



Pakistan National Shipping Corporation

**UN-AUDITED REPORT FOR THE FIRST
QUARTER ENDED SEPTEMBER 30, 2006**



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	:	Mr. Arif Saeed
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 FIRST QUARTER ENDED SEPTEMBER 30, 2006**

The Directors of Pakistan National Shipping Corporation (PNSC) are pleased to present the un-audited financial statements for the first quarter ended September 30, 2006.

OVERVIEW

Consequent to the revision in International Accounting Standard - 27, "Consolidated and Separate Financial statements", the investments in subsidiaries in the separate financial statements of PNSC are now required to be stated at costs. The same were previously recorded under equity method of accounting in the books of account of PNSC (Parent company). The change has now been made effective 1 July 2006. This has resulted in the reduction in the overall Balance Sheet footing of PNSC from Rs 11.923 billion to Rs 5.226 billion after adjusting figures of Long term investments, Reserves and Surplus on revaluation on fixed assets. The share of profit from subsidiaries will now be accounted for in the books of PNSC only upon the declaration of dividend by the subsidiary companies. The consolidated Balance Sheet of PNSC Group however remains unchanged i.e. at Rs 12.154 billion on 30 September 2006 as against Rs 11.927 billion on June 30, 2006 .

The PNSC Group turnover was Rs 1,856.96 million (including Rs 225.91 million from PNSC) as compared to Rs 1,928.8 million (Rs 507.92 million from PNSC) of the similar period last year. Your company is now managing the transportation of crude oil through its own subsidiaries and accordingly there is no chartering of foreign flag vessels for this purpose in this quarter. The Gross Profit for the period ended September 30, 2006 was Rs 338.57 million as against Rs 496.40 million for the same period last year. The above decrease is due to an increase in the cost of bunker (although bunker prices have fallen only in the last one month) and other operating expenses. The profit before tax of PNSC Group was Rs 300.75 million as compared Rs 437.35 million of the similar period last year. The share of profit from subsidiaries in the overall group's profit was Rs 81.07 million as compared to Rs 123.38 million for similar period last year.

FUTURE PROSPECTS

After continuous increase in international fuel prices, bunker prices have now showing a downward trend towards the end of the quarter under review. Fleet expenses and other operating expenses remained under pressure. International freight rates firmed up slightly. With the proposed induction of three additional vessels in the current fiscal year, the PNSC Group is expected to perform well.

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

Karachi : 18th October, 2006



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 2006**

Note	(Unaudited) September 30, 2006	(Audited) June 30, 2006
	(Rupees in '000)	
NON-CURRENT ASSETS		
Fixed assets		
- Property, plant and equipment	7,139,813	7,430,919
- Intangible assets	7,426	8,251
Investment properties	674,162	674,162
Long-term investments in Listed companies and other entities	29,617	30,781
Long-term loans	2,037	2,210
Long-term deposits	-	90
Deferred tax - net	133,568	132,684
	7,986,623	8,279,097
CURRENT ASSETS		
Stores and spares	109,060	102,270
Trade debts	478,569	209,936
Agents' and owners' balances	99,733	32,207
Loans and advances	30,840	25,135
Deposits and prepayments	5,871	4,846
Interest / mark-up accrued	48,379	42,999
Other receivables	139,988	65,833
Incomplete voyages	333,706	427,265
Insurance claims	21,262	83,049
Cash and bank balances	4,441,279	4,327,054
	5,708,687	5,320,594
LESS: CURRENT LIABILITIES		
Trade and other payables	954,601	1,140,608
Provision against damage claims	121,625	121,625
Interest accrued	15,951	174
Current portion of long-term financing	259,971	258,557
Taxation - net	188,910	152,187
	1,541,058	1,673,151
NET CURRENT ASSETS	4,167,629	3,647,443
	12,154,252	11,926,540
SHARE CAPITAL AND RESERVES		
Issued, subscribed and paid-up capital	1,320,634	1,320,634
Reserves	6,334,683	5,986,719
	7,655,317	7,307,353
MINORITY INTEREST		
	1,240	1,209
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP	7,656,557	7,308,562
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX		
- Group	3,627,066	3,742,259
- Minority	2,148	2,148
	3,629,214	3,744,407
NON-CURRENT LIABILITIES		
Long-term financing	476,614	474,021
Deferred liabilities	391,867	399,550
	12,154,252	11,926,540

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The annexed notes 1 to 6 form an integral part of these consolidated financial statements.

