



# **Pakistan National Shipping Corporation**

**UN-AUDITED REPORT  
FOR THE FIRST QUARTER ENDED  
SEPTEMBER 30, 2007**



## CORPORATE INFORMATION

<b>Board</b>	:	Vice Admiral (Retd) S. Tauquir H. Naqvi HI(M), S. Bt. Chairman  Capt. S. Akhlaq Hussain Abidi, MNA Director  Mr. Kamal Afsar Director  Dr. Arshad A. Vohra Director  Mr. Mohammad Khusrow Khowaja Director  Mr. Jahangir Siddiqui Director
<b>Audit Committee of the Board</b>	:	Mr. Kamal Afsar - Chairman Mr. Mohammad Khusrow Khowaja - Member Mr. Jahangir Siddiqui - Member Dr. Arshad A. Vohra - Member
<b>Secretary</b>	:	Ms. Zainab Suleman
<b>Head Office</b>	:	PNSC Building, Moulvi Tamizuddin Khan Road, Karachi - 74000
<b>Auditors</b>	:	A. F. Ferguson & Co. Chartered Accountants  Ford Rhodes Sidat Hyder & Co. Chartered Accountants
<b>Bankers</b>	:	Allied Bank Limited ABN-AMRO Bank Bank Al-Falah Limited Bank of Punjab Dubai Islamic Bank Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited JS Bank Limited Standard Chartered Bank United Bank Limited



**PAKISTAN NATIONAL SHIPPING CORPORATION  
DIRECTORS' REPORT  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2007**

The Directors of Pakistan National Shipping Corporation (PNSC) are pleased to present the un-audited financial statements for the first quarter ended September 30, 2007.

**OVERVIEW**

The PNSC Group turnover was Rs. 2,487 million (including Rs. 546 million from PNSC) as compared to Rs. 1,857 million (including Rs 158 million from PNSC) of the similar period last year. The Gross Profit for the period ended September 30, 2007 was Rs. 548 million as against Rs. 339 million for the same period last year.

The above increase is due to higher freight earnings and control over operating expenses. Profit After Tax was Rs 426 million, as against Rs. 229 million, as compared to last year, same period, a healthy increase of 86%.

A second incident of fire occurred in PNSC Building on 19th August 2007. Fortunately, no part of PNSC's offices were affected.

**FUTURE PROSPECTS**

International freight rates have firmed up. With the proposed induction of 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 : October 27, 2007



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES  
INTERIM CONSOLIDATED BALANCE SHEET  
AS AT SEPTEMBER 30, 2007**

Note	(Unaudited) September 30, 2007	(Audited) June 30, 2007
	(Rupees in '000)	
<b>NON-CURRENT ASSETS</b>		
Fixed assets		
- Property, plant and equipment	6,751,909	7,069,439
- Intangible assets	4,125	4,950
Investment properties	966,637	966,637
Long-term investments in listed companies and other entities	38,063	40,632
Long-term loans - considered good	1,840	2,027
Long-term deposits	90	90
Deferred tax - net	93,366	93,366
	<b>7,856,030</b>	<b>8,177,141</b>
<b>CURRENT ASSETS</b>		
Stores and spares	380,877	444,341
Trade debts	988,548	557,290
Agents' and owners' balances	65,695	41,482
Loans and advances	72,753	63,197
Deposits and prepayments	10,426	10,616
Interest / mark-up accrued	174,831	84,504
Other receivables	126,164	86,193
Incomplete voyages	28,890	17,267
Insurance claims	2,257	1,667
Taxation - net	8152	-
Short-term investments	6,400,000	6,000,000
Cash and cash equivalents	740,893	907,906
	<b>8,999,486</b>	<b>8,214,463</b>
<b>LESS: CURRENT LIABILITIES</b>		
Trade and other payables	1,119,847	1,051,948
Provision against damage claims	140,626	140,645
Current portion of long-term financing	260,485	258,771
Mark-up accrued	10,270	110
Taxation - net	-	49,546
	<b>1,531,228</b>	<b>1,501,020</b>
<b>NET CURRENT ASSETS</b>	<b>7,468,258</b>	<b>6,713,443</b>
	<b>15,324,288</b>	<b>14,890,584</b>
<b>SHARE CAPITAL AND RESERVES</b>		
Issued, subscribed and paid-up capital	1,320,634	1,320,634
Reserves	9,672,054	9,063,703
	<b>10,992,688</b>	<b>10,384,337</b>
<b>MINORITY INTEREST</b>	<b>1,454</b>	<b>1,354</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>	<b>10,994,142</b>	<b>10,385,691</b>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX</b>		
- Group	3,707,790	3,890,025
- Minority	2,315	2,148
	<b>3,710,105</b>	<b>3,892,173</b>
<b>NON-CURRENT LIABILITIES</b>		
Long-term financing	217,072	215,643
Deferred liabilities	402,969	397,077
	<b>15,324,288</b>	<b>14,890,584</b>

