



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 SIX MONTHS PERIOD ENDED DECEMBER 31, 2006**

The Directors of Pakistan National Shipping Corporation (PNSC) are pleased to present the accounts of PNSC Group for the six months period ended December 31, 2006. In accordance with the statutory requirements, the external auditors have carried out a limited review of PNSC accounts.

OVERVIEW

As already disclosed in our previous quarter report (September 30, 2006), due 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 cost. 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 with effect from 1st July 2006. This has resulted in reduction in the overall Balance Sheet footing of PNSC from Rs 11.923 billion to Rs 5.182 billion after adjusting figures of Long term investments, Reserves and Surplus on revaluation of fixed assets. The share of profit from subsidiaries will now be accounted for in the books of PNSC only upon declaration of dividend by the subsidiary companies. The consolidated Balance Sheet of PNSC Group however remains unchanged i.e. at Rs 12.222 billion on December 31, 2006 as against Rs 11.927 billion on June 30, 2006.

The consolidated turnover of the Group for the quarter ended December 31, 2006 was Rs 2,132.15 million (including Rs 601.29 million from PNSC), making a total of Rs 3,989.12 million (including Rs 827.21 million from PNSC) for the half-year under review as against Rs 3,940.07 million for the half-year ended December 31, 2005. 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 half-year. The Gross Profit for the period ended December 31, 2006 remained steady i.e. Rs 1,018.34 million as against Rs 1,017.98 million for the same period last year. The profit before tax of PNSC Group was Rs 889.16 million as compared Rs 895.16 million for the similar period last year.

FUTURE PROSPECTS

After continuous increase in international fuel prices, bunker prices have been showing a downward trend in 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 near future, the PNSC Group is expected to perform well.

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

Karachi : 10th February, 2007



A.F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
STATE LIFE BUILDING 1-C
I.I. CHUNDRIGAR ROAD
KARACHI

FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS
PROGRESSIVE PLAZA
BEAUMONT ROAD
KARACHI

REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed interim condensed balance sheet of Pakistan National Shipping Corporation (the Corporation) as at December 31, 2006, and the related interim condensed profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'financial statements'), for the six months period then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to issue a report on these financial statements based on our review. The figures of the profit and loss account for the quarters ended December 31, 2005 and 2006 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2006.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Corporation's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Karachi

Karachi : 10th February, 2007



**PAKISTAN NATIONAL SHIPPING CORPORATION
INTERIM CONDENSED BALANCE SHEET
AS AT DECEMBER 31, 2006**

	Note	(Unaudited) December 31, 2006	June 30, 2006 (Restated)
------(Rupees in '000)-----			
NON-CURRENT ASSETS			
Fixed assets			
- Property, plant and equipment		625,539	631,670
- Intangible assets		6,601	8,251
Investment properties		674,162	674,162
Long-term investments in:			
- Related parties (subsidiaries and associate)	3	1,558,416	1,558,056
- Listed companies and other entities		29,135	30,781
		1,587,551	1,588,837
Long-term loans and advances	4	817,862	1,447,528
Deferred tax - net		127,974	132,684
CURRENT ASSETS			
Stores and spares		23,136	21,504
Trade debts		163,694	31,308
Agents' and owners' balances		6,248	12,512
Loans and advances	4.1	42,268	389,052
Deposits and prepayments		13,397	4,799
Interest / mark-up accrued		56,890	54,734
Other receivables		532,444	242,492
Incomplete voyages		81,393	2,144
Insurance claims		9,249	9,661
Short-term investments	5	4,000,000	2,900,000
Cash and bank balances		689,095	1,155,389
		5,617,814	4,823,595
LESS: CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables		3,797,584	3,660,150
Provision against damage claims	7	164,430	121,625
Interest accrued		221	174
Current portion of long-term financing		261,429	258,557
Taxation - net		51,421	161,631
		4,275,085	4,202,137
NET CURRENT ASSETS		<u>1,342,729</u>	<u>621,458</u>
		<u>5,182,418</u>	<u>5,104,590</u>
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital		1,320,634	1,320,634
Reserves		2,734,523	2,373,978
		<u>4,055,157</u>	<u>3,694,612</u>
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX			
	6	524,289	536,407
NON-CURRENT LIABILITIES			
Long-term financing		217,857	474,021
Deferred liabilities		385,115	399,550
CONTINGENCIES	7	<u>5,182,418</u>	<u>5,104,590</u>

