



Pakistan National Shipping Corporation

**UN-AUDITED REPORT
FOR THE THIRD QUARTER ENDED
MARCH 31, 2007**



CORPORATE INFORMATION

Board	:	Vice Admiral (Retd) S. Tauquir H. Naqvi HI(M), S. Bt. Chairman
		Mr. S. Haider Abbas Rizvi, MNA Director
		Mr. Kamal Afsar Director
		Mr. Tauqir Ahmed Director
		Mr. Sheikh Manzar Alam Director
		Mr. Mohammad Khusrow Khowaja Director
		Mr. Jahangir Siddiqui Director
Audit Committee of the Board	:	Mr. S. Haider Abbas Rizvi - Chairman Mr. Mohammad Khusrow Khowaja - Member Mr. Jahangir Siddiqui - Member Mr. Sheikh Manzar Alam - Member
Secretary	:	Ms. Zainab Suleman
Head Office	:	PNSC Building, Moulvi Tamizuddin Khan Road, Karachi - 74000
Auditors	:	A. F. Ferguson & Co. Chartered Accountants
		Ford Rhodes Sidat Hyder & Co. Chartered Accountants
Bankers	:	National Bank of Pakistan Habib Bank Limited MCB Bank Limited United Bank Limited Bank Al-Falah Limited ABN-AMRO Bank Citibank N.A.



**PAKISTAN NATIONAL SHIPPING CORPORATION
DIRECTORS' REPORT
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2007**

The Directors of Pakistan National Shipping Corporation (PNSC) are pleased to present the accounts of PNSC Group for the quarter and nine months ended March 31, 2007. These financial statements are un-audited and presented in accordance with the requirements of the Code of Corporate Governance and the Companies Ordinance, 1984.

The consolidated Gross Profit for the Group for the quarter ended March 31, 2007 was Rs 856.82 million, making a total of Rs 1,875.16 million for the nine months under review, as against Rs 1,389.77 million for the nine months ended March 31, 2006. Similarly, the consolidated Profit before Taxation for the nine months ended March 31, 2007 was Rs 1,668.98 million as against Rs 1,209.43 million for the corresponding period last year.

These Accounts have been prepared under the revised International Accounting Standard-27 - "Consolidated and Separate Financial Statements", whereby investments in subsidiaries in the Separate Financial Statements of PNSC are now required to be stated at cost. The share of profit from subsidiaries will now be accounted for in the books of PNSC upon declaration of dividend by the subsidiary companies. The Consolidated Balance Sheet of PNSC Group stands at Rs 12.885 billion as at March 31, 2007, as against Rs 11.927 billion on June 30, 2006.

The PNSC Group performed well in the quarter under review. Due to increase in international fuel prices, bunker prices are expected to remain under pressure. With the proposed induction of three additional vessels in the PNSC fleet, the Group is expected to sustain its growth.

Vice Admiral (Retd.) S.Tauquir H. Naqvi
Chairman and Chief Executive

Karachi : April 25, 2007



**PAKISTAN NATIONAL SHIPPING CORPORATION
INTERIM CONDENSED BALANCE SHEET
AS AT MARCH 31, 2007**

	Note	(Unaudited) March 31, 2007	June 30, 2006 (Restated)
------(Rupees in '000)-----			
NON-CURRENT ASSETS			
Fixed assets			
- Property, plant and equipment		624,894	631,670
- Intangible assets		5,776	8,251
Investment properties		674,162	674,162
Long-term investments in:			
- Related parties (subsidiaries)	3	1,558,416	1,558,056
- Listed companies and other entities		32,957	30,781
		1,591,373	1,588,837
Long-term loans and advances	4	817,576	1,447,528
Deferred tax - net		127,975	132,684
CURRENT ASSETS			
Stores and spares		32,477	21,504
Trade debts		74,092	31,308
Agents' and owners' balances		103,037	12,512
Loans and advances		53,401	389,052
Deposits and prepayments		7,713	4,799
Interest / mark-up accrued		89,541	54,734
Other receivables		437,981	242,492
Incomplete voyages		9,219	2,144
Insurance claims		5,126	9,661
Short-term investments		4,700,000	2,900,000
Cash and bank balances		947,107	1,155,389
		6,459,694	4,823,595
LESS: CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables		4,339,349	3,660,150
Provision against damage claims		169,746	121,625
Interest accrued		10,262	174
Current portion of long-term financing		260,700	258,557
Taxation - net		98,487	161,631
		4,878,544	4,202,137
NET CURRENT ASSETS		1,581,150	621,458
		<u>5,422,906</u>	<u>5,104,590</u>
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		1,320,634	1,320,634
Reserves		2,968,372	2,373,978
		4,289,006	3,694,612
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX		523,387	536,407
NON-CURRENT LIABILITIES			
Long-term financing		217,250	474,021
Deferred liabilities		393,263	399,550
		5,422,906	5,104,590
CONTINGENCIES	5		

The annexed notes 1 to 9 form an integral part of these interim condensed financial statements.