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

S.Haider Abbas Rizvi
Director



First Quarter Report 2006

**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2006**

	July to September 30, 2006	July to September 30, 2005
	(Rupees in '000)	
REVENUES		
Chartering revenues	366,300	450,547
Freight - net	1,459,215	1,453,156
Rental income	31,450	25,152
	<u>1,856,965</u>	<u>1,928,855</u>
EXPENDITURE		
Fleet expenses - direct	1,513,821	1,428,914
- indirect	4,573	3,539
	<u>1,518,394</u>	<u>1,432,453</u>
GROSS PROFIT	<u>338,571</u>	<u>496,402</u>
Administrative and general expenses	82,187	75,149
Other operating expenses	31,421	33,352
Finance costs	20,563	20,420
	<u>134,171</u>	<u>128,921</u>
Other operating income	96,353	71,399
	<u>300,753</u>	<u>438,880</u>
Share of loss in associate	-	(1,521)
PROFIT BEFORE TAXATION	<u>300,753</u>	<u>437,359</u>
Taxation	71,371	42,067
PROFIT AFTER TAXATION	<u>229,382</u>	<u>395,292</u>
Attributable to:		
Equity holders of the Corporation	229,351	395,266
Minority interest	31	26
	<u>229,382</u>	<u>395,292</u>
	----- (Rupees) -----	
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION - BASIC AND DILUTED	<u>1.74</u>	<u>2.99</u>

The annexed notes 1 to 6 form an integral part of these 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 STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2006**

	Issued, subscribed and paid-up capital	Capital Reserve		Revenue reserves		Minority Interest	Total
		Reserve for issue of bonus shares	Others	General reserve	Unappr- opriated profits		
(Rupees in '000)							
Balance at July 1, 2005	1,200,576	—	126,844	1,500,022	2,986,583	1,137	5,815,162
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets for the period, recognised directly in equity - net of tax	—	—	—	—	128,449	—	128,449
Profit after taxation for the period ended September 30, 2005	—	—	—	—	395,266	26	395,292
Balance as at September 30, 2005	1,200,576	—	126,844	1,500,022	3,510,298	1,163	6,338,903
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 (Private) Limited 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 01, 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	—	—	—	—	126,455	—	126,455
Profit after taxation for the period ended September 30, 2006	—	—	—	—	229,351	31	229,382
Other adjustments associated to investment in parent company from equity to cost method - net	—	—	—	—	(7,842)	—	(7,842)
Balance as at September 30, 2006	1,320,634	—	135,844	3,758,592	2,440,247	1,240	7,656,557

The annexed notes 1 to 6 form an integral part of these 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 FIRST QUARTER ENDED SEPTEMBER 30, 2006**

	Note	July to September 30, 2006	July to September 30, 2005
(Rupees in '000)			
Cash flows from operating activities			
Cash generated from operations	4	154,529	106,263
Employees' gratuity paid		(15,581)	(8,519)
Employees' compensated absences paid		(9,656)	(12,609)
Post retirement medical benefits paid		(931)	(1,866)
Long-term loans and advances - net		173	630
Long-term deposits		(90)	-
Finance costs paid		-	-
Taxes paid		(78,132)	(23,437)
Net cash generated from operating activities		50,312	60,462
Cash flows from investing activities			
Fixed capital expenditure		(12,868)	(85,342)
Proceeds from disposal of property, plant and equipment		-	-
Interest / mark-up received		76,476	60,068
Dividend received		346	364
Net cash generated from / (used in) investing activities		63,954	(24,910)
Cash flows from financing activities			
Repayment of long-term financings		-	-
Dividend paid		(41)	(5)
Net cash used in financing activities		(41)	(5)
Net increase in cash and cash equivalents		114,225	35,547
Cash and cash equivalents at July 1		4,327,054	4,114,991
Cash and cash equivalents at September 30		4,441,279	4,150,538