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

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

**Kamal Afsar**  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES  
INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2007**

	July to September 30, 2007	July to September 30, 2006
	(Rupees in '000)	
<b>REVENUES</b>		
Chartering revenues	824,625	366,300
Freight - net	1,631,902	1,459,215
Rental income	30,892	31,450
	<u>2,487,419</u>	<u>1,856,965</u>
<b>EXPENDITURE</b>		
Fleet expenses - direct	1,936,028	1,513,821
- indirect	3,636	4,573
	<u>1,939,664</u>	<u>1,518,394</u>
<b>GROSS PROFIT</b>	<u>547,755</u>	<u>338,571</u>
Administrative and general expenses	102,832	82,187
Other operating expenses	46,228	31,421
Finance costs	28,552	20,563
	<u>177,612</u>	<u>134,171</u>
Other operating income	163,341	96,353
<b>PROFIT BEFORE TAXATION</b>	<u>533,484</u>	<u>300,753</u>
Taxation	107,268	71,371
<b>PROFIT AFTER TAXATION</b>	<u>426,216</u>	<u>229,382</u>
<b>Attributable to:</b>		
Equity holders of the Corporation	426,116	229,351
Minority interest	100	31
	<u>426,216</u>	<u>229,382</u>
	------(Rupees)-----	
<b>EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION - BASIC</b>	<u>3.23</u>	<u>1.74</u>

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

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

**Kamal Afsar**  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2007**

	Capital Reserve			Revenue reserves			Total	
	Issued, subscribed and paid-up capital	Reserve for issue of bonus shares	Others	General reserve	Others	Unappr- opriated profits		Minority Interest
	(Rupees in '000)							
<b>Balance at July 1, 2006</b>	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)	-	-
<b>Balance restated as at July 01, 2006</b>	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)
<b>Balance as at September 30, 2006</b>	1,320,634	-	135,844	3,758,592	-	2,440,247	1,240	7,656,557
<b>Balance at July 1, 2007</b>	1,320,634	-	135,846	3,758,570	22	5,169,265	1,354	10,385,691
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets for the period, recognised directly in equity - net of tax	-	-	-	-	-	182,235	-	182,235
Profit after taxation for the period ended September 30, 2007	-	-	-	-	-	426,116	100	426,216
<b>Balance as at September 30, 2007</b>	1,320,634	-	135,846	3,758,570	22	5,777,616	1,454	10,994,142

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

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

**Kamal Afsar**  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES  
CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2007**

	Note	July to September 30, 2007	July to September 30, 2006
(Rupees in '000)			
<b>Cash flows from operating activities</b>			
Cash generated from operations	4	811,817	154,529
Employees' gratuity paid		(24,846)	(15,581)
Employees' compensated absences paid		2,157	(9,656)
Post retirement medical benefits paid		(4,725)	(931)
Long-term loans and advances - net		187	173
Long-term deposits		-	(90)
Finance costs paid		(14,621)	-
Taxes paid		(164,966)	(78,132)
Net cash generated from operating activities		605,003	50,312
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(38,632)	(12,868)
Proceeds from disposal of property, plant and equipment		2,712	-
Interest / mark-up received		63,613	76,476
Dividend received		291	346
Net cash generated from / (used in) investing activities		27,984	63,954
<b>Cash flows from financing activities</b>			
Dividend paid		-	(41)
Net cash used in financing activities		-	(41)
Net increase in cash and cash equivalents		632,987	114,225
Cash and cash equivalents at July 1		2,707,906	4,327,054
Cash and cash equivalents at September 30		<u>3,340,893</u>	<u>4,441,279</u>

