 | 1,376 |

7.2. Includes Rs. 7.174 million (2013: Rs. 4.644 million) due from Marine Services (Private) Limited, Rs. 0.009 million (2013: Rs. 0.314 million) due from Premier Mercantile Services (Private) Limited, Rs. 0.068 (2013: Rs. 0.140 million) due from AMI Pakistan (Private) Limited and Rs 0.584 million (2013: Rs. 1.764 million) due from Portlink International Services (related parties).

7.3. These are non-interest bearing and generally on an average term of 30 days.

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | ------- (Rs. in thousands) | ------ |
| **8. ADVANCES** | | | |
| *Unsecured, considered good* | | | |
| Suppliers and contractors | | 22,592 | 20,551 |
| Employees | | 1,710 | 13,087 |
| | | 24,302 | 33,638 |
| **9. DEPOSITS AND PREPAYMENTS** | | | |
| Security deposits | | 673 | 2,822 |
| Other deposit | 9.1 | 34,672 | 34,672 |
| Prepayments | 9.2 | 120,578 | 134,355 |
| | | 155,923 | 171,849 |

9.1. Represents pay order issued in favor of Nazir of the Honorable High Court of Sindh as referred to in note 18.1.2 to these financial statements.

9.2. Includes Rs.75.142 million (2013: Rs. 67.786 million) as prepayment to KPT against handling, marshalling and storage charges.

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | ------- (Rs. in thousands) ------ | |
| **10. OTHER RECEIVABLES** | | | |
| *Considered good* | | | |
| Sales tax receivable | | 30,296 | 5,242 |
| Insurance claim receivable | | 11,489 | 3,698 |
| Accrued markup on saving accounts | | 1,832 | - |
| Others | | 2,973 | - |
| | | 46,590 | 8,940 |
| **11. SHORT TERM INVESTMENTS** | | | |
| Held to Maturity Investments | | | |
| Saudi Pak Leasing Company – COI | 11.1.1 | 43,000 | 43,500 |
| Less: Provision for impairment | | 43,000 | 33,250 |
| | | - | 10,250 |

11.1.1. Represents investments in Certificates of Investments (COIs) of Saudi Pak Leasing Company (the Leasing Company), having face value of Rs. 43 million (2013: Rs.43.5 million) carrying interest at the rate of 7 percent (2013: 7 percent) per annum.

The Leasing Company made default in repayment against COIs in August 2009 due to serious financial and liquidity crunch reportedly being faced by it. During the year, the Company has received Rs.0.5 million (2013: Rs.6 million) against the above investment due to the uncertainties involved. However, due to uncertainties involved, the Company has carries impairment provision in these financial statements, as a matter of prudence.

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | ------- (Rs. in thousands) ------ | |
| **12. CASH AND BANK BALANCES** | | | |
| With banks: | | | |
| - in current accounts | | 53,209 | 1,166,635 |
| - in saving accounts | 12.1 | 648,148 | 837,990 |
| | | 701,357 | 2,004,625 |
| Cash and pay orders in hand | | 22,687 | 11,092 |
| | | 724,044 | 2,015,717 |

12.1. These carry profit at the rates ranging from 6 to 8.7 percent (2013: 4.5 to 9 percent) per annum.

## 13. SHARE CAPITAL

### 13.1. Authorised capital

| December 31, 2014 | December 31, 2013 | | December 31, 2014 | December 31, 2013 |
|---|---|---|---|---|
| ----- (Number of shares) ----- | | | ------- (Rs. in thousands) ------ | |
| 182,000,000 | 182,000,000 | Ordinary shares of Rs.10/- each | 1,820,000 | 1,820,000 |
| 18,000,000 | 18,000,000 | Preference shares of Rs.10/-each | 180,000 | 180,000 |
| 200,000,000 | 200,000,000 | | 2,000,000 | 2,000,000 |

### 13.2. Issued, subscribed and paid-up capital

| December 31, 2014 | December 31, 2013 | | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|---|---|
| ----- (Number of shares) ----- | | | | ------- (Rs. in thousands) ------ | |
| | | Ordinary shares of Rs.10/- each | | | |
| 63,761,200 | 63,761,200 | - fully paid in cash | 13.3 | 637,612 | 637,612 |
| 33,352,352 | 33,352,352 | - issued as bonus shares | | 333,524 | 333,524 |
| 12,039,600 | 12,039,600 | - issued for consideration other than cash | 13.2.1 | 120,396 | 120,396 |
| 109,153,152 | 109,153,152 | | | 1,091,532 | 1,091,532 |