The annexed notes 1 to 6 form an integral part of these 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 FIRST QUARTER ENDED SEPTEMBER 30, 2006**

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
- Kaghan Shipping (Private) Limited
- Khairpur Shipping (Private) Limited
- Makran Shipping (Private) Limited
- Malakand Shipping (Private) Limited
- Multan Shipping (Private) Limited
- Sargodha Shipping (Private) Limited
- Sibi Shipping (Private) Limited
- Shalamar Shipping (Private) Limited
- Johar Shipping (Private) Limited
- Swat Shipping (Private) Limited
- Lalazar Shipping (Private) Limited
- Karachi Shipping (Private) Limited [Formerly National Tanker Company (Private) Limited]
- Pak Nippon Car Liner (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 seventeen 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 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.



	July to September 30, 2006	July to September 30, 2005
	(Rupees in '000)	
4. CASH GENERATED FROM OPERATIONS		
Profit before taxation	300,753	437,359
Adjustments for non cash charges and other items:		
Share of net loss in associates	-	1,521
Depreciation	304,798	258,556
Provision for deferred liabilities and others	18,487	8,091
Dividend income	(346)	(364)
Interest / mark-up income	(81,856)	(61,625)
Finance costs	-	16,604
Loss / Gain on revaluation of investments	1,164	-
Unrealised exchange loss	-	(2,973)
Working capital changes - note 4.1	(388,471)	(550,906)
	<u>154,529</u>	<u>106,263</u>
4.1 WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores and spares	(6,790)	(13,578)
Trade debts	(268,633)	(201,435)
Agents' and owners' balances	(67,526)	(59,186)
Loans and advances	(5,705)	(12,556)
Deposits and prepayments	(1,025)	(5,502)
Other receivables (net)	(74,501)	(18,407)
Incomplete voyages	93,559	(79,158)
Insurance claims	61,787	(8,294)
	(268,834)	(398,116)
Increase / (decrease) in current liabilities		
Trade and other payables	(119,637)	(152,790)
	<u>(388,471)</u>	<u>(550,906)</u>
5. TRANSACTIONS WITH RELATED PARTIES		

Related parties comprise of companies affiliated to the holding company and their directors, key executives of the holding company and employee funds maintained by the holding company. Transactions with related parties essentially entail dividend income received from related investee companies, freight income and chartering revenue etc. Transactions with related parties are carried out on arms length basis.

Transactions entered into with 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:

	July to September 30, 2006	July to September 30, 2005
	(Rupees in '000)	
Freight income	45	34
Rental income	-	902
Contribution to provident fund	2,331	2,149
Directors' fee	40	68

6. DATE OF AUTHORISATION

These financial statements were authorised for issue on October 18, 2006 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
BALANCE SHEET
AS AT SEPTEMBER 30, 2006**