Vice Admiral (Redt.) S.Tauquir H.Naqvi
Chairman & Chief Executive

S.Haider Abbas Rizvi
Director



PAKISTAN NATIONAL SHIPPING CORPORATION
INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2007

	Quarter ended March 31, 2007	Quarter ended March 31, 2006 (Restated)	Nine months period ended March 31, 2007	Nine months period ended March 31, 2006 (Restated)
------(Rupees in '000)-----				
REVENUES				
Chartering revenues	591,888	415,640	1,225,776	1,150,064
Services fee	84,791	65,204	216,527	191,398
Rental income	30,148	26,993	91,729	77,581
	<u>706,827</u>	<u>507,837</u>	<u>1,534,032</u>	<u>1,419,043</u>
EXPENDITURE				
Fleet expenses - direct	362,561	268,532	557,854	703,035
- indirect	754	1,337	1,845	3,532
	<u>363,315</u>	<u>269,869</u>	<u>559,699</u>	<u>706,567</u>
GROSS PROFIT	<u>343,512</u>	<u>237,968</u>	<u>974,333</u>	<u>712,476</u>
Administration and general expenses	45,128	25,030	140,655	81,821
Other operating expenses	19,193	17,210	59,292	68,726
Finance costs	9,158	16,642	51,295	56,162
	<u>73,479</u>	<u>58,882</u>	<u>251,242</u>	<u>206,709</u>
Other operating income	80,652	93,112	286,753	306,548
PROFIT BEFORE TAXATION	<u>350,685</u>	<u>272,198</u>	<u>1,009,844</u>	<u>812,315</u>
Taxation	117,739	54,912	288,471	164,259
PROFIT AFTER TAXATION	<u>232,946</u>	<u>217,286</u>	<u>721,373</u>	<u>648,056</u>
------(Rupees)-----				
EARNINGS PER SHARE				
- BASIC AND DILUTED	<u>1.76</u>	<u>1.65</u>	<u>5.46</u>	<u>4.91</u>

The annexed notes 1 to 9 form an integral part of these interim condensed financial statements.

Appropriations have been reflected in the statement of changes in equity.

Vice Admiral (Redt.) S.Tauquir H.Naqvi
Chairman & Chief Executive

S. Haider Abbas Rizvi
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2007**

	Issued, subscribed and paid-up capital	Capital Reserve		Revenue reserves		Total
		Reserve for issue of bonus shares	Others	General reserves	Unappr- opriated profits / (loss)	
(Rupees in '000)						
Balance as at July 1, 2005 - as previously reported	1,200,576	—	126,843	1,500,000	3,384,782	6,212,201
Effect of change in accounting policy (note 3)						
Remeasurement of investments at cost:						
Reversal of subsidiaries' profits recognised under the equity method	—	—	—	—	(3,201,355)	(3,201,355)
Reversal of incremental depreciation on related assets of subsidiaries transferred to unappropriated profit	—	—	—	—	(52,873)	(52,873)
Balance as at July 1, 2005 - restated	1,200,576	—	126,843	1,500,000	130,554	2,957,973
Surplus on revaluation of property, plant and equipment - realised through incremental depreciation:						
Previously charged on related assets of subsidiaries as previously reported	—	—	—	—	340,602	340,602
Reversal of amount relating to assets of subsidiaries - net of tax	—	—	—	—	(334,279)	(334,279)
Restated amount					6,323	6,323
Profit after taxation for the nine months period ended March 31, 2006 as previously reported					1,026,869	1,026,869
Reversal of share in net profits from subsidiaries and associates	—	—	—	—	(378,813)	(378,813)
Profit after taxation for the nine months period ended March 31, 2006 - restated					648,056	648,056
Final cash dividend for the year ended June 30, 2005 (Rs 2 per ordinary share)	—	—	—	—	(240,115)	(240,115)
Transfer to reserve for issue of bonus shares	—	120,058	—	—	(120,058)	—
Transfer to general reserve	—	—	—	2,000,000	(2,000,000)	—
Issue of bonus shares	120,058	(120,058)	—	—	—	—
Balance as at March 31, 2006 - restated	1,320,634	—	126,843	3,500,000	(1,575,240)	3,372,237
Balance as at July 1, 2006 - as previously reported	1,320,634	—	126,843	3,500,000	2,728,565	7,676,042
Effect of change in accounting policy (note 3)						
Remeasurement of investments at cost:						
Reversal of subsidiaries' profits recognised under the equity method	—	—	—	—	(3,470,230)	(3,470,230)
Reversal of incremental depreciation on related assets of subsidiaries transferred to unappropriated profit	—	—	—	—	(511,200)	(511,200)
Balance as at July 1, 2006 - restated	1,320,634	—	126,843	3,500,000	(1,252,865)	3,694,612
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period - net of tax	—	—	—	—	5,084	5,084
Profit after taxation for the nine months period ended March 31, 2007	—	—	—	—	721,373	721,373
Final cash dividend for the year ended June 30, 2006 (Re 1 per ordinary share)	—	—	—	—	(132,063)	(132,063)
Transfer from general reserve	—	—	—	(3,500,000)	3,500,000	—
Balance as at March 31, 2007	1,320,634	—	126,843	—	2,841,529	4,289,006