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

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

**Kamal Afsar**  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 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
- Khairpur Shipping (Private) Limited
- Karachi Shipping (Private) Limited [Formerly National Tanker Company (Private) Limited]
- Lalazar Shipping (Private) Limited
- Lahore Shipping (Private) Limited [Formerly Pak Nippon Car Liner (Private) Limited]
- Makran Shipping (Private) Limited
- Malakand Shipping (Private) Limited
- Multan Shipping (Private) Limited
- Pakistan Co-operative Ship Stores (Private) Limited
- Quetta Shipping (Private) Limited
- Sargodha Shipping (Private) Limited
- Sibi Shipping (Private) Limited
- Shalamar Shipping (Private) Limited
- Swat Shipping (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 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, 2007.



### 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, 2007.

	July to September 30, 2007	July to September 30, 2006
	(Rupees in '000)	
<b>4. CASH GENERATED FROM OPERATIONS</b>		
Profit before taxation	533,484	300,753
Adjustments for non cash charges and other items:		
Depreciation / amortization	356,987	304,798
Gain on disposal of property, plant and equipment - net	(2,712)	-
Provision no longer required written back	(2,945)	-
Provision for deferred liabilities and others	30,833	18,487
Dividend income	(291)	(346)
Interest / mark-up income	(153,940)	(81,856)
Interest / mark-up expense	24,781	-
Loss / (Gain) on revaluation of investments	2,569	1,164
Unrealised exchange loss on long term financing	3,143	-
Working capital changes - note 4.1	19,908	(388,471)
	<b>811,817</b>	<b>154,529</b>
<b>4.1 WORKING CAPITAL CHANGES</b>		
<b>(Increase) / decrease in current assets</b>		
Stores and spares	63,464	(6,790)
Trade debts	(431,258)	(268,633)
Agents' and owners' balances	(24,213)	(67,526)
Loans and advances	(9,556)	(5,705)
Deposits and prepayments	190	(1,025)
Other receivables (net)	(39,971)	(74,501)
Incomplete voyages	(11,623)	93,559
Insurance claims	(590)	61,787
Short term investments	400,000	-
	<b>(53,557)</b>	<b>(268,834)</b>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	73,465	(119,637)
	<b>19,908</b>	<b>(388,471)</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>September 30,</b>	<b>June 30,</b>
	<b>2007</b>	<b>2007</b>
<b>5 CASH AND CASH EQUIVALENTS</b>		
Short term investments (Term deposits with Banks maturity with in 3 months or less)	2,600,000	1,800,000
Cash and bank balances	740,893	907,906
	<b>3,340,893</b>	<b>2,707,906</b>



## 6. 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:

	<b>July to September 30, 2007</b>	July to September 30, 2006
	(Rupees in '000)	
Freight income	-	45
Contribution to provident fund	<b>2,464</b>	2,331
Directors' fee	-	40

## 7. DATE OF AUTHORISATION

These financial statements were authorised for issue on October 27, 2007 by the Board of Directors of the Corporation.

