



**The Directors are pleased to present the Annual Report of Pakistan International Bulk Terminal Limited (PIBT) (“the Company”) together with the audited financial statements of the Company for the year ended June 30, 2023.**

**BUSINESS REVIEW**

During the year, due to the macroeconomic challenges in the country, such as the high level of inflation, increased interest rates, devaluation of PKR against USD, reduced economic activity and import restrictions etc., your Company’s business was affected in terms of the volumes handled, which lowered from 8,243,495 metric tons last year to 4,842,829 metric tons for the year ended June 30, 2023. As a Terminal Operator, your Company’s operations are largely dependent on the demand of imported coal by Cement, Power Plants, Textile, Chemical and other allied industries, and therefore, an economic downturn in the above sectors had considerably reduced coal imports, especially in the period from Dec 2022 till May 2023. Furthermore, the increased trading of imported coal through Afghanistan has also adversely affected the Company’s volumes, particularly when the coal commodity prices in the global market were indicating a higher trend.

Considering the business performance above, the management of your Company is proactively implementing various strategies and plans to mitigate the prevailing challenges. The management, being financially prudent, had entered into negotiations with the Foreign Lenders namely, International Finance Corporation (IFC) and OPEC Fund for International Development (OFID), to defer the principal payment due on 15 June 2023, and the foreign lenders had commercially agreed to the same before due date.

Furthermore, the operational performance of your company has improved subsequent to the year end, which is reflected by the increased handling volumes of 1,987,423 metric tons in the quarter ended September 30, 2023, (2,133,006 metric tons SPLY), which is largely in line with the industry demand of imported coal and previous year’s performance, and resultantly, the Company has paid the deferred principal amount of USD 3.426 million due on 15 June 2023 to the Foreign Lenders on November 02, 2023.

**FORWARD OUTLOOK**

The Government of Pakistan is increasingly relying on coal based power plants for building adequate power generation capacities to meet the increasing energy demand economically, as coal is one of the cheapest fuels for power generation. In this policy, even though

the indigenous Thar coal resources are dominant, imported coal based power plants are also critical in the overall scheme, and thus demand of coal imports destined for power plants is expected to materialize in the future.

Moreover, demand of coal imports for Cement, Textile, Chemical and other allied sectors has revived in the financial year ending 2024, primarily due to measures for economic stabilization undertaken by the Government, such as the lifting of import restrictions, economic stability stimulated by strengthening of PKR against USD, and increased economic activity. Furthermore, these industries have demonstrated that they will continue to import sea borne coal in conjunction with other sources of coal, depending on inherent factors such as price equilibrium and logistics matters. These trends, subject to overall economic conditions, are expected to improve in the future maintaining a sustained demand of sea borne imported coal.

The management is focusing on strategies to bring more efficiency to the cargo handling operations and to focus on volume consolidation. The Country’s pioneer and only Terminal, being dedicated for bulk handling of Coal, Clinker and Cement, stands committed to its objective of providing unparalleled services to its customers at international standards of efficiency and pollution control at optimized cost by operating efficiently which will enhance shareholders’ return.



# DIRECTORS' REPORT

## FINANCIAL PERFORMANCE

Despite the lower volumes handled during the year ended June 30, 2023, the operations of the Company have generated positive contribution margins with cash generated from operations amounting to Rs. 1,261 million (2022: 1,947 million) and a gross profit of Rs. 1,599 million (2022: Rs. 2,823 million). However, owing to the devaluation of PKR, high interest rates and high inflation levels, the Company was not able to realize the above margins, and posted a net loss before tax of Rs. 3,128 million, after accounting for exchange loss on USD denominated foreign loans of Rs. 2,310 million and finance cost of Rs. 2,014 million. Provision for current tax is based on minimum tax, and deferred tax has improved mainly on account of unabsorbed tax depreciation, resulting in net tax income of Rs. 972 million and loss after tax of Rs. 2,156 million. Financial highlights of your Company for the year as compared to last year are presented below:

Particulars	Rs. in '000	
	2022-2023	2021-2022
Revenue – net	9,072,699	10,515,512
Gross profit	1,599,976	2,822,971
Loss before tax	(3,128,342)	(294,230)
Taxation	972,702	(338,163)
Net loss	(2,155,640)	(632,393)
Loss per Share (Rs.)	(1.21)	(0.35)

While the macroeconomic environment is expected to improve gradually, consistent operational performance at optimized costs and cash flow generation remain the key priorities for the management, which will help improve shareholders' return in due course.