13.2.1. Represents shares issued in consideration for mobile harbour cranes, port equipment and a vehicle.

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | ------- (Number of shares) ------ | |
| 13.3. As of the balance sheet date, following are the Major shareholders of the Company: | | | |
| ICTSI – Parent Company (directly and indirectly) 64.54 percent (2013: 64.54 percent) | | 70,442,082 | 70,442,082 |
| Premier Mercantile Services (Private) Limited 25.16 percent (2013: 31.19 percent) | | 27,461,267 | 34,041,267 |

## 14. LONG-TERM FINANCING

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| *Secured* | | | |
| Loan from banking company | 14.1 | 1,493,777 | 1,493,777 |
| Less: current maturity of long-term financing | | 597,511 | - |
| | | 896,266 | 1,493,777 |

14.1. Represents a long-term local currency loan obtained on Diminishing Musharakah basis. The Musharakah units are to be purchased during a period of 4 years in 5 equal semi-annual installments commencing from April 2015. This facility is structured to represent pricing at the annual rate of 6 months' KIBOR + 0.75 percent and is secured against all present and future fixed assets of the Company excluding land and building.

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | ------- (Rs. in thousands) ------ | |
| **15. DEFERRED TAX** | | | |
| Credit / (debit) balances arising in respect of timing differences relating to: | | | |
| Accelerated tax depreciation and amortisation | | 813,081 | 974,544 |
| Provision for doubtful debts | | (486) | (501) |
| Provision for obsolescence in stores, spare parts and loose tools | | (10,196) | (4,684) |
| Provision for impairment in short-term investment | | (14,190) | (11,304) |
| Others | | (53,970) | (15,296) |
| | | 734,239 | 942,759 |
| **16. LONG-TERM EMPLOYEE BENEFITS** | | | |
| As at January 01 | | 44,987 | 42,494 |
| Accrual made during the year | | 3,440 | 4,172 |
| | | 48,427 | 46,666 |
| Less: Payments made during the year | | 4,212 | 1,679 |
| | | 44,215 | 44,987 |
| **17. TRADE AND OTHER PAYABLES** | | | |
| Trade creditors | 17.1 | 296,556 | 190,971 |
| Technical services fee payable | | 475,933 | 481,571 |
| Staff related liabilities | | 104,352 | 81,047 |
| Payable to port authorities | 17.2 &18.1.2 | 53,196 | 154,100 |
| Accrued liabilities | | 15,370 | 18,638 |
| Other liabilities | | | |
| Advances from customers | | 116,491 | 130,765 |
| Retention money payable | | 3,178 | 2,039 |
| Sales tax payable | | 21,408 | 58,578 |
| Withholding tax payable | | 414 | 15 |
| Workers' Welfare Fund payable | | 163,545 | 102,380 |
| Unclaimed dividend | | 35,808 | 1,156,837 |
| Preference shares dividend payable | | 239 | 244 |
| Others | | 1,199 | 1,962 |
| | | 342,282 | 1,452,820 |
| | | 1,287,689 | 2,379,147 |

17.1. Includes Rs. 67.402 million (2013: Rs. 32.538 million) payable to related parties.

17.2. Includes Rs. 34.6 million (2013: Rs. 34.6 million) withheld by the Company from handling and marshalling charges billed by KPT as fully explained in note 18.1.2.

## 18. CONTINGENCIES AND COMMITMENTS

### 18.1. Contingencies

18.1.1. During the year ended June 30, 2007, the Trustees of the Port of Karachi filed a civil suit against the Company in the Honorable High Court of Sindh alleging mis-declaration of the category of goods upon import of Quayside Container Crane and Rubber Tyre Gantry Cranes in the year 2004 and thereby claiming a sum of Rs. 101.5 million being additional wharfage charges and Rs. 203 million as penalty, with interest.

As per the legal advisor of the Company "this case is at the final stages as the evidence has been completed. The case is next fixed for orders on the Commissioner's report (concluding evidence) where after the matter will proceed to final arguments leading to judgment. During arguments we propose to rely on a Supreme Court judgment on the same point in which the wharfage charges have been held as illegal and without lawful authority". Further, the legal counsel of the Company is confident that there is no merit in this claim and hence there is remote possibility that the case would be decided against the Company. Therefore, no provision in respect of above has been made in these financial statements.

