



Pakistan National Shipping Corporation

**UN-AUDITED REPORT FOR THE THIRD
QUARTER ENDED MARCH 31, 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 Mr. Mohammad Khusrow Khowaja Mr. Jahangir Siddiqui Mr. Sheikh Manzar Alam	Chairman Member Member 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 United Bank Limited	

**PAKISTAN NATIONAL SHIPPING CORPORATION
DIRECTORS' REPORT
FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2006**

The Directors of Pakistan National Shipping Corporation (PNSC) are pleased to present the accounts of PNSC group for the quarter and nine months ended March 31, 2006. These financial statements are un-audited and presented in accordance with the requirements of Code of Corporate Governance and the Companies Ordinance, 1984.

The Corporation achieved a Gross profit of Rs 237.97 million for the quarter ended March 31, 2006 making a total of Rs 712.48 million for the nine months under review, as against Rs 672.63 million for the same period last year. The operating profit for the quarter ended March 31, 2006 stood at Rs 286.78 million (March 2005: Rs 273.80 million). Similarly the operating profit for the nine months at Rs 864.46 million is higher by Rs 342.73 million which was Rs 521.72 million for the nine months ended March 31, 2005.

The contribution from subsidiary companies as share of profits stood at Rs 34.42 million for the quarter under review as compared to Rs 727.38 million of the same period last year. As a result, the Corporation achieved Profit before Taxation of Rs 306.62 million for the quarter ended March 31, 2006 (Rs 986.68 million for same period last year) and of Rs 1,191.13 million for the nine months period under review (March 2005: Rs 2,167.25 million). The above decrease in contribution from the subsidiaries was mainly due to the decrease in the international dry cargo freight rates, increase in bunker prices, insurance cost and depreciation.

The consolidated Gross Profit for the Group for the quarter ended March 31, 2006 was Rs 371.79 million, making a total of Rs 1,389.77 million for the nine months under review, as against Rs. 2,346.88 million for the nine months ended March 31, 2005. Similarly, the consolidated Profit before Taxation for the nine months ended March 31, 2006 was Rs 1,209.43 million as against Rs 2,074.79 million for the corresponding period last year.

FUTURE OUTLOOK

Due to the continued decrease in international dry cargo freight rates, increase in the cost of bunkers and already high depreciation and insurance costs, pressure on the operating results of the group is likely to increase further. The Corporation is, however exploring new avenues to maximize its operating performance. Efforts are also being made towards augmenting our fleet to enable the Group to sustain future growth.

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

Karachi; April 27, 2006

PAKISTAN NATIONAL SHIPPING CORPORATION
BALANCE SHEET
AS AT MARCH 31, 2006

	(Unaudited) March 31, 2006	(Audited) June 30, 2005
Note	------(Rupees in '000)-----	
NON-CURRENT ASSETS		
Fixed assets		
- Property, plant and equipment	622,364	627,162
- Intangible assets	9,077	11,552
Investment properties	674,162	674,162
Long-term investments in:		
- Related parties - subsidiaries and associates	8,310,150	7,931,326
- Listed companies and other entities	36,516	32,959
	8,346,666	7,964,285
Long term loans and advance to:		
- Related parties - subsidiaries	1,695,449	993,166
- Others	2,065	3,300
	1,697,514	996,466
Deferred tax asset - net	13,923	-
CURRENT ASSETS		
Stores and spares	21,622	17,665
Freight and hire receivable	159,893	103,700
Agents' and owners' balances	59,375	38,815
Loans and advances	392,094	384,519
Deposits and prepayments	7,967	5,990
Interest / mark-up accrued	59,785	27,677
Other receivables	59,991	20,587
Incomplete voyages	-	7,448
Insurance claims	878	2,168
Short term investments - held to maturity	2,600,000	2,950,000
Cash and bank balances	861,687	1,101,579
	4,223,292	4,660,148
LESS: CURRENT LIABILITIES AND PROVISIONS		
Trade and other payables	3,407,935	3,332,437
Provision against damage claims	115,051	103,927
Current portion of long-term financing	257,400	256,071
Interest accrued	13,930	180
Taxation - net	118,585	61,363
	3,912,901	3,753,978
NET CURRENT ASSETS	310,391	906,170
	11,674,097	11,179,797
SHARE CAPITAL AND RESERVES		
Authorised capital		
200,000,000 (June 30, 2005 : 200,000,000) ordinary shares of Rs 10 each	2,000,000	2,000,000
Issued, subscribed and paid-up capital	1,320,634	1,200,576
Capital reserve	126,843	126,843
Revenue reserves:		
General reserve	3,500,000	1,500,000
Unappropriated profit	2,392,080	3,384,782
	5,892,080	4,884,782
Shareholders' equity	7,339,557	6,212,201
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX		
	3,481,362	3,821,963
NON-CURRENT LIABILITIES		
Long-term financing	472,208	725,536
Deferred liabilities	380,970	419,772
Deferred tax liability - net	-	325
	11,674,097	11,179,797
CONTINGENCIES		

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

Chairman and Chief Executive

Director

PAKISTAN NATIONAL SHIPPING CORPORATION
PROFIT AND LOSS ACCOUNT FOR THE QUARTER
AND NINE MONTHS PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