## FINANCIAL MATTERS

### Reversal of revaluation surplus

As fully disclosed in the financial statements for the year ended 30 June 2023, the core infrastructure assets of the Company are measured using the revaluation model, where the fair value of the above referred assets have been determined using the income model approach based on discounted cashflow model (DCF). Accordingly, the key inputs used such as weighted average cost of capital, handling volumes and their corresponding growth, and devaluation of PKR against USD, have been sensitized to reflect the adverse macroeconomic environment. This has resulted in the decline of Rs. 4,194.6 million in the carrying value of these core infrastructure assets and a corresponding reduction the surplus of revaluation.

In addition to the fair value determined using income approach based on DCF model above, the management has also engaged Anderson Consulting (Private) Limited, an independent external valuer, who has determined the values of the core infrastructure assets at Rs. 41,300 million, which is materially different from the fair value determined using DCF model.

### Classification of Loan Liabilities

As fully disclosed in the financial statements for the year ended 30 June 2023, and described in the preceding paragraphs, the Company and the Foreign Lenders were commercially negotiating the deferment of the principal installment due on 15 June 2023 and had principally agreed for the same before the due date. This understanding was accordingly communicated to the Pakistan Stock Exchange on June 15, 2023. However, in pursuance of the applicable accounting and reporting standards, the Company has to classify its loan liabilities as current, if it did not have an unconditional right to defer its settlement for at least twelve months after that date, and accordingly, the foreign loan liabilities and the local loan liabilities (by virtue of cross default provisions in the financing agreements) have been classified as current in these financial statements. Had this classification not been made, Rs. 10,545 million would have been classified as non-current from current liabilities as at 30 June, 2023.

Subsequent to the year end, the Standstill / Suspension Agreement was executed between the Company and the Foreign Lenders on August 01, 2023, and the Company had also made payment of the deferred foreign loan amounts of USD 3.4 million to the Foreign Lenders on November 02, 2023, and accordingly, the foreign and local loan liabilities will be classified as non-current and current corresponding to the respective maturity profiles as per the original repayment schedules of these loans in the future reporting periods.

### Prior Year Adjustment

In the year 2022, in accordance with Finance Act 2022, super tax at the rate of 4% for tax year 2022 and onwards was levied in addition to the corporate tax rate of 29%, and accordingly, the Company had recorded deferred tax at the rate of 33% in accordance with the applicable accounting and reporting standards as applicable in Pakistan. However, the deferred tax liability on revaluation surplus was increased by charging deferred tax expense instead of reducing revaluation surplus, and as a consequence, the revaluation surplus was overstated. The error has been corrected by restating the affected financial statement line item for the prior period as explained in detail in the financial statements of the Company for the year ended June 30, 2023.

## Contingencies

The management of your Company assesses contingencies and their exposures to the Company which are disclosed in the financial statements of the Company for the year ended 30 June 2023. The management believes based on the advice of its legal counsel that the eventual outcome of these matters will be in favour of the Company.

## GOING CONCERN

As fully disclosed in the financial statements for the year ended June 30, 2023, the Company experienced financial difficulties due to the market and macroeconomic conditions affecting the Company's business volumes as described above, and the principal amounts of foreign loan due on June 15, 2023 were deferred, the Company incurred a net loss of Rs. 2,156 million for the year and its accumulated losses amounted to Rs. 3,916 million. Moreover, as discussed above, due to the specific requirements of applicable accounting and reporting standards, the non-current liabilities pertaining to the foreign and local loans were classified as current, which has affected the financial position of the Company as at June 30, 2023, whereby its current liabilities exceeded its current assets by Rs. 9,736 million.