The annexed notes 1 to 9 form an integral part of these interim condensed financial statements.

Vice Admiral (Redt.) S.Tauquir H.Naqvi
Chairman & Chief Executive

S. Haider Abbas Rizvi
Director



PAKISTAN NATIONAL SHIPPING CORPORATION
CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2007

	Note	Nine months period ended March 31, 2007	Nine months period ended March 31, 2006 (Restated)
------(Rupees in '000)-----			
Cash flows from operating activities			
Cash generated from operations	6	1,580,417	588,354
Employees' gratuity paid		(32,325)	(13,692)
Employees' compensated absences paid		(27,329)	(1,458)
Post retirement medical benefits paid		(2,091)	(25,957)
Long-term loans and advances - net		629,952	(701,048)
Finance costs paid		(32,051)	(38,390)
Taxes paid		(356,325)	(121,285)
Net cash generated from / (used in) operating activities		<u>1,760,248</u>	<u>(313,476)</u>
Cash flows from investing activities			
Fixed capital expenditure		(16,360)	(13,631)
Investment in a subsidiary company		(360)	-
Proceeds from disposal of property, plant and equipment		172	-
Interest / mark-up received		234,983	227,570
Dividend received		1,657	1,737
Net cash generated from investing activities		<u>220,092</u>	<u>215,676</u>
Cash flows from financing activities			
Repayment of long-term financing		(259,028)	(256,020)
Dividend paid		(129,594)	(236,072)
Net cash used in financing activities		<u>(388,622)</u>	<u>(492,092)</u>
Net increase / (decrease) in cash and cash equivalents		<u>1,591,718</u>	<u>(589,892)</u>
Cash and cash equivalents at July 1		4,055,389	4,051,579
Cash and cash equivalents at March 31	7	<u><u>5,647,107</u></u>	<u><u>3,461,687</u></u>

The annexed notes 1 to 9 form an integral part of these interim condensed financial statements.

Vice Admiral (Redt.) S.Tauquir H.Naqvi
 Chairman & Chief Executive

S. Haider Abbas Rizvi
 Director



**PAKISTAN NATIONAL SHIPPING CORPORATION
NOTES TO THE ITERIM CONDENSED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2007 (UNAUDITED)**

1. THE CORPORATION AND ITS OPERATIONS

Pakistan National Shipping Corporation (the Corporation) was established under the provisions of the Pakistan National Shipping Corporation Ordinance, 1979 and is principally engaged in the business of shipping, including charter of vessels, transportation of cargo and other related services and providing commercial, technical, administrative, financial and other services to third parties in relation to the business of shipping. The Corporation is also engaged in renting out its properties to tenants under long-term lease arrangements. The Corporation is listed on the Karachi and Lahore Stock Exchange. The Corporation's registered office is situated in PNSC Building, Moulvi Tamizuddin Khan Road, Karachi.

The Corporation had applied for delisting from the Lahore and Islamabad Stock Exchanges which was approved by the Securities and Exchange Commission of Pakistan (SECP). The Lahore Stock Exchange (LSE) had filed an appeal in the Lahore High Court against the order of the SECP and the court has decided in favour of LSE. Consequently, the Corporation has filed an appeal in the Supreme Court against the order of the High Court and at present the matter of delisting from LSE is pending subject to final decision by the Supreme Court.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These interim condensed financial statements (hereafter referred to as 'financial statements') have been prepared in accordance with requirements of the International Accounting Standard No. 34 'Interim Financial Reporting' and are being submitted to the shareholders, as required under Section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi Stock Exchange.