The annexed notes 1 to 12 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 FOR THE QUARTER
AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2006 (UNAUDITED)**

	Quarter ended December 31, 2006	Quarter ended December 31, 2005 (Restated)	Six months period ended December 31, 2006	Six months period ended December 31, 2005 (Restated)
------(Rupees in '000)-----				
REVENUES				
Chartering revenues	507,259	310,726	633,888	734,424
Services fee	63,781	66,994	131,736	126,194
Rental income	30,252	25,558	61,581	50,588
	<u>601,292</u>	<u>403,278</u>	<u>827,205</u>	<u>911,206</u>
EXPENDITURE				
Fleet expenses - direct	146,667	208,200	195,293	434,503
- indirect	913	1,122	1,091	2,195
	<u>147,580</u>	<u>209,322</u>	<u>196,384</u>	<u>436,698</u>
GROSS PROFIT	<u>453,712</u>	<u>193,956</u>	<u>630,821</u>	<u>474,508</u>
Administration and general expenses	75,582	34,306	95,527	56,791
Other operating expenses	27,071	26,461	40,099	51,516
Finance costs	22,133	19,441	42,137	39,520
	<u>124,786</u>	<u>80,208</u>	<u>177,763</u>	<u>147,827</u>
Other operating income	117,928	119,804	206,101	213,436
PROFIT BEFORE TAXATION	<u>446,854</u>	<u>233,552</u>	<u>659,159</u>	<u>540,117</u>
Taxation	106,631	74,664	170,732	109,347
PROFIT AFTER TAXATION	<u>340,223</u>	<u>158,888</u>	<u>488,427</u>	<u>430,770</u>
------(Rupees)-----				
EARNINGS PER SHARE - BASIC AND DILUTED	<u>2.58</u>	<u>1.20</u>	<u>3.70</u>	<u>3.26</u>

The annexed notes 1 to 12 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 SHIPING CORPORATION
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2006**

	Issued, subscribed and paid-up capital	Capital Reserve		Revenue reserves		Total
		Reserve for issue of bonus shares	Others	General reserve	Unappropriated profits / (accumulated 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	-	-	-	-	235,121	235,121
Reversal of amount relating to assets of subsidiaries - net of tax	-	-	-	-	(230,879)	(230,879)
Restated amount					4,242	4,242
Profit after taxation for the six months period ended December 31, 2005 as previously reported					775,164	775,164
Reversal of share in net profits from subsidiaries and associates	-	-	-	-	(344,394)	(344,394)
Profit after taxation for the six months period ended December 31, 2005 - restated					430,770	430,770
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 December 31, 2005 - restated	1,320,634	-	126,843	3,500,000	(1,794,607)	3,152,870
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	-	-	-	-	4,181	4,181
Profit after taxation for the six months period ended December 31, 2006	-	-	-	-	488,427	488,427
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 December 31, 2006	1,320,634	-	126,843	-	2,607,680	4,055,157

The annexed notes 1 to 12 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 SIX MONTHS PERIOD ENDED DECEMBER 31, 2006

	Note	Six months period ended December 31, 2006	Six months period ended December 31, 2005 (Restated)
------(Rupees in '000)-----			
Cash flows from operating activities			
Cash generated from operations	8	574,525	43,246
Employees' gratuity paid		(31,374)	(17,380)
Employees' compensated absences paid		(18,016)	(2,970)
Post retirement medical benefits paid		(2,019)	(20,402)
Long-term loans and advances - net		629,666	92,750
Finance costs paid		(32,051)	(37,434)
Taxes paid		(284,169)	(78,132)
Net cash generated from / (used in) operating activities		<u>836,562</u>	<u>(20,322)</u>
Cash flows from investing activities			
Fixed capital expenditure		(8,637)	(12,594)
Investment in a subsidiary company		(360)	-
Proceeds from disposal of property, plant and equipment		151	-
Interest / mark-up received		195,098	189,527
Short-term investments		(2,800,000)	-
Dividend received		1,657	1,092
Net cash (used in) / generated from investing activities		<u>(2,612,091)</u>	<u>178,025</u>
Cash flows from financing activities			
Repayment of long-term financing		(261,171)	(256,329)
Dividend paid		(129,594)	(235,725)
Net cash used in financing activities		<u>(390,765)</u>	<u>(492,054)</u>
Net decrease in cash and cash equivalents		<u>(2,166,294)</u>	<u>(334,351)</u>
Cash and cash equivalents at July 1		4,055,389	4,051,579
Cash and cash equivalents at December 31	9	<u>1,889,095</u>	<u>3,717,228</u>

The annexed notes 1 to 12 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 INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 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 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.