In view of the above circumstances, the management and the Board has taken the following steps to assess the financial condition and sustainability of the future operations of the Company:

- The improved operational and financial performance of the Company envisaging that the Company would be able to generate sufficient cashflows through its operations in order to meet its financial obligations
- The ability to implement negotiations with the Foreign Lenders for reprofiling of the foreign loan, with the objective to align the repayment schedules with expected business cashflows
- The subsequent classification of the loan liabilities as non-current and current, corresponding to their maturity profiles, for the future reporting periods and the subsequent payment of the deferred principal amount of USD 3.4 million on November 02, 2023
- The confirmation from the Sponsors to provide financial support to the Company (if required) to meet the financial obligations and commitments of the Company so that the Company remains a going concern

The management of the Company has carefully assessed the above factors in assessing the going concern status of the Company, covering the operational performance of the business, the ability to implement the debt reprofiling, and the appetite of the Sponsors to continue financial support. Based on the analysis of these, the Board of Directors and the management is confident that the Company will be able to continue as a going concern in the foreseeable future, and continue to adopt the going concern basis in preparing the financial statements for the year ended June 30, 2023.

## CONTRIBUTION TO THE ECONOMY

It's worth mentioning that ~32% of your Company's revenue goes to Port Qasim Authority in terms of royalty which amounted to Rs. 2,893 million this year. Further, contribution to national exchequer in lieu of income tax, sales tax and other government levies amounted to Rs. 1,775 million this year.

## APPROPRIATION

The Board of Directors has not recommended any dividends and/or bonus for the financial year 2023 considering the undesirable operational and financial performance of the Company, the accumulated losses and the financial restrictions within the financing agreements. The Company expects that the coming years of operations will be utilized in capacity building of the Company and strengthening its financial position by repaying a considerable portion of the Company's long term loans, and in the long term, free cash flows will be available to be distributed to the shareholders.

## RELATED PARTY TRANSACTIONS

All related party transactions entered into has arrangement/agreement in place, and were reviewed and approved by the Audit Committee as well as the Board of Directors of your Company in compliance with the Listed Companies (Code of Corporate Governance) Regulations 2019 and the requirements of the International Financial Reporting Standards (IFRS) and the Companies Act, 2017. The Company maintains a thorough and complete record of



# DIRECTORS' REPORT

all such transactions. The details of related party transactions are disclosed in the financial statements of the Company.

## EMPLOYEES' RETIREMENT BENEFITS

Your Company provides retirement benefits to its employees. This includes a contributory Provident Fund and Defined Benefit Obligation for permanent employees. The value of investments of provident fund and defined benefit obligation based on their un-audited accounts as of June 30, 2023 was Rs. 280 million and Rs. 227 million respectively.

## EXTERNAL AUDITORS

The Board has recommended the appointment of M/s Yousuf Adil, Chartered Accountants as auditors for ensuing year, as recommended by the Audit Committee, subject to the approval of the members in the forthcoming Annual General Meeting.

## SUBSEQUENT EVENTS

No material changes or commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company and the date of this report, except for the repayment of the deferred principal amount to Foreign Lenders as disclosed in this report and the financial statements for the year ended June 30, 2023.

## CREDIT RATING

During the year, The Pakistan Credit Rating Agency Limited (PACRA) awarded long-term and short-term rating at A and A2 respectively for the Company with the outlook to the rating assigned as "Developing".

The long-term rating signifies credit quality and short term rating indicates capacity for timely payments. Your company's high credit rating indicates creditworthiness evidencing its efficient cash flow strategy to settle financial commitments.