2.2 Accounting policies

The accounting policies and the methods of computation of balances adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual audited financial statements of the Corporation for the year ended June 30, 2006 except for change in accounting policy in respect of measurement of investments in subsidiaries and associates which are now stated at cost (note 3).

3. LONG-TERM INVESTMENTS IN RELATED PARTIES - SUBSIDIARIES

- 3.1** Consequent to revisions in the International Accounting Standards No. 27 'Consolidated and Separate Financial Statements' (IAS-27) made applicable in Pakistan to the financial statements covering accounting periods beginning on or after January 1, 2005, investments in subsidiaries and associates should be carried in the separate financial statements of the investor, at cost or at fair value in accordance with IAS-39 'Financial Instruments: Recognition and Measurement'. The Corporation had requested the Securities and Exchange Commission of Pakistan (SECP) to allow it to account for investments in subsidiaries and associates under the equity method. The SECP acceded to the request of the Corporation and gave a one time exemption for the purpose of the financial statements of the Corporation for the year ended June 30, 2006. During the current year, the Corporation has changed its accounting policy pertaining to measurement of investments in subsidiaries and associates and now carries its investments in subsidiaries and associates at cost.



The aforesaid change in accounting policy has been applied retrospectively and comparative information has been restated in accordance with International Accounting Standard No. 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (IAS-8).

Had the investments in subsidiaries and associates been carried under the equity method of accounting, the long term investments, revenue reserves and surplus on revaluation of fixed assets at the end of the period would have been higher by Rs 7,446.099 million (as at June 30, 2006: Rs 6,843.473 million), Rs 4,823.136 million (as at June 30, 2006: Rs 4,005.792 million) and Rs 2,513.334 million (as at June 30, 2006: Rs 2,837.681 million) respectively and profit after taxation for the period would have been higher by Rs 640.256 million (nine months period ended March 31, 2006: Rs 378.813 million). Further earnings per share would have been higher by Rs.4.85 per share (nine months period ended March 31, 2006: Rs 2.87 per share).

- 3.2 During the nine months period ended March 31, 2007 the Corporation has made investment in Quetta Shipping (Private) Limited at a cost of Rs 0.360 million representing 100% equity of that company.

(Unaudited) (Audited)
March 31, June 30,
2007 2006
 -----(Rupees in '000)-----

4. LONG TERM LOANS AND ADVANCES

Loans

Considered good

due from

- Related parties
- Employees

4.1

-	993,167
2,361	3,130
2,361	996,297

Less: due within one year from

- Related parties
- Employees

-	363,917
853	920
853	364,837

Advances

Advance to Kaghan Shipping (Private) Limited - subsidiary company

816,068	816,068
<u>817,576</u>	<u>1,447,528</u>

- 4.1 During the period the entire outstanding balance in respect of the long-term loans advanced to four subsidiary companies for purchase of oil tankers has been repaid to the Corporation by way of adjustment through current accounts maintained with the subject subsidiary companies. Previously these loans were being repaid in bi-annual installments in accordance with the terms of agreement entered with those subsidiary companies.

5. CONTINGENCIES

There has been no material change in the status of contingencies reported in the financial statements of the Corporation for the year ended June 30, 2006, except for the contingent liability in respect of claims not admitted by the Corporation which as at March 31, 2007 amounts to Rs 1,090.201 million (June 30, 2006: Rs 1,139.196 million). These claims mainly relate to deficiencies in shipping documentation, delays in delivery of cargo, damages to cargo and miscellaneous claims lodged by workers and others. These include Rs 33.052



million (June 30, 2006: Rs 34.485 million) approximately in respect of insurance claims which, if accepted, will be borne by the Corporation as the P&I Club, Oceanus Mutual Underwriting Association (Bermuda) Limited has gone into liquidation. Out of the remaining claims, a sum of Rs 248.743 million (June 30, 2006: Rs 351.354 million) approximately would be recoverable from the P&I Clubs (Steamship Mutual Underwriting Association and United Kingdom Steamship Mutual Underwriting Association) in the event these claims are accepted by the Corporation.

As a matter of prudence, the management has made a total provision of Rs 169.746 million (June 30, 2006:121.625 million) against the aforesaid claims in these financial statements.