18.1.2. During the year ended June 30, 2007, the Company filed an interpleader civil suit against the Deputy District Officer, Excise and Taxation and the Trustees of the Port of Karachi (KPT) in the Honorable High Court of Sindh against the demand raised by the Deputy District Officer, Excise and Taxation under Section 14 of the Property Tax Act, 1958 to pay the property tax amounting to Rs. 34.6 million for the period from 2003 to 2007 out of the rent payable to KPT. The Honorable High Court of Sindh granted a stay order to Company directing that no coercive action be taken against the Company in due course until the case has been finalised. During the year ended June 30, 2008, the Company has withheld the amount of Rs. 34.6 million from the handling and marshalling charges billed by KPT for the period from July 1, 2007 till December 31,2007 and deposited with Nazir of High Court of Sindh (note 9.1), in accordance with the Honorable High Court's short order dated June 29, 2007. According to the in-house legal counsel of the Company, there is full merit in this case and the property tax imposed will be disallowed by the Honorable High Court. In view thereof, no provision for any liability has been made in these financial statements.

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| | ------- (Rs. in thousands) ------ | |
| **18.2. Commitments** | | |
| 18.2.1. Commitments for capital expenditure | 5,584 | 3,156 |
| 18.2.2. Letter of guarantees | 96,300 | 98,200 |
| 18.2.3. Letters of credit | 9,179 | 5,403 |
| 18.2.4. Handling, marshalling and storage charges payable to Karachi Port Trust (KPT) | | |
| Not later than one year | 149,395 | 144,624 |
| Later than one year and not later than five years | 668,983 | 641,642 |
| Later five years | 801,356 | 978,092 |
| | 1,619,734 | 1,764,358 |

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | ------- (Rs. in thousands) | ------ |
| **19. REVENUE** | | | |
| Gross revenue | 19.1 | 8,942,601 | 8,941,486 |
| Sales tax | | 1,020,941 | 967,092 |
| | | 7,921,660 | 7,974,394 |

19.1. Revenue is net of discounts of Rs. 8.1 million (2013: Rs. 57 million).

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | ------- (Rs. in thousands) | ------ |
| **20. COST OF SERVICES** | | | |
| Salaries, wages and other benefits | | 454,413 | 406,775 |
| Contribution to staff provident fund | | 12,058 | 10,939 |
| Staff training | | 2,067 | 1,430 |
| Terminal handling and services | | 599,278 | 509,657 |
| Royalty | | 704,367 | 674,208 |
| Handling, marshalling and storage charges | | 143,534 | 157,897 |
| Fuel and power | | 609,828 | 653,062 |
| Stores, spare parts and other maintenance charges | | 257,710 | 276,553 |
| Provision for obsolescence in stores, spare parts and loose tools | 6 | 17,122 | 13,776 |
| Technical services fee | 20.1 | 667,661 | 481,571 |
| Rent, rates and taxes | 20.2 | 202,363 | 17,602 |
| Insurance | | 91,217 | 106,197 |
| Software maintenance charges | | 20,175 | 17,859 |
| Office maintenance | | 27,769 | 24,641 |
| Travelling, conveyance and vehicle running expenses | | 3,750 | 18,687 |
| Communication, printing and stationery | | 2,016 | 2,660 |
| Utilities | | 5,115 | 6,441 |
| Depreciation | 4.1.2 | 543,252 | 541,384 |
| Amortisation | 5.1 | 16,994 | 13,682 |
| Others | | 33,779 | 26,803 |
| | | 4,414,468 | 3,961,824 |

20.1. Represents charge for technical services provided by ICTSI, the Parent Company, to the Company which includes continuous improvement of the operations management, training of key personnel and risk management services.

20.2 Included herein is sales tax on technical services fee amounting to Rs. 114.983 million (2013: Nil).

## 21. ADMINISTRATIVE EXPENSES

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | ------- (Rs. in thousands) ------ | |
| Salaries, wages and benefits | | 173,220 | 204,542 |
| Contribution to staff provident fund | | 5,772 | 6,531 |
| Travelling, conveyance and vehicle running expenses | | 33,245 | 31,167 |
| Legal and professional charges | | 10,795 | 8,764 |
| Auditors' remuneration | 21.1 | 7,144 | 5,499 |
| Security expenses | | 11,395 | 11,822 |
| Insurance | | 3,955 | 4,530 |
| Office maintenance | | 18,299 | 15,960 |
| Advertising and public relations | | 2,391 | 3,961 |
| Communication, printing and stationery | | 17,813 | 16,927 |
| Utilities | | 4,638 | 4,082 |
| Depreciation | 4.1.2 | 60,361 | 59,962 |
| Fees and subscription | | 6,035 | 12,103 |
| Donations | 21.2 | 5,969 | 9,865 |
| Others | | 27,799 | 29,769 |
| | | 388,831 | 425,484 |