These financial statements are unaudited and comprise of the balance sheet as at December 31, 2006 and the profit and loss account, statement of changes in equity and the cash flow statement for the six months period ended December 31, 2006 which have been subjected to a review in accordance with the Code of Corporate Governance. The financial statements also include the profit and loss account for the quarter ended December 31, 2006 which is not subjected to review.

The items of comparative balance sheet presented in these financial statements as at June 30, 2006 have been extracted from the audited financial statements of the company for the year ended June 30, 2006 and restated wherever necessary in accordance with the change in accounting policy as stated in note 3 to these financial statements whereas the comparative profit and loss account, statement of changes in equity and cash flow statement are for the six months period ended December 31, 2005 and were subjected to a review in accordance with the Code of Corporate Governance but were not audited. The comparative profit and loss account for the quarter ended December 31, 2005 included in these financial statements has not been subjected to review.

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 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 7,023.202 million (as at June 30, 2006: Rs 6,843.473 million), Rs 4,400.146 million (as at June 30, 2006: Rs 4,005.792 million) and Rs 2,623.056 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 204.091 million (six months period ended December 31, 2005: Rs 344.394 million). Further earnings per share would have been higher by Rs.1.54 per share (six months period ended December 31, 2005: Rs 2.61 per share).

- 3.2 During the six months period ended December 31, 2006 the Corporation has made investment in Quetta Shipping (Private) Limited at a cost of Rs 0.360 million representing 100% equity of that company.

Note	(Unaudited) December 31, 2006	(Audited) June 30, 2006
	------(Rupees in '000)-----	

4. LONG TERM LOANS AND ADVANCES

Loans

Considered good
due from

- Related parties
- Employees

4.1

-	993,167
2,647	3,130
2,647	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

4.2

816,068	816,068
817,862	1,447,528

- 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.



4.2 During the year ended June 30, 2006 an amount of Rs 924.600 million was advanced to Kaghan Shipping (Private) Limited mainly for purchase of vessel, out of which Rs 816.068 million is outstanding as at December 31, 2006 (June 30, 2006: Rs 816.068 million). The modalities of adjustment / recovery of advance are in the process of being finalised.

4.3 Long-term loans and advances are being carried at cost because the effect of carrying these balances at amortised cost would not have been material.

(Unaudited) December 31, 2006	(Audited) June 30, 2006 (Restated)
------(Rupees in '000)-----	

5. SHORT TERM INVESTMENTS

Held to maturity

Term deposits with banks having original maturity of:

- more than three months to six months
- three months or less

2,800,000	-
1,200,000	2,900,000
<u>4,000,000</u>	<u>2,900,000</u>

5.1 The mark-up on term deposits ranges from 11.25% to 12.5% per annum (June 30, 2006: 9.5% to 10.5% per annum).

(Unaudited) December 31, 2006	(Audited) June 30, 2006 (Restated)
------(Rupees in '000)-----	

6. SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX

Surplus on revaluation of fixed assets - net of tax

Balance as at beginning of the period

559,031	568,529
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Transferred to unappropriated profit :

- Surplus relating to incremental depreciation charged during the year on related assets - net of tax

4,181	7,037
2,252	2,461

Related deferred tax liability

6,433	9,498
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552,598	559,031
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Less: Related deferred tax liability on :

- Revaluation as at July 1
- Incremental depreciation charged during the year on related assets transferred to profit and loss account
- Effect of ratio allocation of revenue under FTR

22,624	33,885
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(2,252)	(2,461)
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7,937	(8,800)
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28,309	22,624
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Balance as at end of the period

524,289	536,407
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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, except for the contingent liability in respect of claims not admitted by the Corporation which as at December 31, 2006



amounts to Rs 1,090.189 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 34.582 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 243.083 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 164.430 million (June 30, 2006: Rs 121.625 million) against the aforesaid claims in these financial statements.