	Nine months period ended March 31, 2007	Nine months period ended March 31, 2006 (Restated)
	------(Rupees in '000)-----	
6. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,009,844	812,315
Adjustments for non-cash charges and other items:		
Depreciation	19,689	18,429
Amortisation	2,475	2,475
Gain on disposal of property, plant and equipment - net	428	-
Provision for employees' gratuity	24,053	1,298
Provision for employees' compensated absences	30,595	646
Provision for post retirement medical benefits	812	361
Dividend income	(1,657)	(1,373)
Provision no longer required written back	(241)	(10,154)
Interest / mark-up income	(269,790)	(259,678)
Interest / mark-up expense	42,139	52,140
Gain on revaluation of investments	(2,176)	(3,557)
Provision against claims for damages	48,674	11,124
Unrealised exchange loss	6,543	4,021
Working capital changes - note 6.1	669,029	(39,693)
	<u>1,580,417</u>	<u>588,354</u>
6.1 WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores and spares	(10,973)	(3,957)
Trade debts	(42,784)	(56,193)
Agents' and owners' balances	(90,525)	(20,560)
Loans and advances	335,651	(7,575)
Deposits and prepayments	(2,914)	(1,977)
Other receivables (net)	(195,489)	(39,768)
Incomplete voyages	(7,075)	7,448
Insurance claims	4,535	1,290
	(9,574)	(121,292)
Increase / (decrease) in current liabilities		
Trade and other payables	678,603	81,599
	<u>669,029</u>	<u>(39,693)</u>



	March 31, 2007	March 31, 2006
	------(Rupees in '000)-----	
7. CASH AND CASH EQUIVALENTS		
Short term investments	4,700,000	2,600,000
Cash and bank balances	<u>947,107</u>	<u>861,687</u>
	<u>5,647,107</u>	<u>3,461,687</u>

8. TRANSACTIONS WITH RELATED PARTIES

The Corporation has related party relationships with its subsidiaries, associate, employee benefit plans and its directors and executive officers (including their associates). Transactions with related parties essentially entail investments made in subsidiary companies, dividend income received from related investee companies, freight income and chartering revenue recovered, services fee charged on account of rendering of technical, commercial, administrative and financial services, expenses charged to subsidiary companies on actual cost basis etc. Service fee charges on account of rendering of technical, commercial, administrative and financial services are charged to related parties on the basis of mutually agreed terms. Further, transactions entered into with the key management personnel as per their terms of employment are also included in related party transactions.

The significant transactions carried out by the Corporation with related parties during the period are given below:

	Nine months period ended March 31, 2007	Nine months period ended March 31, 2006
	------(Rupees in '000)-----	
Investment in subsidiary during the period	360	-
Long-term loans and advance to subsidiary companies	-	90,056
Repayment of long-term loan and interest thereon by subsidiary companies	1,010,731	238,720
Service fee charged to subsidiary companies	216,527	191,398
Rental income from subsidiary companies	-	2,707
Expenses charged to subsidiary companies	208,978	165,912
Retirement benefits cost charged to subsidiary companies	51,500	24,395
Contribution to provident fund	6,300	5,621
Directors' fee	100	198
Key management personnel compensation	6,522	5,753

- 8.1** In addition, the Corporation is also engaged in making certain payments / collections on behalf of the subsidiary companies in accordance with the Technical and Commercial Services and Administrative and Financial Services Agreement which are settled through current accounts (Net payable, March 31, 2007 : June 30, 2006 : Rs 3,266.811 million : Rs 2,837.489 million) with each of the subsidiary companies.

9. DATE OF AUTHORISATION

These financial statements were authorised for issue on April 25, 2007 by the Board of Directors of the Corporation.

Vice Admiral (Redt.) S.Tauquir H.Naqvi
Chairman & Chief Executive

S. Haider Abbas Rizvi
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
INTERIM CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2007**

	Note	(Unaudited) March 31, 2007	(Audited) June 30, 2006
------(Rupees in '000)-----			
NON-CURRENT ASSETS			
Fixed assets			
- Property, plant and equipment		6,937,918	7,430,919
- Intangible assets		5,776	8,251
Investment properties		674,162	674,162
Long-term investments in Listed companies and other entities		32,957	30,781
Long-term loans		1,508	2,210
Long-term deposits		90	90
Deferred tax - net		127,975	132,684
		7,780,386	8,279,097
CURRENT ASSETS			
Stores and spares		485,256	102,270
Trade debts		492,894	209,936
Agents' and owners' balances		103,037	32,207
Loans and advances		53,401	25,135
Deposits and prepayments		8,293	4,846
Interest / mark-up accrued		95,410	42,999
Other receivables		78,105	65,833
Incomplete voyages		-	427,265
Insurance claims		19,951	83,049
Short term investment - held to maturity		4,700,000	2,900,000
Cash and bank balances		950,905	1,427,054
		6,987,252	5,320,594
LESS: CURRENT LIABILITIES			
Trade and other payables		1,321,740	1,140,608
Provision against damage claims		169,746	121,625
Interest accrued		10,262	174
Incomplete voyages		28,805	-
Current portion of long-term financing		260,700	258,557
Taxation - net		91,094	152,187
		1,882,347	1,673,151
NET CURRENT ASSETS		5,104,905	3,647,443
		12,885,291	11,926,540
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		1,320,634	1,320,634
Reserves		7,559,656	5,986,719
		8,880,290	7,307,353
MINORITY INTEREST			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		1,309	1,209
		8,881,599	7,308,562
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX		3,393,179	3,744,407
NON-CURRENT LIABILITIES			
Long-term financing		217,250	474,021
Deferred liabilities		393,263	399,550
		12,885,291	11,926,540