### 21.1. Auditors' remuneration

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Statutory audit fee | 1,700 | 1,600 |
| Audit fee for foreign reporting | 297 | 318 |
| Fee for review of compliance with Code of Corporate Governance | 150 | 150 |
| Fee for review of half-yearly financial statements | 475 | 425 |
| Tax, corporate and other advisory, other certifications and out-of- pocket expenses | 4,522 | 3,006 |
| | 7,144 | 5,499 |

21.2. Includes Rs.1.385 million (2013: Rs. 1.929 million) paid to Rabia Azeem Trust, Karachi in which Capt. Haleem A. Siddiqui (Chairman) and Mr. Aasim Azim Siddiqui (Director) are Trustees and Rs. 2.1 million (2013: Rs. 3.6 million) paid to Organisation for Social Development Initiative, Karachi in which Mr. Aasim Azim Siddiqui (Director) is Trustee. No other directors or their spouses have any interest in any donee's fund to which donation was made.

## 22. OTHER INCOME

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| | ------- (Rs. in thousands) ------ | |
| **Income from financial assets** | | |
| Markup on saving accounts | 104,788 | 95,761 |
| **Income from non-financial assets** | | |
| Gain on disposal of property, plant and equipment | 1,212 | 7,782 |
| Scrap sales | 5,760 | 5,125 |
| Gain on redemption of investments | - | 5,219 |
| Others | 234 | 55 |
| | 7,206 | 18,181 |
| | 111,994 | 113,942 |

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | ------- (Rs. in thousands) ------ | |
| **23. FINANCE COST** | | | |
| Markup on long-term financing | | 161,935 | 181,888 |
| Transaction costs against long-term financing | | - | 9,246 |
| Bank charges | | 206 | 395 |
| Provision for impairment in short-term investments | | 9,750 | - |
| | | 171,891 | 191,529 |
| **24. OTHER EXPENSES** | | | |
| Workers' Welfare Fund | | 61,165 | 77,894 |
| Exchange loss - net | | 184 | 2,114 |
| | | 61,349 | 80,008 |
| **25. TAXATION** | | | |
| Current | | 1,105,466 | 1,287,253 |
| Deferred | | (208,520) | (130,271) |
| Prior | | 13,862 | 21,728 |
| | 25.1 | 910,808 | 1,178,710 |
| **25.1. Relationship between tax expense and accounting profit** | | | |
| Profit before tax | | 2,997,115 | 3,429,491 |
| Tax at the applicable tax rate of 33 percent (2013: 34percent) | | 989,049 | 1,166,027 |
| Net effect of income tax provision relating to prior years | | 13,862 | 21,728 |
| Effect of change in rate on beginning deferred tax balance | | (27,728) | (31,560) |
| Others | | (64,375) | 22,515 |
| | | 910,808 | 1,178,710 |
| Average effective tax rate | | 30.39% | 34.37% |
| **26. EARNINGS PER ORDINARY SHARE** | | | |
| **Basic and diluted** | | | |
| Profit after taxation | | 2,086,309 | 2,250,781 |
| Weighted average number of ordinary shares in issue during the year | Numbers | 109,153 | 109,153 |
| Earnings per share | Rupees | 19.11 | 20.62 |

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. No changes made to the objectives and policies during the year ended December 31, 2014. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

### 27.1. Credit Risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on long-term deposits, trade debts, advances, deposits, other receivables, investments and bank balances. The Company seeks to minimise the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

| | Carrying Values | |
|---|---|---|
| | December 31, 2014 | December 31, 2013 |
| | ------- (Rs. in thousands) ------ | |
| Long-term deposits | 1,847 | 675 |
| Trade debts – unsecured | 346,590 | 303,837 |
| Advances – unsecured | 24,302 | 33,638 |
| Deposits | 35,345 | 37,494 |
| Other receivables | 16,294 | 3,698 |
| Short-term investments | - | 10,250 |
| Bank balances | 701,357 | 2,004,625 |
| | 1,125,735 | 2,394,217 |

#### Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

# Notes to the Financial Statements

For the year ended December 31, 2014

| | Carrying Values December 31, 2014 | December 31, 2013 |
|---|---|---|
| | ------- (Rs. in thousands) ------ | |
| **27.1.1. Trade debts** | | |
| Customers with no defaults in the past one year | 346,590 | 277,244 |
| Customers with some defaults in past one year which have been fully recovered | - | 26,593 |
| | 346,590 | 303,837 |
| **27.1.2. Cash with Banks** | | |
| A1 | 259,555 | 1,442,434 |
| A1+ | 441,802 | 562,191 |
| | 701,357 | 2,004,625 |

## Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company applies the prudent risk management policies by maintaining sufficient cash and bank balances and by keeping committed credit lines. The table below summarizes the maturity profile of the Company's financial liabilities at the following reporting dates:

| 31 December 2014 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 Years | > 5 years | Total |
|---|---|---|---|---|---|---|
| | ---------------------------- | | (Rs. in thousands) | | --------------------------- | |
| Long-term financing – secured | - | - | 597,511 | 896,266 | - | 1,493,777 |
| Trade and other payables` | 626,389 | 475,933 | - | - | - | 1,102,322 |
| Accrued markup on long - term financing | - | - | 13,028 | - | - | 13,028 |
| | 626,389 | 475,933 | 610,539 | 896,266 | - | 2,609,127 |

| 31 December 2013 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 Years | > 5 years | Total |
|---|---|---|---|---|---|---|
| | ---------------------------- | | (Rs. in thousands) | | --------------------------- | |
| Long-term financing– secured | - | - | - | 1,493,777 | - | 1,493,777 |
| Trade and other payables | 1,533,027 | 163,240 | 521,907 | - | - | 2,218,174 |
| Accrued markup on long - term financing | - | - | 13,297 | - | - | 13,297 |
| | 1,533,027 | 163,240 | 535,204 | 1,493,777 | - | 3,725,248 |

### 27.2. Foreign Currency Risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency.

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| | ------- (Rs. in thousands) ------ | |
| The following significant exchange rates have been applied at the reporting dates: | | |
| Pakistani Rupee to US Dollars | 101.03 | 105.2 |

The foreign currency exposure is partly covered as the majority of the Company's billing is determined in dollars which is converted into rupees at the exchange rate prevailing at the transaction date.

The following figures demonstrate the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the Company's profit before tax:

| | Change in Exchange rates | Effect on profit before tax |
|---|---|---|
| | ------- (Rs. in thousands) ------ | |
| December 31, 2014 | ± 5% | 25,163 |
| December 31, 2013 | ± 5% | 26,095 |

### 27.3. Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates and balances in savings and deposits bank accounts.

Sensitivity Analysis:

The following figures demonstrate the sensitivity to a reasonably possible change in interest rate, with all other variables held constant, of the Company's profit before tax:

| | Change in basis points | Effect on profit before tax |
|---|---|---|
| | ------- (Rs. in thousands) ------ | |
| December 31, 2014 | ± 100 | 8,456 |
| December 31, 2013 | ± 100 | 6,211 |

### 27.4. Equity price risk

Equity price risk is the risk of loss arising from movements in prices of equity instruments. The Company is not exposed to any equity price risk, as the Company does not have any investment in equity shares.

### 27.5. Capital risk management

The primary objective of the Company's capital management is to maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, to maximise shareholder value and reduce the cost of capital.

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. Net debt is calculated as total loans and borrowings including any finance cost thereon, trade and other payables, less cash and bank balances and investments. Capital signifies equity as shown in the balance sheet plus net debt.

The gearing ratios as at December 31, 2014 and December 31, 2013 were as follows:

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| | ------- (Rs. in thousands) ------ | |
| Long-term financing | 896,266 | 1,493,777 |
| Trade and other payables | 1,287,689 | 2,379,147 |
| Accrued mark-up on loan | 13,028 | 13,297 |
| Total debt | 2,196,983 | 3,886,221 |
| Less: Cash and bank balances | 724,044 | 2,015,717 |
| Short-term investments | - | 10,250 |
| **Net debt** | 1,472,939 | 1,860,254 |
| Share capital | 1,091,532 | 1,091,532 |
| Reserves | 1,492,364 | 1,698,273 |
| **Equity** | 2,583,896 | 2,789,805 |
| **Capital** | 4,056,835 | 4,650,059 |
| **Gearing ratio** | 36.31% | 40.01% |

The Company finances its investment portfolio through equity, borrowings and management of its working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk.