	Six months period ended December 31, 2006	Six months period ended December 31, 2005
	------(Rupees in '000)-----	
8. CASH GENERATED FROM OPERATIONS		
Profit before taxation	659,159	540,117
Adjustments for non-cash charges and other items:		
Depreciation	14,768	11,969
Amortisation	1,650	1,650
Gain on disposal of property, plant and equipment	(151)	-
Provision for employees' gratuity	16,035	10,221
Provision for employees' compensated absences	542	4,887
Provision / (reversal) for post retirement medical benefits	20,397	2,694
Dividend income	(1,657)	(728)
Provision no longer required written back	(241)	(1,281)
Interest / mark-up income	(197,254)	(189,256)
Interest / mark-up expense	32,098	37,563
Loss / (gain) on revaluation of investments	1,646	(3,563)
Provision against claims for damages	42,805	11,124
Unrealised exchange loss	7,879	1,957
Working capital changes - note 8.1	(23,151)	(384,108)
	<u>574,525</u>	<u>43,246</u>
8.1 WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores and spares	(1,632)	1,317
Trade debts	(132,386)	(45,788)
Agents' and owners' balances	6,264	(19,346)
Loans and advances	346,784	(14,452)
Deposits and prepayments	(8,598)	(1,758)
Other receivables (net)	(289,763)	(55,676)
Incomplete voyages	(79,249)	5,868
Insurance claims	464	999
	(158,116)	(128,836)
Increase / (decrease) in current liabilities		
Trade and other payables	134,965	(255,272)
	<u>(23,151)</u>	<u>(384,108)</u>
	December 31, 2006	December 31, 2005
	------(Rupees in '000)-----	
9. CASH AND CASH EQUIVALENTS		
Short term investments	1,200,000	2,900,000
Cash and bank balance	689,095	817,228
	<u>1,889,095</u>	<u>3,717,228</u>



10. 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:

	Six months period ended December 31, 2006	Six months period ended December 31, 2005
------(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	131,736	126,193
Rental income from subsidiary companies	-	1,805
Expenses charged to subsidiary companies	139,130	110,643
Retirement benefits cost charged to subsidiary companies	34,796	16,315
Contribution to provident fund	4,218	4,720
Directors' fee	75	108
Key management personnel compensation	4,348	3,660

10.1 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, December 31, 2006 : June 30, 2006 ; Rs 2,775.454 million; Rs 2,837.489 million) with each of the subsidiary companies.

11. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. Following have been reclassified in the profit and loss account during the period:

Reclassification from component	Reclassification to component	Amount (Rupees in '000)
Administrative and general expenses	Other operating expenses	
- Donations	- Donations	2,500
Other operating expenses	Finance costs	
- Unrealised exchange loss on long-term financing	- Unrealised exchange loss on long-term financing	1,957
Cash and bank balances	Short-term investments	
- Term deposits		2,900,000

12. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 10, 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 GROUP**

**CONSOLIDATED FINANCIAL
STATEMENTS**

**FOR THE SIX MONTHS PERIOD
ENDED DECEMBER 31, 2006**



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
INTERIM CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2006**

	(Unaudited) December 31, 2006	(Audited) June 30, 2006
Note	------(Rupees in '000)-----	
NON-CURRENT ASSETS		
Fixed assets		
- Property, plant and equipment	7,096,521	7,430,919
- Intangible assets	6,601	8,251
Investment properties	674,162	674,162
Long-term investments in listed companies and other entities	29,135	30,781
Long-term loans	1,884	2,210
Long-term deposits	-	90
Deferred tax - net	127,975	132,684
	7,936,278	8,279,097
CURRENT ASSETS		
Stores and spares	396,606	102,270
Trade debts	392,881	209,936
Agents' and owners' balances	47,949	32,207
Loans and advances	42,268	25,135
Deposits and prepayments	13,964	4,846
Interest / mark-up accrued	62,807	42,999
Other receivables	52,601	65,833
Incomplete voyages	40,283	427,265
Insurance claims	22,733	83,049
Short term investment	4,000,000	2,900,000
Cash and bank balances	692,478	1,427,054
	5,764,570	5,320,594
LESS: CURRENT LIABILITIES AND PROVISIONS		
Trade and other payables	1,006,923	1,140,608
Provision against damage claims	164,431	121,625
Interest accrued	221	174
Current portion of long-term financing	261,429	258,557
Taxation - net	46,076	152,187
	1,479,080	1,673,151
NET CURRENT ASSETS	4,285,490	3,647,443
	12,221,768	11,926,540
SHARE CAPITAL AND RESERVES		
Issued, subscribed and paid-up capital	1,320,634	1,320,634
Reserves	6,794,222	5,986,719
	8,114,856	7,307,353
MINORITY INTEREST	1,276	1,209
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP	8,116,132	7,308,562
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX	3,502,664	3,744,407
NON-CURRENT LIABILITIES		
Long-term financing	217,857	474,021
Deferred liabilities	385,115	399,550
	12,221,768	11,926,540
CONTINGENCIES	3	