CONTINGENCIES

3

The annexed notes 1 to 7 form an integral part of these interim consolidated financial statements.

Vice Admiral (Redt.) S.Tauquir H.Naqvi
Chairman & Chief Executive

S.Haider Abbas Rizvi
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2007**

	Quarter ended March 31, 2007	Quarter ended March 31, 2006 (Restated)	Nine months period ended March 31, 2007	Nine months period ended March 31, 2006 (Restated)
------(Rupees in '000)-----				
REVENUES				
Freight - net	1,978,278	1,630,136	4,937,406	4,621,854
Chartering revenues	733,375	415,639	1,701,544	1,313,163
Rental income	30,268	26,994	92,091	77,822
	<u>2,741,921</u>	<u>2,072,769</u>	<u>6,731,041</u>	<u>6,012,839</u>
EXPENDITURE				
Fleet expenses - direct	1,880,967	1,696,253	4,841,900	4,610,730
- indirect	4,132	4,724	13,981	12,338
	<u>1,885,099</u>	<u>1,700,977</u>	<u>4,855,881</u>	<u>4,623,068</u>
GROSS PROFIT	<u>856,822</u>	<u>371,792</u>	<u>1,875,160</u>	<u>1,389,771</u>
Administrative and general expenses	112,764	76,399	343,577	245,061
Other operating expenses	36,211	25,969	111,930	93,797
Finance costs	9,559	18,978	52,816	57,214
	<u>158,534</u>	<u>121,346</u>	<u>508,323</u>	<u>396,072</u>
Other operating income	81,535	65,000	302,146	219,651
	<u>779,823</u>	<u>315,446</u>	<u>1,668,983</u>	<u>1,213,350</u>
Share of net loss in associate	-	(1,176)	-	(3,919)
PROFIT BEFORE TAXATION	<u>779,823</u>	<u>314,270</u>	<u>1,668,983</u>	<u>1,209,431</u>
Taxation	123,855	62,568	307,257	182,533
PROFIT AFTER TAXATION	<u>655,968</u>	<u>251,702</u>	<u>1,361,726</u>	<u>1,026,898</u>
Attributable to:				
Equity holders of the Corporation	655,935	251,773	1,361,626	1,026,935
Minority interest	33	(71)	100	(37)
	<u>655,968</u>	<u>251,702</u>	<u>1,361,726</u>	<u>1,026,898</u>
------(Rupees)-----				
EARNINGS PER SHARE-BASIC AND DILUTED	<u>4.97</u>	<u>1.91</u>	<u>10.31</u>	<u>7.78</u>

The annexed notes 1 to 7 form an integral part of these interim consolidated financial statements. Appropriations have been reflected in the statement of changes in equity.