## 28. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

28.1. The aggregate amount, charged in the financial statements for the year is as follows:

| | For the year ended December 31, 2014 | | | For the year ended December 31, 2013 | | |
|---|---|---|---|---|---|---|
| | Chief Executive | Director/ Chairman | Executives | Chief Executive | Director/ Chairman | Executives |
| | (Rs. in thousands) | | | | | |
| Managerial remuneration | 17,400 | 24,528 | 93,273 | 17,400 | 24,528 | 76,143 |
| Retirement benefits | 977 | 1,362 | 3,871 | 966 | 1,362 | 4,024 |
| Bonus | 2,900 | 4,088 | 24,984 | 5,800 | 8,176 | 24,502 |
| | 21,277 | 29,978 | 122,128 | 24,166 | 34,066 | 104,669 |
| Number | 1 | 1 | 59 | 1 | 1 | 49 |

28.2. The Chief Executive and Chairman of the Company are also provided with the use of the Company maintained car, club memberships and medical benefits in accordance with their terms of service.

28.3. The aggregate amount charged in respect of fee to the Directors as a fee for attending the Board of Director's meetings amount to Rs. 0.08 million (2013: Rs. 0.57 million).

## 29. RELATED PARTY TRANSACTIONS

29.1. The related parties include the Parent Company, ultimate Parent Company, associated companies, entities having directors in common with the Company, directors and other key management personnel. Balances outstanding with related parties have been disclosed in the respective notes to these financial statements.

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | (Rs. in thousands) | |
| *Holding Company* | | | |
| Technical services fee | 20.1 | 667,661 | 481,571 |
| *Associated companies/undertakings* | | | |
| Stevedoring charges | | 365,386 | 336,479 |
| Revenue from container handling | | 81,670 | 40,659 |
| Traveling expenses | | 11,696 | 11,542 |
| Software maintenance charges | | 519 | 600 |
| Donations | | 3,485 | 5,529 |
| *Staff retirement contribution plan* | | | |
| Contribution to staff provident fund | | 17,830 | 17,470 |

# Notes to the Financial Statements

For the year ended December 31, 2014

| | Note | December 31, 2014 | December 31, 2013 |
|---|---|---|---|
| | | ------- (Rs. in thousands) ------ | |
| **30. CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before taxation | | 2,997,115 | 3,429,491 |
| Adjustments for non-cash items: | | | |
| Depreciation and amortization | 4.1 & 5 | 620,607 | 615,028 |
| Accrual for long-term employee benefits | 16 | 3,440 | 4,172 |
| Finance cost | 23 | 162,141 | 191,529 |
| Provision for obsolescence in stores, spare parts and loose tools | 20 | 17,122 | 13,776 |
| Unrealised exchange loss | | 58 | 581 |
| Provision for impairment in short-term investments | 23 | 9,750 | - |
| Markup on saving accounts | 22 | (104,788) | (95,761) |
| Gain on disposal of property, plant and equipment | 22 | (1,212) | (7,782) |
| | | 707,118 | 721,543 |
| Operating profit before working capital changes | | 3,704,233 | 4,151,034 |
| (Increase)/decrease in current assets | | | |
| Stores, spare parts and loose tools | | 58 | (54,699) |
| Trade debts | | (42,753) | (84,696) |
| Advances, deposits, prepayments and other receivables | | (10,554) | (35,893) |
| | | (53,249) | (175,288) |
| Increase in current liabilities | | | |
| Trade and other payables | | 29,513 | 781,490 |
| Cash generated from operations | | 3,680,497 | 4,757,236 |
| **31. PROVIDENT FUND** | | | |
| Size of the fund | | 176,017 | 199,276 |
| Cost of investments made | | 37,350 | 49,350 |
| Percentage of investments made | | 44.44% | 35.35% |
| Fair value of investments made | | 78,215 | 70,440 |

### 31.1. Break-up of investments of provident fund

Break-up of investments in terms of amount and percentage of the size of the provident fund is as follows:

| | December 31, 2014 (Un-audited) | | December 31, 2013 (Un-audited) | |
|---|---|---|---|---|
| | Investments (Rs. in thousands) | % of Investment as size of the fund | Investments (Rs. in thousands) | % of Investment as size of the fund |
| Certificate of investment | - | - | 12,000 | 6.00% |
| Mutual funds | 78,215 | 44.44% | 58,440 | 29.35% |
| | 78,215 | 44.44% | 70,440 | 35.35% |

The financial year end of the provident fund of the Company is June 30 each year. The above information is based on unaudited financial statements of the provident fund.