## HEALTH, SAFETY AND ENVIRONMENT

We are firmly committed to maintaining a safe and healthy working environment to ensure the well-being of the people who work with us as well as of the communities where we operate. We are an ISO 9001 QMS, ISO 14001 EMS and ISO 45001 OHSMS certified organization and continuously implement practices that offer health, safety and environment development at our work place.

A free medical centre has been established at Terminal to facilitate the employees. Keeping in view the health and safety of employees and other stakeholders engaged in its business operations, regular first aid, mock drills, firefighting, evacuation, and other related training programs are conducted to ensure safe health.

## CORPORATE GOVERNANCE AND FINANCIAL REPORTING FRAMEWORK

The Directors of your Company are aware of their responsibilities under the Code of Corporate Governance, the listing requirements of Pakistan Stock Exchange Limited and the Financial Reporting framework of Securities and Exchange Commission of Pakistan and confirm that throughout the year 2022-23 the following has been complied with:

- 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 in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting 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 with which the Directors concur.
- There has been no material departure from the best practices of corporate governance as per Regulations.

- There are no significant doubts upon the Company's ability to continue as a going concern. The material uncertainties upon the Company's ability to going concern and their mitigating factors have been described in detail in this report and the financial statements for the year ended June 30, 2023.
- Details of sale of shares of the Company by its Chief Financial Officer and Pattern of shareholding (has been given separately).
- Detail of shares held by associated undertakings and related persons has also been presented (separately).
- Statement of the Board meetings held during the year and attendance by each director has also been presented.
- Key financial data for last six years has also been presented (separately).

## RISK MANAGEMENT

The Company relies on internal and external risk identification methods and constantly develops strategies to mitigate these long term and short term risks. The operational risk management plan of the Company includes strategies for risk reduction through sustainable equipment and infrastructure maintenance by investing in reliable methods of cargo handling. Details of the Company's financial risk management are disclosed in the financial statements.

## ADEQUACY OF INTERNAL FINANCIAL CONTROLS

The Board of Directors has established an efficient system of internal financial controls, for ensuring effective and efficient conduct of operations, safeguarding of Company assets, compliance with applicable laws and regulations and reliable financial reporting. The independent Internal Audit function of PIBT regularly appraises and monitors the implementation of financial controls, whereas the Audit Committee reviews the effectiveness of the internal control framework and financial statements on quarterly basis.

## QUALIFICATION OF CFO AND HEAD OF INTERNAL AUDIT

The Chief Financial Officer and Head of Internal Audit possess the requisite qualification and experience as prescribed in the Code of Corporate Governance.

## BOARD OF DIRECTORS

The Board comprises of two (02) Independent Directors, One (01) Executive Director and four (04) Non-Executive Directors.



# DIRECTORS' REPORT

The Board reviewed Company's strategic direction, annual corporate plans and targets, and is committed to ensuring the highest standard of governance.

During the year, four (04) meetings of the Board of Directors were held. Attendance by the Directors is as follows:

Name of Directors	Meetings attended	Name of Directors	Meetings attended
Captain Haleem A. Siddiqui	03	Syed Nadir Shah	04
Mr. Sharique A. Siddiqui	04	Ms. Farah Agha	04
Captain Zafar Iqbal Awan	04	Mr. M. Masood A. Usmani*	03
Mr. Ali Raza Siddiqui*	01	Mr. Nadeem Nisar	00

\* Mr. M. Masood A. Usmani was appointed as a Non-Executive Director on February 27, 2023 to fill the casual vacancy arising upon the resignation of Mr. Ali Raza Siddiqui.

## TRAINING OF DIRECTORS

The directors are aware of their duties and strive to discharge them according to the highest standards. At the year end, the Company was majorly compliant with the optional requirements for the Directors' Training Program stipulated in the Listed Companies (Code of Corporate Governance) Regulations, 2019, where out of the seven (07), six (06) Directors have either obtained certificate of Directors' Training Program (DTP) or are exempted from the requirement of DTP, while remaining one (01) Director will undertake the DTP in due course.