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

**Kamal Afsar**  
Director



**PNSC UN-AUDITED  
FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED  
SEPTEMBER 30, 2007**



**PAKISTAN NATIONAL SHIPPING CORPORATION  
INTERIM CONDENSED BALANCE SHEET  
AS AT SEPTEMBER 30, 2007**

	Note	(Unaudited) September 30, 2007	(Audited) June 30, 2007
(Rupees in '000)			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
- Property, plant and equipment		869,309	876,914
- Intangible assets		4,126	4,950
Investment properties		966,637	966,637
Long-term investments in:			
- Related parties (subsidiaries and associate)		1,558,416	1,558,416
- Listed companies and other entities		38,063	40,632
		1,596,479	1,599,048
Long-term loans and advances		1,840	2,027
Deferred tax - net		93,366	93,366
		<u>3,531,757</u>	<u>3,542,942</u>
<b>CURRENT ASSETS</b>			
Stores and spares		10,063	14,289
Trade debts		384,534	279,146
Agents' and owners' balances		65,695	41,482
Loans and advances		72,754	63,197
Deposits and prepayments		10,380	10,569
Interest / mark-up accrued		174,832	84,412
Other receivables		965,327	1,092,894
Incomplete voyages		633	2,577
Insurance claims		304	374
Short-term investments		6,400,000	6,000,000
Cash and bank balances		736,887	903,879
		<u>8,821,409</u>	<u>8,492,819</u>
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Trade and other payables		5,163,504	5,026,210
Provision against damage claims		132,941	132,960
Interest accrued		10,270	110
Current portion of long-term financing		260,486	258,771
Taxation - net		16,235	61,194
		<u>5,583,436</u>	<u>5,479,245</u>
<b>NET CURRENT ASSETS</b>		<u>3,237,973</u>	<u>3,013,574</u>
		<u>6,769,730</u>	<u>6,556,516</u>
<b>SHARE CAPITAL AND RESERVES</b>			
Issued, subscribed and paid-up capital		1,320,634	1,320,634
Reserves		4,084,866	3,874,701
		<u>5,405,500</u>	<u>5,195,335</u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS-NET OF TAX</b>		744,190	748,461
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing		217,071	215,643
Deferred liabilities		402,969	397,077
		<u>6,769,730</u>	<u>6,556,516</u>
<b>CONTINGENCIES</b>	3		

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

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

**Kamal Afsar**  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION**  
**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UNAUDITED) F O R**  
**THE FIRST QUARTER ENDED SEPTEMBER 30, 2007**

	Note	July to September 30, 2007	July to September 30, 2006
(Rupees in '000)			
<b>REVENUES</b>			
Chartering revenues		514,942	126,629
Services fee	6.1	77,663	67,955
Rental income		30,764	31,329
		<b>623,369</b>	<b>225,913</b>
<b>EXPENDITURE</b>			
Fleet expenses - direct		315,774	48,626
- indirect	6.1	3,182	178
		<b>318,956</b>	<b>48,804</b>
<b>GROSS PROFIT</b>			
		<b>304,413</b>	<b>177,109</b>
Administrative and general expenses	6.1	100,044	19,945
Other operating expenses		45,869	13,028
Finance costs		13,565	20,004
		<b>159,478</b>	<b>52,977</b>
Other operating income		<b>160,293</b>	<b>88,173</b>
<b>PROFIT BEFORE TAXATION</b>		<b>305,228</b>	<b>212,305</b>
Taxation		<b>99,334</b>	<b>64,101</b>
<b>PROFIT AFTER TAXATION</b>		<b>205,894</b>	<b>148,204</b>
------(Rupees)-----			
<b>EARNINGS PER SHARE - BASIC</b>		<b>1.56</b>	<b>1.12</b>

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

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

**Kamal Afsar**  
 Director



**PAKISTAN NATIONAL SHIPPING CORPORATION  
STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2007**

	Issued, subscribed and paid-up capital	Capital Reserve		Revenue reserves		Total
		Reserve for issue of bonus shares	Others	General reserve	Unappr- opriated profit / (loss)	
----- (Rupees in '000) -----						
<b>Balance at July 1, 2006</b>	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)
<b>Balance at July 1, 2006 - restated</b>	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
<b>Balance as at September 30, 2006</b>	1,320,634	-	126,843	-	2,375,341	3,822,818
<b>Balance at July 1, 2007</b>	1,320,634	-	126,843	-	3,747,858	5,195,335
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets for the period, recognised directly in equity - net of tax	-	-	-	-	4,271	4,271
Profit after taxation for the period ended September 30, 2007	-	-	-	-	205,894	205,894
<b>Balance as at September 30, 2007</b>	<b>1,320,634</b>	<b>-</b>	<b>126,843</b>	<b>-</b>	<b>3,958,023</b>	<b>5,405,500</b>

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

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

**Kamal Afsar**  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION  
CASH FLOW STATEMENT (UNAUDITED)  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2007**