The annexed notes 1 to 8 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



Half Yearly Report December 31, 2006

**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2006**

	Quarter ended December 31, 2006	Quarter ended December 31, 2005	Six months period ended December 31, 2006	Six months period ended December 31, 2005
------(Rupees in '000)-----				
REVENUES				
Freight - net	1,499,913	1,538,562	2,959,128	2,991,718
Chartering revenues	601,869	446,977	968,169	897,524
Rental income	30,373	25,676	61,823	50,828
	<u>2,132,155</u>	<u>2,011,215</u>	<u>3,989,120</u>	<u>3,940,070</u>
EXPENDITURE				
Fleet expenses - direct	1,447,112	1,485,563	2,960,933	2,914,477
- indirect	5,276	4,075	9,849	7,614
	<u>1,452,388</u>	<u>1,489,638</u>	<u>2,970,782</u>	<u>2,922,091</u>
GROSS PROFIT	<u>679,767</u>	<u>521,577</u>	<u>1,018,338</u>	<u>1,017,979</u>
Administrative and general expenses	148,626	93,513	230,813	168,662
Other operating expenses	44,298	34,476	75,719	67,828
Finance costs	22,694	17,816	43,257	38,236
	<u>215,618</u>	<u>145,805</u>	<u>349,789</u>	<u>274,726</u>
Other operating income	124,258	83,252	220,611	154,651
	<u>588,407</u>	<u>459,024</u>	<u>889,160</u>	<u>897,904</u>
Share of net loss in associate	-	(1,222)	-	(2,743)
PROFIT BEFORE TAXATION	<u>588,407</u>	<u>457,802</u>	<u>889,160</u>	<u>895,161</u>
Taxation	112,031	77,898	183,402	119,965
PROFIT AFTER TAXATION	<u>476,376</u>	<u>379,904</u>	<u>705,758</u>	<u>775,196</u>
Attributable to:				
Equity holders of the Corporation	476,340	379,896	705,691	775,162
Minority interest	36	8	67	34
	<u>476,376</u>	<u>379,904</u>	<u>705,758</u>	<u>775,196</u>
------(Rupees)-----				
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION - BASIC AND DILUTED	<u>3.61</u>	<u>2.88</u>	<u>5.34</u>	<u>5.87</u>

The annexed notes 1 to 8 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 SIX MONTHS PERIOD ENDED DECEMBER 31, 2006**

	Capital Reserve		Revenue reserves			Total
	Issued, subscribed and paid-up capital	Reserve for issue of bonus shares	Others	General reserve	Unappropriated 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	-	-	-	-	235,122	- 235,122
Adjustment on account of fixed assets	-	-	-	-	-	(2,149) (2,149)
Profit after taxation for the period ended December 31, 2005	-	-	-	-	775,162	34 775,196
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 December 31, 2005	1,320,634	-	126,844	3,500,022	1,636,694	1,170 6,585,364
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)	- -
	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	-	-	-	-	233,808	- 233,808
Profit after taxation for the period ended December 31, 2006	-	-	-	-	705,758	67 705,825
Final cash dividend for the year ended June 30, 2006 (Re 1 per ordinary share)	-	-	-	-	(132,063)	- (132,063)
Balance as at December 31, 2006	1,320,634	-	135,844	3,758,592	2,899,786	1,276 8,116,132

The annexed notes 1 to 8 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 SIX MONTHS PERIOD ENDED DECEMBER 31, 2006**