## EVALUATION CRITERIA FOR THE BOARD

Apart from their mandatory job requirements, the performance of the Board of our Company is evaluated regularly along the following parameters:

- Integrity, credibility, trustworthiness and active participation of members.
- Follow-up and review of annual targets set by the management.
- Ability to provide guidance and direction to the Company.
- Ability to identify aspects of the organization's performance requiring action.
- Review of succession planning of management.
- Ability to assess and understand the risk exposures of the Company.
- Contribution and interest in regard to improving health safety and environment, employment and other policies and practices in the Company.

## PERFORMANCE EVALUATION OF THE BOARD

The overall performance of the Board measured on the basis of above-mentioned parameters for the year was satisfactory. A separate report by the Chairman on Board's overall performance, as required under the Companies Act, 2017 is annexed with the Annual Report.

## REMUNERATION OF DIRECTORS

The Board of Directors has approved a "Remuneration Policy for Directors and Members of Senior Management" i-e Chairman, non-executive directors and independent directors are entitled only for the fee for attending the meetings. The levels of remuneration are appropriate and commensurate with the level of responsibility and expertise to govern the company successfully and with value addition.

The Article of Association of the Company permits Board of Directors to determine and approve the remuneration of a director for attending meetings of the Board of Directors or its Committees from time to time.

## COMMITTEES OF THE BOARD OF DIRECTORS

Audit Committee (AC) assists the Board in fulfilling its oversight responsibilities, primarily in reviewing and reporting financial and non-financial information to share-holders, systems of internal control, risk management and the audit process. It has the autonomy to call for information from management and to consult directly with the external auditors or advisors as considered appropriate.

Human Resource & Remuneration Committee (HRC) meets to review and recommend all elements of the compensation, organization and employee development policies relating to the senior executives' remuneration and to approve all matters relating to the remunerations of the executive directors and members of the management committee.

After each meeting, the Chairman of the Committees report to the Board with the respective approvals and recommendations.

During the year four (04) meetings of the Audit Committee and One (01) meetings of the Human Resource & Remuneration Committee were held. Attendance by the members is as follows:

Name of AC members	AC Meetings attended	Name of HRC members	HRC Meetings attended
Captain Zafar Iqbal Awan	04	Mr. Sharique A. Siddiqui	01
Mr. Ali Raza Siddiqui	01	Mr. Ali Raza Siddiqui	01
Syed Nadir Shah	04	Syed Nadir Shah	01
Ms. Farah Agha	04	Ms. Farah Agha**	00

\* Mr. Ali Raza Siddiqui tendered his resignation with effect from 31 December 2022.

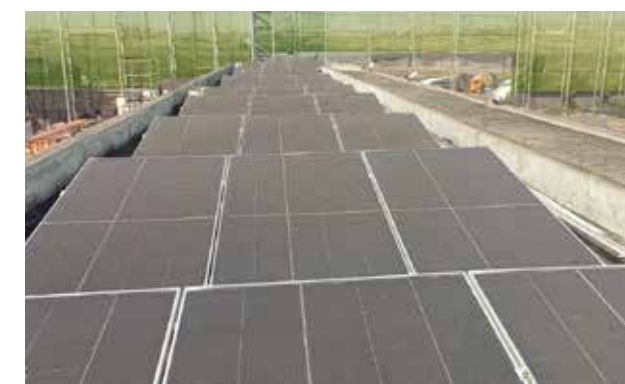
\*\* Ms. Farah Agha was appointed as a Member, HRC on February 27, 2023 to fill the vacancy arising upon the resignation of Mr. Ali Raza Siddiqui.

## CODE OF ETHICS & BUSINESS PRINCIPLES

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

## GREEN OPERATIONS

PIBT is the first cargo handling facility in Pakistan to comply with World Bank's standards of environment pollution control. In this respect, PIBT has developed an Environmental Management Plan (EMP) in compliance with applicable laws & regulations of Pakistan, IFC's performance standards and World Bank Group Environment, Health & Safety Guidelines.