	Note	July to September 30, 2007	July to September 30, 2006
(Rupees in '000)			
<b>Cash flow from operating activities</b>			
Cash (used in) / generated from operations	4	739,470	(486,658)
Employees' gratuity paid		(24,846)	(15,581)
Employees' compensated absences paid		2,157	(9,657)
Post retirement medical benefits paid		(4,725)	(930)
Long-term loans and advances - net		187	629,513
Taxes paid		(144,293)	(32,140)
Net cash (used in) / generated from operating activities		567,950	84,547
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(1,436)	(1,060)
Proceeds from disposal of fixed assets		2,712	-
Interest / mark-up received		63,491	94,080
Dividend received		291	346
Net cash generated from investing activities		65,058	93,366
<b>Cash flows from financing activities</b>			
Dividend paid		-	(41)
Net cash used in financing activities		-	(41)
Net (decrease) / increase in cash and cash equivalents		633,008	177,872
Cash and cash equivalents at July 01		2,703,879	4,055,389
Cash and cash equivalents at September 30	5	<u>3,336,887</u>	<u>4,233,261</u>

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

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

**Kamal Afsar**  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION  
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2007**

**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 Exchanges. 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 SECP and the Court has decided the case 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 a 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, 2007.

**3 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, 2007.



**July to**  
**September 30,**  
**2007**

July to  
 September 30,  
 2006

(Rupees in '000)

**4 CASH GENERATED FROM OPERATIONS**

Profit before taxation	305,228	212,305
Adjustments for non cash charges and other items:		
Depreciation / amortization	9,865	7,104
Loss / (Gain) on disposal of fixed assets	(2,712)	-
Provision for employees' gratuity	30,833	18,487
Dividend income	(291)	(346)
Interest / mark-up income	(153,911)	(81,932)
Interest / mark-up expense	10,160	15,777
Loss / (Gain) on revaluation of long-term investments in listed companies	2,569	1,164
Unrealised exchange loss on long term financing	3,143	4,008
Working capital changes <span style="float: right;">4.1</span>	534,586	(645,086)
	<b>739,470</b>	<b>(486,658)</b>

**4.1 WORKING CAPITAL CHANGES**  
(Increase) / decrease in current assets

Stores and spares	4,226	(6,380)
Trade debts - net	(105,388)	(19,251)
Agents' and owners' balances - net	(24,213)	(87,221)
Loans and advances	(9,557)	358,239
Deposits and prepayments	189	(494)
Other receivables (net)	127,567	(367,523)
Incomplete voyages	1,944	1,543
Insurance claims	70	3,124
Short term investments	400,000	-
	<b>394,838</b>	<b>(117,963)</b>
<b>Increase / (decrease) in current liabilities</b>		
Trade and other payables	139,748	(527,123)
	<b>534,586</b>	<b>(645,086)</b>



	(Unaudited) September 30, 2007	(Audited) June 30, 2007
	(Rupees in '000)	
<b>5 CASH AND CASH EQUIVALENTS</b>		
Short term investments	2,600,000	1,800,000
Cash and bank balances	<u>736,887</u>	<u>903,879</u>
	<u><b>3,336,887</b></u>	<u><b>2,703,879</b></u>

## 6 TRANSACTIONS WITH RELATED PARTIES

- 6.1 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. Further, transactions entered into with the key management personnel as per their terms of employment are also included in related party transactions.

Service fees on account of rendering of technical, commercial, administrative and financial services are charged to related parties on the basis of mutually agreed revised terms. Accordingly, effective July 01, 2007, the Corporation has ceased to charge expenses to subsidiaries on actual cost basis, which were previously being charged.

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

	July to September 30, 2007	July to September 30, 2006
	(Rupees in '000)	
Service fee charged to subsidiary companies	77,663	67,955
Expenses charged to subsidiary companies	-	64,997
Retirement benefits cost charged to subsidiary companies	-	18,137
Contribution to provident fund	2,034	2,331
Directors' fee	-	40

- 6.2 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.

## 7 DATE OF AUTHORISATION

These financial statements were authorised for issue on October 27, 2007 by the Board of Directors of the Corporation.

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

**Kamal Afsar**  
Director





Pakistan National Shipping Corporation

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