Vice Admiral (Redt.) S.Tauquir H.Naqvi
Chairman & Chief Executive

S. Haider Abbas Rizvi
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2007**

	Issued, subscribed and paid-up capital	Capital Reserve		Revenue reserves		Minority Interest	Total
		Reserve for issue of bonus shares	Others	General reserves	Unappr- opriated profits		
(Rupees in '000)							
Balance at July 1, 2005	1,200,576	—	126,844	1,500,022	2,986,583	3,285	5,817,310
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets for the period, recognised directly in equity- net of tax	—	—	—	—	340,602	—	340,602
Adjustment on account of fixed assets	—	—	—	—	—	(2,149)	(2,149)
Profit after taxation for the period ended March 31, 2006	—	—	—	—	1,026,935	(37)	1,026,898
Final cash dividend for the year ended June 30, 2005 (Rs 2 per ordinary share)	—	—	—	—	(240,115)	—	(240,115)
Transfer to reserve for issue of bonus shares	—	120,058	—	—	(120,058)	—	—
Transfer to general reserve	—	—	—	2,000,000	(2,000,000)	—	—
Issuance of bonus shares	120,058	(120,058)	—	—	—	—	—
Balance as at March 31, 2006	1,320,634	—	126,844	3,500,022	1,993,947	1,099	6,942,546
Balance at July 1, 2006	1,320,634	—	126,844	3,500,022	2,359,853	1,209	7,308,562
Adjustment relating to remeasurement of investment of Karachi Shipping (Pvt.) Ltd. from equity to cost method in respect of:							
Capital reserves	—	—	9,000	—	(9,000)	—	—
Revenue reserves	—	—	—	258,570	(258,570)	—	—
Balance restated as at July 1, 2006	1,320,634	—	135,844	3,758,592	2,092,283	1,209	7,308,562
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets for the period, recognised directly in equity- net of tax	—	—	—	—	343,374	—	343,374
Profit after taxation for the period ended March 31, 2007	—	—	—	—	1,361,626	100	1,361,726
Final cash dividend for the year ended June 30, 2006 (Re 1 per ordinary share)	—	—	—	—	(132,063)	—	(132,063)
Balance as at March 31, 2007	1,320,634	—	135,844	3,758,592	3,665,220	1,309	8,881,599

The annexed notes 1 to 7 form an integral part of these interim consolidated financial statements.

Vice Admiral (Redt.) S.Tauquir H.Naqvi
Chairman & Chief Executive

S. Haider Abbas Rizvi
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2007**

	Note	Nine months period ended March 31, 2007	Nine months period ended March 31, 2006
------(Rupees in '000)-----			
Cash flows from operating activities			
Cash generated from operations	4	2,376,701	1,159,755
Employees' gratuity paid		(32,325)	(27,725)
Employees' compensated absences paid		(27,329)	(32,641)
Post retirement medical benefits paid		(2,091)	(5,137)
Long-term loans and advances - net		612	1,235
Long-term deposits		90	-
Finance costs paid		(32,051)	(39,443)
Taxes paid		(363,642)	(142,899)
Net cash inflow from operating activities		<u>1,919,965</u>	<u>913,145</u>
Cash flows from investing activities			
Fixed capital expenditure		(426,829)	(1,255,617)
Proceeds from disposal of fixed assets		171	-
Interest / mark-up received		217,509	160,554
Dividend received		1,657	1,737
Net cash outflow from investing activities		<u>(207,492)</u>	<u>(1,093,326)</u>
Cash flows from financing activities			
Repayment of long-term financing		(259,028)	(234,027)
Dividend paid		(129,594)	(236,072)
Net cash outflow from financing activities		<u>(388,622)</u>	<u>(470,099)</u>
Net increase / (decrease) in cash and cash equivalents		<u>1,323,851</u>	<u>(650,280)</u>
Cash and cash equivalents at July 1		4,327,054	4,114,991
Cash and cash equivalents at March 31	5	<u><u>5,650,905</u></u>	<u><u>3,464,711</u></u>

The annexed notes 1 to 7 form an integral part of these interim consolidated financial statements.

Vice Admiral (Redt.) S.Tauquir H.Naqvi
Chairman & Chief Executive

S. Haider Abbas Rizvi
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2007**

1. THE GROUP AND ITS OPERATIONS

The Group consists of:

Holding company

Pakistan National Shipping Corporation (the Corporation)

Subsidiary companies

- Bolan Shipping (Private) Limited
- Chitral Shipping (Private) Limited
- Hyderabad Shipping (Private) Limited
- Islamabad Shipping (Private) Limited
- Johar Shipping (Private) Limited
- Kaghan Shipping (Private) Limited
- Karachi Shipping (Private) Limited [Formerly National Tanker Company (Private) Limited.]
- Khairpur Shipping (Private) Limited
- Lahore Shipping (Private) Limited [Formerly Pak Nippon Car Liner (Private) Limited.]
- Lalazar Shipping (Private) Limited
- Makran Shipping (Private) Limited
- Malakand Shipping (Private) Limited
- Multan Shipping (Private) Limited
- Quetta Shipping (Private) Limited
- Sargodha Shipping (Private) Limited
- Shalamar Shipping (Private) Limited
- Sibi Shipping (Private) Limited
- Swat Shipping (Private) Limited
- Pakistan Co-operative Ship Stores (Private) Limited

The Group owns 55% of the share capital of Pakistan Co-operative Ship Stores (Private) Limited and 100% of the share capital of the remaining eighteen subsidiary companies.