	Note	(Unaudited) September 30, 2006	(Audited) June 30, 2006 (Restated)
(Rupees in '000)			
NON-CURRENT ASSETS			
Fixed assets			
- Property, plant and equipment		626,411	631,670
- Intangible assets		7,426	8,251
Investment properties		674,162	674,162
Long-term investments in:			
- Related parties (subsidiaries and associate)	3 & 4	1,536,326	1,536,326
- Listed companies and other entities		29,617	30,781
		1,565,943	1,567,107
Long-term loans and advances	5	818,015	1,447,528
Deferred tax - net		133,567	132,684
		<u>3,825,524</u>	<u>4,461,402</u>
CURRENT ASSETS			
Stores and spares		27,884	21,504
Trade debts		50,559	31,308
Agents' and owners' balances		99,733	12,512
Loans and advances		30,813	389,052
Deposits and prepayments		5,293	4,799
Interest / mark-up accrued		42,510	54,734
Other receivables		609,669	242,492
Incomplete voyages		601	2,144
Insurance claims		6,537	9,661
Cash and bank balances		4,233,337	4,055,389
		5,106,936	4,823,595
LESS: CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables		3,115,250	3,660,055
Provision against damage claims		121,625	121,625
Interest accrued		15,951	174
Current portion of long-term financing		259,971	258,557
Taxation - net		193,592	161,631
		3,706,389	4,202,042
NET CURRENT ASSETS		<u>1,400,547</u>	<u>621,553</u>
		<u>5,226,071</u>	<u>5,082,955</u>
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		1,320,634	1,320,634
Reserves		2,502,184	2,352,343
		<u>3,822,818</u>	<u>3,672,977</u>
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX			
	6	534,770	536,407
NON-CURRENT LIABILITIES			
Long-term financing		476,614	474,021
Deferred liabilities		391,869	399,550
		<u>5,226,071</u>	<u>5,082,955</u>
CONTINGENCIES			
	7		

The annexed notes 1 to 10 form an integral part of these financial statements.

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

S.Haider Abbas Rizvi
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION
PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2006**

	July to September 30, 2006	July to September 30, 2005 (Restated)
	(Rupees in '000)	
REVENUES		
Chartering revenues	126,629	423,698
Services fee	67,955	59,200
Rental income	31,329	25,030
	225,913	507,928
EXPENDITURE		
Fleet expenses - direct	48,626	226,303
Fleet expenses - indirect	178	1,073
	48,804	227,376
GROSS PROFIT	177,109	280,552
Administrative and general expenses	19,945	22,485
Other operating expenses	13,028	25,055
Finance costs	20,004	20,079
	52,977	67,619
Other operating income	88,173	93,632
	212,305	306,565
Share of net loss in associate	-	(1,521)
PROFIT BEFORE TAXATION	212,305	305,044
Taxation	64,101	34,683
PROFIT AFTER TAXATION	148,204	270,361
	------(Rupees)-----	
EARNINGS PER SHARE - BASIC AND DILUTED	1.12	2.04

The annexed notes 1 to 10 form an integral part of these financial statements.

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 FIRST QUARTER ENDED SEPTEMBER 30, 2006**

	Issued, subscribed and paid-up capital	Capital Reserve		Revenue reserves		Total
		Reserve for issue of bonus shares	Others	General reserve	Unappr- opriated profits / (loss)	
(Rupees in '000)						
Balance at July 1, 2005	1,200,576	—	126,843	1,500,000	3,384,782	6,212,201
Adjustments relating to prior years in respect of the application of IAS - 27 relating to the remeasurement of investment at cost.						
- Accumulated profit	—	—	—	—	(3,200,505)	(3,200,505)
- Surplus on revaluation of fixed assets	—	—	—	—	(52,873)	(52,873)
Balance at July 1, 2005 - restated	1,200,576	—	126,843	1,500,000	131,404	2,958,823
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets for the period, recognised directly in equity - net of tax	—	—	—	—	4,432	4,432
Profit after taxation for the period ended September 30, 2005	—	—	—	—	270,361	270,361
Transfer from General reserve to Unappropriated profit	—	—	—	(1,500,000)	1,500,000	—
Balance as at September 30, 2005	1,200,576	—	126,843	—	1,906,197	3,233,616
Balance at July 1, 2006	1,320,634	—	126,843	3,500,000	2,728,565	7,676,042
Adjustments relating to prior years in respect of the application of IAS - 27 relating to the remeasurement of investment at cost.						
- Accumulated profit	—	—	—	—	(3,491,865)	(3,491,865)
- Surplus on revaluation of fixed assets	—	—	—	—	(511,200)	(511,200)
Balance at July 1, 2006 - restated	1,320,634	—	126,843	3,500,000	(1,274,500)	3,672,977
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets for the period, recognised directly in equity - net of tax	—	—	—	—	1,637	1,637
Reversal from General reserves	—	—	—	(3,500,000)	3,500,000	—
Profit after taxation for the period ended September 30, 2006	—	—	—	—	148,204	148,204
Balance as at September 30, 2006	1,320,634	—	126,843	—	2,375,341	3,822,818