Key aspects of the EMP are:

- Dust emission control
- Noise pollution control
- Waste water management
- Solid waste management
- Dredge material disposal management
- Biodiversity conservation & sustainable natural resources management

These aspects of the EMP and the related regulations etc. had been implemented over the course of construction of the terminal, and are monitored and updated regularly during the terminal operations.

Furthermore, during the year, the Company has installed the pilot phase of the solar power project of 159 KW. The project is working efficiently, by contributing to the consumption from non-renewable sources and reducing CO2 emissions by 68 tons per annum.



## CORPORATE SOCIAL RESPONSIBILITY

The development of an enterprise is inextricably linked to the welfare and well-being of the people associated with it. Corporate Social Responsibility (CSR) has been deeply embedded in the culture of PIBT since its inception, originating from the Company's Board and the management's objectives to play a meaningful role for the betterment of the communities at its operating areas in particular and the society in general. The Company embraces responsibility for the impact of its activities on the environment, employers, communities and all other stakeholders of the public sphere.

## ENVIRONMENTAL CONSERVATION

As part of its Corporate Social Responsibility Program, the Company is striving towards the objective of protection and long term viability of the coastal ecosystems, especially mangroves of the northern creeks of the Indus delta (the area controlled by Port Qasim Authority) through restoration of the degraded mangroves forests in the Indus Delta. As part of its commitment, the Company arranges regular maintenance for conservation of the plantation at an area of 500 hectares within Port Qasim jurisdiction through engaging local community laborers. In addition to that, the Company regularly monitors plantation and maintenance of mangroves alongside the trestle area on site which will support the dust emission control plan and help sustain the ecosystems of the area.



The Company is also the founder member of "Karachi Conservation", a national initiative driven by IUCN (International Union for Conservation of Nature) in collaboration with PQA and the private sector with the

objective of promoting biodiversity and environmental conservation in Karachi in general and Port Qasim Area in particular.

## EDUCATION

PIBT believes that investing in education can empower communities and provide opportunities to better serve the interests of the Country. In line with this vision, PIBT has partly adopted a Government Primary School in Rehri Goth area near terminal premises whereby the Company provides for uniform, school bags and stationary to 175 enrolled students along with the appointment of teaching staff and basic clean water facilities.



Further, PIBT has adopted a Government school building encompassing two (02) Primary schools and one (01) secondary school for boys and girls in Cattle Colony catering to ~350 students in total whereby the Company provides remuneration of teachers, janitorial staff and security guards, and has upgraded school furniture and carries out other renovation works.

## HEALTHCARE

In efforts to provide sustainable healthcare services to the local community, the Company with the cooperation of locals, maintains clinic in Rehri Goth area and provides free-of-cost consultation, treatment and medicines to almost 500 patients monthly.

Moreover, the Company in collaboration with the Government of Sindh arranged COVID-19 booster vaccination facility for the safe health and well-being of the employees and other stakeholders of the Company.



The overall participation was encouraging as a large number of employees and contractors vaccinated themselves.

## SUSTENANCE PROVISION

PIBT in collaboration with Saylani Welfare Trust provides free of cost food to underprivileged persons on a daily basis to the local community in Rehri Goth.

PIBT constantly pursues social uplift projects in local communities adjacent to Port Qasim Area.

## ACKNOWLEDGEMENT

Your directors take this opportunity to express their deep appreciation for the commitment and contribution made by the employees. We also extend our gratitude to all the stakeholders for their continued support and confidence in the Company. We would like to thank our esteemed shareholders, both public and institutional, as well as foreign and local lenders, for investing in the Company and instilling confidence among all stakeholders.

For and on behalf of Board of Directors

**Sharique Azim Siddiqui**  
Chief Executive Officer

**Capt. Zafar Iqbal Awan**  
Director

Karachi: November 03, 2023