The Group is engaged in providing shipping and other related services. The Group is also engaged in renting out its properties to tenants under lease-term arrangements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These interim financial statements (hereafter referred to as 'financial statements') have been prepared in accordance with the requirements of the International Accounting Standard No. 34 'Interim Financial Reporting' and are being submitted to the shareholders, as required under Section 245 of the Companies Ordinance, 1984 and the listing regulations of the Karachi Stock Exchange.

2.2 Accounting policies

The accounting policies and the methods of computation of balances adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual audited financial statements of the Group for the year ended June 30, 2006.

3. CONTINGENCIES

There has been no material change in the status of contingencies reported in the financial statements of the Group for the year ended June 30, 2006, except for the contingent liability in respect of claims not admitted by the Group which as at March 31, 2007 amounts to Rs 1,090.201 million (June 2006: Rs 1,139.196 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo, damages to cargo and



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miscellaneous claims lodged by workers and others. These include Rs 33.052 million (June 2006: Rs 34.485 million) approximately in respect of insurance claims which, if accepted, will be borne by the Group as the P&I Club, Oceanus Mutual Underwriting Association (Bermuda) Limited has gone into liquidation. Out of the remaining claims a sum of Rs 248.743 million (June 2006: Rs 351.354 million) approximately would be recoverable from the P&I Clubs (Steamship Mutual Underwriting Association and United Kingdom Steamship Mutual Underwriting Association) in the event these claims are accepted by the Group.

As a matter of prudence, the management has made a total provision of Rs 169.746 million (June 2006: Rs 121.625 million) against the aforesaid claims in these financial statements.

	Nine months period ended March 31, 2007	Nine months period ended March 31, 2006
	------(Rupees in '000)-----	
4. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,668,983	1,209,431
Adjustments for non-cash charges and other items:		
Share of net loss in associates	-	3,919
Depreciation	916,241	780,652
Gain on disposal of fixed assets	(171)	-
Provision for employees' gratuity	24,053	15,331
Provision for employees' compensated absences	30,595	7,330
Provision for post retirement medical benefits	812	4,040
Dividend income	(1,657)	(1,373)
Interest / mark-up income	(269,920)	(171,200)
Finance costs	42,139	53,193
Gain on revaluation of investments	(2,176)	(3,557)
Provision for doubtful debts - others	48,674	11,124
Provision no longer required written back	(2,645)	(10,154)
Unrealised exchange loss / (gain)	6,542	(17,972)
Working capital changes - note 4.1	(84,769)	(721,009)
	<u>2,376,701</u>	<u>1,159,755</u>
4.1 WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores and spares	(382,986)	(36,419)
Trade debts	(282,958)	(232,144)
Agents' and owners' balances	(70,830)	(5,460)
Loans and advances	(28,266)	(7,572)
Deposits and prepayments	(3,447)	(1,982)
Other receivables (net)	(12,272)	(54,535)
Incomplete voyages	456,070	(198,770)
Insurance claims	63,098	(1,908)
	(261,591)	(538,790)
Increase / (decrease) in current liabilities		
Trade and other payables	176,822	(182,219)
	<u>(84,769)</u>	<u>(721,009)</u>



March 31, **March 31,**
2007 **2006**
 -----(Rupees in '000)-----

5. CASH AND CASH EQUIVALENTS

Short term investments	4,700,000	2,600,000
Cash and bank balances	950,905	864,711
	<u>5,650,905</u>	<u>3,464,711</u>

6. TRANSACTIONS WITH RELATED PARTIES

The Group has related party relationships with its subsidiaries, associates, employee benefit plans and its directors and executive officers (including their associates). Transactions with related parties essentially entail investments made in subsidiary companies, dividend income received from related investee companies, freight income and chartering revenue recovered, services fee charged on account of rendering of technical, commercial, administrative and financial services, expenses charged to subsidiary companies on actual cost basis etc. Service fee charges on account of rendering of technical, commercial, administrative and financial services are charged to related parties on the basis of mutually agreed terms. Further, transactions entered into with the key management personnel as per their terms of employment are also included in related party transactions.

The significant transactions carried out by the Group with related parties during the period are given below:

	Nine months period ended March 31, 2007	Nine months period ended March 31, 2006
	----- (Rupees in '000) -----	
Freight income from subsidiary companies	864	3,564
Rental income from subsidiary companies	-	1,805
Contribution to provident fund	10,211	4,720
Directors' fee	100	108
Key management personnel compensation	6,522	5,753

7. DATE OF AUTHORISATION

These financial statements were authorised for issue on April 25, 2007 by the Board of Directors of the Corporation.

Vice Admiral (Redt.) S.Tauquir H.Naqvi
 Chairman & Chief Executive

S. Haider Abbas Rizvi
 Director





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