Investments out of provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| | -----------(Number) | ----------- |
| **32. NUMBER OF PERSONS EMPLOYED** | | |
| Persons employed as of December 31 | 1,053 | 1,105 |
| Average persons employed during the year | 1,079 | 1,152 |

### 33. DATE OF AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue on January 28, 2015 by the Board of Directors of the Company.

### 34. NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in their board meeting held on January 28, 2015 have recommended a final cash dividend of Rs. 3.5 per ordinary share amounting to Rs. 382.036 million for the year ended 31 December 2014. The adjustment for this dividend will be incorporated in the subsequent financial statements of the Company.

## 35. EXEMPTION FROM APPLICABILITY OF IFRIC – 12 "SERVICE CONCESSION ARRANGEMENTS"

As explained in note 2.1, the required mandatory disclosure is as follows:

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 were to follow IFRIC-12, the effect on the financial statements would be as follows:

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| | ------- (Rs. in thousands) ------ | |
| Reclassification from property, plant and equipment (including CWIP) to intangible assets (Port Concession Rights) – written down value | 2,264,522 | 2,663,512 |
| Reclassification from spares to intangible assets | 196,142 | 216,782 |
| Recognition of intangible assets (Port Concession Rights) on account of handling and marshalling charges (HMS) | 737,477 | 823,070 |
| Recognition of present value of concession liability on account of intangibles (HMS) | 1,190,661 | 1,340,490 |
| Interest expense for the year on account of intangibles (HMS) | 69,492 | 110,204 |
| Amortisation expense for the year on account of intangibles (HMS) | 86,664 | 83,038 |
| Amortisation expense for the year on account of concession assets (PPE and spares) | 249,882 | 275,918 |
| Increase in profit before tax for the year on account of reversal of handling and marshalling charges | 147,009 | 152,368 |

## 36. CORRESPONDING FIGURES

Corresponding figures and balances have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material except for reclassification of 'Ship to Shore Crane – STS' and 'Rubber Tyred Gantry Cranes – RTG' to 'Container / general cargo handling equipment' and reclassification of 'Port equipment' and to 'Ancillary plant and workshop equipment'.

## 37. GENERAL

37.1. Amounts have been rounded off to the nearest thousand rupees unless otherwise stated.

37.2. Terminal maximum handling capacity in a year is 750,000 TEUs. Actual TEUs for the year are 699,582 TEUs (for December 31, 2013: 675,457 TEUs). The actual handling was sufficient to meet the demand.

CHIEF EXECUTIVE | DIRECTOR

# Pattern of Shareholding

As at December 31, 2014

| No. of Shareholders | Total Shares From | Total Shares To | Shareholdings Held |
|---|---|---|---|
| 1099 | 1 | 100 | 17,136 |
| 381 | 101 | 500 | 81,913 |
| 742 | 501 | 1000 | 566,662 |
| 165 | 1001 | 5000 | 346,723 |
| 17 | 5001 | 10000 | 130,604 |
| 4 | 10001 | 15000 | 52,180 |
| 6 | 15001 | 20000 | 99,656 |
| 3 | 25001 | 30000 | 85,120 |
| 3 | 40001 | 45000 | 130,200 |
| 2 | 45001 | 50000 | 99,940 |
| 1 | 65001 | 70000 | 65,563 |
| 1 | 90001 | 95000 | 94,000 |
| 1 | 265001 | 270000 | 265,423 |
| 1 | 395001 | 400000 | 400,000 |
| 1 | 2235001 | 2240000 | 2,235,083 |
| 1 | 7345001 | 7350000 | 7,350,000 |
| 1 | 17155001 | 17160000 | 17,155,639 |
| 1 | 27460001 | 27465000 | 27,461,267 |
| 1 | 52515001 | 52520000 | 52,516,043 |
| 2,431 | | | 109,153,152 |

| CATEGORIES OF SHAREHOLDERS | NUMBER OF SHAREHOLDERS | TOTAL SHARES HELD | PERCENTAGE |
|---|---|---|---|
| INDIVIDUALS | 2389 | 1,950,895 | 1.79 |
| INSURANCE COMPANY | 1 | 854 | 0.00 |
| FINANCIAL INSTITUTIONS | 1 | 720 | 0.00 |
| MODARABA AND MUTUAL FUNDS | 6 | 29,702 | 0.03 |
| FOREIGN INVESTORS | 9 | 79,258,845 | 72.61 |
| OTHERS: | 25 | 27,912,136 | 25.57 |
| | 2,431 | 109,153,152 | 100.00 |