The annexed notes 1 to 10 form an integral part of these 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 FIRST QUARTER ENDED SEPTEMBER 30, 2006

	Note	July to September 30, 2006	July to September 30, 2005 (Restated)
(Rupees in '000)			
Cash flow from operating activities			
Cash utilized in operations	8	(486,658)	(28,072)
Employees' gratuity paid		(15,581)	(8,519)
Employees' compensated absences paid		(9,657)	(12,609)
Post retirement medical benefits paid		(930)	(1,866)
Long-term loans and advances - net		629,513	41,255
Finance costs paid		-	-
Taxes paid		(32,140)	(12,363)
Net cash generated from operating activities		84,547	(22,174)
Cash flows from investing activities			
Fixed capital expenditure		(1,060)	(10,975)
Investment in subsidiaries		-	-
Investment in unlisted companies - others		-	-
Proceeds from disposal of property, plant and equipment		-	-
Interest / mark-up received		94,080	68,324
Dividend received		346	364
Net cash generated from investing activities		93,366	57,713
Cash flows from financing activities			
Repayment of long-term financing		-	-
Dividend paid		(41)	(5)
Net cash used in financing activities		(41)	(5)
Net increase in cash and cash equivalents		177,872	35,534
Cash and cash equivalents at July 01		4,055,389	4,051,579
Cash and cash equivalents at September 30		4,233,261	4,087,113

The annexed notes 1 to 10 form an integral part of these financial statements.

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

S. Haider Abbas Rizvi
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2006**

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 Stock Exchange. The Corporation's registered office is situated in PNSC Building, Moulvi Tamizuddin Khan Road, Karachi.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance

These 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 the measurement and recognition of investment in subsidiaries and associates which have been carried at cost as stated in note 3 to the financial statements.

**3. LONG-TERM INVESTMENTS IN RELATED PARTIES -
SUBSIDIARIES AND ASSOCIATES**

Consequent to revisions in the International Accounting Standard 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 are required to 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'.

Uptill June 30, 2006, these investments have been carried in the separate financial statements of the parent company under equity method of accounting based on the exemption granted by Securities and Exchange Commission of Pakistan (SECP) vide its letter



referenced EMD/233/474/2002 dated July 31, 2006. The exemption from SECP was uptill June 30, 2006. Accordingly, beginning July 01, 2006 the investments in subsidiaries and associates have been carried at cost as required under the said IAS. Prior year figures have also been restated.

Had the investments in subsidiaries and associates been carried under equity method of accounting, the long-term investments, revenue reserves and surplus on revaluation of property, plant and equipment at the end of the period would have been higher by Rs 6.922 billion, Rs 4.049 billion and Rs 2.724 billion respectively whereas profit after taxation for the period would have been higher by Rs 81.06 million.

	Quarter ended September 30, 2006	Year ended June 30, 2006
	(Rupees in '000)	
4. LONG TERM INVESTMENTS IN (RELATED PARTIES) SUBSIDIARIES ANS ASSOCIATE		
Balance as on beginning of the period	1,536,326	8,377,167
Less: adjustments relating to bringing the investment at cost as stated in note 3 to the financial statements attributable to:		
Profits for prior years	-	4,003,160
Surplus on revaluation of fixed assets of subsidiary companies	-	2,837,681
	-	6,840,841
	<u>1,536,326</u>	<u>1,536,326</u>
5. LONG TERM LOANS AND ADVANCES		
Loans		
Considered good		
due from		
- Related parties	-	993,167
- Employees	2,803	3,130
	2,803	996,297
Less: due within one year from		
- Related parties	-	363,917
- Employees	856	920
	856	364,837
Advances		
Advance to Kaghan Shipping (Private) Limited	816,068	816,068
	<u>818,015</u>	<u>1,447,528</u>
6. SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX		
Surplus arising on revaluation of fixed assets		
- net of tax	534,770	3,374,088
Reversed due to remeasurement of investment from equity to cost as stated in note 3 to the financial statements.	-	2,837,681
	<u>534,770</u>	<u>536,407</u>