	Note	Six months period ended, December 31, 2006	Six months period ended December 31, 2005
------(Rupees in '000)-----			
Cash flows from operating activities			
Cash generated from operations	4	1,225,035	540,076
Employees' gratuity paid		(31,374)	(17,380)
Employees' compensated absences paid		(18,016)	(20,402)
Post retirement medical benefits paid		(2,019)	(2,970)
Long-term loans and advances - net		326	848
Long-term deposits		90	-
Finance costs paid		(32,258)	(37,434)
Taxes paid		(289,513)	(129,484)
Net cash inflow from operating activities		<u>852,271</u>	<u>333,254</u>
Cash flows from investing activities			
Fixed capital expenditure		(274,864)	(368,546)
Proceeds from disposal of fixed assets		151	-
Interest / mark-up received		176,974	191,918
Short-term investments		(2,800,000)	-
Dividend received		1,657	1,092
Net cash outflow from investing activities		<u>(2,896,082)</u>	<u>(175,536)</u>
Cash flows from financing activities			
Repayment of long-term financing		(261,171)	(256,329)
Dividend paid		(129,594)	(235,725)
Net cash outflow from financing activities		<u>(390,765)</u>	<u>(492,054)</u>
Net decrease in cash and cash equivalents		<u>(2,434,576)</u>	<u>(334,336)</u>
Cash and cash equivalents at July 1		4,327,054	4,114,991
Cash and cash equivalents at December 31	5	<u><u>1,892,478</u></u>	<u><u>3,780,655</u></u>

The annexed notes 1 to 8 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 INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 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
- 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 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 December 31, 2006 amounts to Rs 1,090.189 million (June 30, 2006: Rs 1,139.196 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo, damages to cargo and miscellaneous claims lodged by workers and others. These include Rs 34.582 million (June 30, 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 243.083 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 Group.

As a matter of prudence, the management has made a total provision of Rs 164.430 million (June 30, 2006: Rs 121.625 million) against the aforesaid claims in these financial statements.

For the six months period ended December 31, 2006	For the six months period ended December 31, 2005
------(Rupees in '000)-----	

4. CASH GENERATED FROM OPERATIONS

Profit before taxation	889,160	895,161
Adjustments for non-cash charges and other items:		
Share of net loss in associates	-	2,743
Depreciation	610,912	514,480
Gain on disposal of fixed assets	(151)	-
Provision for employees' gratuity	16,035	10,221
Provision for employees' compensated absences	542	4,887
Provision for post retirement medical benefits	20,397	2,694
Dividend income	(1,657)	(728)
Interest / mark-up income	(196,782)	(191,918)
Finance costs	32,098	37,563
Loss / (gain) on revaluation of investments	1,647	(3,563)
Provision for doubtful debts - others	43,375	11,124
Provision no longer required written back	(2,099)	(1,281)
Unrealised exchange loss	6,735	1,957
Working capital changes - note 4.1	(195,177)	(743,264)
	<u>1,225,035</u>	<u>540,076</u>

4.1 WORKING CAPITAL CHANGES

(Increase) / decrease in current assets

Stores and spares	(294,336)	(15,231)
Freight and hire receivable	(182,945)	(214,610)
Agents' and owners' balances	(15,742)	7
Loans and advances	(17,133)	(14,452)
Deposits and prepayments	(9,118)	(1,763)
Other receivables (net)	13,232	(170,132)
Incomplete voyages	386,983	(77,013)
Insurance claims	60,316	3,051
	(58,743)	(490,143)

Increase / (decrease) in current liabilities

Trade and other payables	(136,434)	(253,121)
	<u>(195,177)</u>	<u>(743,264)</u>



December 31, December 31,
2006 2005
------(Rupees in '000)-----

5. CASH AND CASH EQUIVALENTS

Short term investments	1,200,000	2,900,000
Cash and bank balances	692,478	880,655
	1,892,478	3,780,655

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:

	Six months period ended December 31, 2006	Six months period ended December 31, 2005
	------(Rupees in '000)-----	
Freight income from subsidiary companies	110	3,564
Rental income from subsidiary companies	-	1,805
Contribution to provident fund	5,294	4,720
Directors' fee	75	108
Key management personnel compensation	4,348	3,660

7. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, whenever necessary, for the purposes of comparison. Following have been reclassified in the profit and loss account during the period:

		Amount (Rupees in '000)
Reclassification from component	Reclassification to component	
Administrative and general expenses	Other operating expenses	
- Donations	- Donations	2,500
Other operating expenses	Finance costs	
- Unrealised exchange loss on long-term financing	- Unrealised exchange loss on long-term financing	1,957
Cash and bank balances	Short-term investments	
- Term deposits		2,900,000

8. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 10, 2007 by the Board of Directors of the Corporation.

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

S. Haider Abbas Rizvi
Director