# Pattern of Shareholding

As at December 31, 2014

| Categories of Shareholders | Number of Shareholders | Number of Shares held | Percentage |
|---|---|---|---|
| **Associated Companies, undertakings and related parties** | | | 88.99 |
| ICTSI Mauritius Limited | 1 | 52,516,043 | |
| Premier Mercantile Services (Pvt.) Ltd. | 1 | 27,461,267 | |
| Aeolina Investments Ltd. | 1 | 17,155,639 | |
| **NIT and ICP Investment Companies** | - | - | |
| **Directors, CEO and their spouse and minor children** | | | 0.01 |
| Capt. Haleem A.Siddiqui | 1 | 500 | |
| Mr. Aasim A.Siddiqui | 1 | 4,500 | |
| Jose Manuel De Jesus | 1 | 100 | |
| Edgardo Q. Abesamis | 1 | 100 | |
| Capt. Zafar Iqbal Awan | 1 | 720 | |
| **Executives** | 3 | 2944 | 0.00 |
| **Public Sector Companies and Corporations** | - | - | |
| **Banks, DFI's, NBFI's, Insurance Companies, Modarabas and Mutual Funds** | 8 | 31,276 | 0.03 |
| **Joint Stock Companies, Investment Companies** | | | |
| Foreign Investors and Others | 31 | 10,038,032 | 9.19 |
| Individuals | 2381 | 1,942,031 | 1.78 |
| TOTAL | 2431 | 109,153,152 | 100 |

### Shareholders holding 10% or more voting interest

| | | |
|---|---|---|
| ICTSI Mauritius Limited | 1 | 52,516,043 |
| Premier Mercantile Services (Pvt.) Ltd. | 1 | 27,461,267 |
| Aeolina Investments Ltd. | 1 | 17,155,639 |

### Details of Purchase/Sale of Shares By Directors, CEO, CFO, Company Secretary and their spouses or Minor Children during Year Ended December 31, 2014

| Name | Date of Purchase/Sale | Number of Shares | Rate |
|---|---|---|---|
| - | - | - | - |

# Form of Proxy

The Company Secretary
**Pakistan International Container Terminal Limited**
Berths # 6-9, East Wharf,
Karachi Port, Karachi.

I/We, ______________________________ of ______________________________ being a member of Pakistan International Container Terminal Limited and holding ______________Ordinary Shares as per Share Register Folio No. _______ and/or CDC Participant I.D. No. _______ A/c No. _______ hereby appoint Mr./Mrs./Miss ________________________ of (full address) as my/our proxy to attend, speak and vote for me / us and on my / our behalf at the 14th Annual General Meeting of the Company to be held on February 24, 2015 and at any adjournment thereof.

Signed this ________________ day of ______________ 2015

Witnesses:

1. Name ________________________
   Address ________________________
   CNIC No. ________________________
   Signature ________________________

2. Name ________________________
   Address ________________________
   CNIC No. ________________________
   Signature ________________________

| Signature on Rs. 5/- Revenue Stamp |
|---|

Notes:

1. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy who shall have such rights as respects attending, speaking and voting at the meeting as are available to a member.

2. The proxy in order to be valid must be signed across Five Rupees Revenue Stamp and should be deposited with the Company not later than 48 hours before the time of holding the Meeting.

3. The proxy shall authenticate his/her identity by showing his/her original CNIC or original passport and bring folio number at the time of attending the meeting.

4. Signature should agree with the specimen signature registered with the Company.

5. CDC shareholders and their Proxies must attach either an attested photocopy of their National Identity Card or Passport with this Proxy Form.

6. In case of proxy by a corporate entity, Board of Directors resolution/power of attorney with specimen signature and attested copies of CNIC or Passport of the proxy shall be submitted along with the proxy form.

www.pict.com.pk

Pakistan International
Container Terminal Ltd.

Registered & Terminal Office:
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