	Quarter ended September 30, 2006	Year ended June 30, 2006
	(Rupees in '000)	
Surplus on revaluation of fixed assets - net of tax		
Balance as at beginning of the period	559,031	568,529
Reversed due to remeasurement of investment from equity to cost as stated in note 3 to the financial statements.	-	-
	<u>559,031</u>	<u>568,529</u>
Transferred to unappropriated profit :		
Surplus relating to incremental depreciation charged during the year on related assets - net of tax	1,637	7,037
Related deferred tax liability	882	2,461
	<u>2,519</u>	<u>9,498</u>
	<u>556,512</u>	<u>559,031</u>
Less: Related deferred tax liability on :		
- Revaluation as at July 1	22,624	33,885
- Surplus arising due to revaluation	-	-
- Incremental depreciation charged during the year on related assets transferred to profit and loss account	(882)	(2,461)
- Effect of ratio allocation of revenue under FTR	-	(8,800)
	<u>21,742</u>	<u>22,624</u>
Balance as at end of the period	<u><u>534,770</u></u>	<u><u>536,407</u></u>

7. 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.

	July to September 30, 2006	July to September 30, 2005
	(Rupees in '000)	
8. CASH GENERATED FROM OPERATIONS		
Profit before taxation	212,305	305,044
Adjustments for non cash charges and other items:		
Share of net profit in subsidiaries and associates	-	1,521
Depreciation	7,104	6,845
Provision for staff retirement gratuity	350	827
Dividend income	(346)	(364)
Interest / mark-up income	(81,932)	(83,847)
Finance costs	15,777	19,502
Loss / (Gain) on revaluation of investments	1,164	170
Unrealised exchange loss	4,008	1,314
Working capital changes - note 8.1	(645,086)	(279,084)
	<u>(486,658)</u>	<u>(28,072)</u>



Quarter ended **Quarter ended**
September 30, **September 30,**
2006 **2005**
 (Rupees in '000)

8.1 WORKING CAPITAL CHANGES

(Increase) / decrease in current assets

Stores and spares	(6,380)	(12)
Trade debts	(19,251)	(9,212)
Agents' and owners' balances	(87,221)	(33,293)
Loans and advances	358,239	(12,556)
Deposits and prepayments	(494)	(5,483)
Other receivables (net)	(367,523)	(18,810)
Incomplete voyages	1,543	(5,546)
Insurance claims	3,124	(1,108)
	(117,963)	(86,020)

Increase / (decrease) in current liabilities

Trade and other payables	(527,123)	(193,064)
	(645,086)	(279,084)

9. TRANSACTIONS WITH RELATED PARTIES

The Corporation has related party relationship with its associated undertakings, subsidiary companies, 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 recorded, 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 is charged to subsidiaries and associates 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.

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

	July to September 30, 2006	July to September 30, 2005
		(Rupees in '000)
Freight income from subsidiary companies	-	33
Service fee charged to subsidiary companies	67,955	43,865
Rental income from subsidiary companies	-	902
Expenses charged to subsidiary companies	64,997	39,941
Retirement benefits cost charged to subsidiary companies	18,137	(1,601)
Contribution to provident fund	2,331	2,169
Directors' fee	40	1



- 9.2 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 a current account with each of the subsidiary companies.

10. DATE OF AUTHORISATION

These financial statements were authorised for issue on October 18, 2006 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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