	Quarter ended March 31, 2006	Quarter ended March 31, 2005	Nine months period ended March 31, 2006	Nine months period ended March 31, 2005
Note	------(Rupees in '000)-----			
REVENUES				
Chartering revenues	415,640	576,857	1,150,064	1,822,393
Services fee	65,204	72,551	191,398	169,933
Rental income	26,993	21,959	77,581	64,235
	<u>507,837</u>	<u>671,367</u>	<u>1,419,043</u>	<u>2,056,561</u>
EXPENDITURE				
Fleet expenses - direct	268,532	339,535	703,035	1,378,650
- indirect	1,337	1,560	3,532	5,285
	<u>269,869</u>	<u>341,095</u>	<u>706,567</u>	<u>1,383,935</u>
GROSS PROFIT	<u>237,968</u>	<u>330,272</u>	<u>712,476</u>	<u>672,626</u>
Administration and general expenses	25,131	52,837	84,422	132,626
Other operating expenses	19,174	53,032	70,147	150,474
	<u>44,305</u>	<u>105,869</u>	<u>154,569</u>	<u>283,100</u>
	193,663	224,403	557,907	389,526
Other operating income	93,112	49,399	306,548	132,196
OPERATING PROFIT	<u>286,775</u>	<u>273,802</u>	<u>864,455</u>	<u>521,722</u>
Finance costs	14,577	14,499	52,140	48,970
	<u>272,198</u>	<u>259,303</u>	<u>812,315</u>	<u>472,752</u>
Share of net profit in subsidiaries and associates	34,419	727,377	378,813	1,694,500
PROFIT BEFORE TAXATION	<u>306,617</u>	<u>986,680</u>	<u>1,191,128</u>	<u>2,167,252</u>
Taxation - current period	54,091	39,504	162,272	80,648
- prior years	-	-	16,235	(3,808)
- deferred	821	4,990	(14,248)	18,492
	<u>54,912</u>	<u>44,494</u>	<u>164,259</u>	<u>95,332</u>
PROFIT AFTER TAXATION	<u>251,705</u>	<u>942,186</u>	<u>1,026,869</u>	<u>2,071,920</u>
	------(Rupees)-----			
EARNINGS PER SHARE - BASIC / DILUTED	<u><u>1.91</u></u>	<u><u>7.13</u></u>	<u><u>7.78</u></u>	<u><u>15.69</u></u>

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

Chairman and Chief Executive

Director

PAKISTAN NATIONAL SHIPPING CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

	Issued, subscribed and paid-up capital	Capital reserves		Revenue reserves		Total
		Reserve for issue of bonus shares	Others	General reserve	Unappropriated profit	
------(Rupees in '000)-----						
Balance as at July 1, 2004	1,143,406	-	126,843	500,000	1,701,680	3,471,929
Final cash dividend for the year ended June 30, 2004 declared subsequent to the year end (Rs 1 per share)	-	-	-	-	(114,341)	(114,341)
Transfer to reserve for issue of bonus shares appropriated subsequent to the year end	-	57,170	-	-	(57,170)	-
Transfer to general reserve appropriated subsequent to the year end	-	-	-	1,000,000	(1,000,000)	-
Profit after taxation for the nine months period ended March 31, 2005	-	-	-	-	2,071,920	2,071,920
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period - net of tax	-	-	-	-	5,621	5,621
Issue of bonus shares	57,170	(57,170)	-	-	-	-
Balance at March 31, 2005	<u>1,200,576</u>	<u>-</u>	<u>126,843</u>	<u>1,500,000</u>	<u>2,607,710</u>	<u>5,435,129</u>
Balance as at July 1, 2005	1,200,576	-	126,843	1,500,000	3,384,782	6,212,201
Final dividend for the year ended June 30, 2005 declared subsequent to the year end (Rs 2 per share)	-	-	-	-	(240,115)	(240,115)
Transfer to reserve for issue of bonus shares appropriated subsequent to the year end	-	120,058	-	-	(120,058)	-
Transfer to general reserve appropriated subsequent to the year end	-	-	-	2,000,000	(2,000,000)	-
Profit after taxation for the nine months period ended March 31, 2006	-	-	-	-	1,026,869	1,026,869
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period - net of tax	-	-	-	-	340,602	340,602
Issue of bonus shares	120,058	(120,058)	-	-	-	-
Balance at March 31, 2006	<u>1,320,634</u>	<u>-</u>	<u>126,843</u>	<u>3,500,000</u>	<u>2,392,080</u>	<u>7,339,557</u>

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

Chairman and Chief Executive

Director

PAKISTAN NATIONAL SHIPPING CORPORATION
CASH FLOW STATEMENT
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

	Note	Nine months period ended March 31, 2006 ------(Rupees in '000)-----	Nine months period ended March 31, 2005
Cash flow from operating activities			
Cash generated from operations	5	588,354	1,683,712
Staff retirement gratuity paid		(13,692)	(5,359)
Employees' compensated absences paid		(1,458)	(36,006)
Post retirement medical benefits paid		(25,957)	(4,095)
Long-term loans and advances - net		(701,048)	(136,799)
Finance costs paid		(38,390)	(30,346)
Taxes paid		(121,285)	(100,950)
Net cash (outflow) / inflow from operating activities		<u>(313,476)</u>	<u>1,370,157</u>
Cash flow from investing activities			
Fixed capital expenditure		(13,631)	(5,086)
Proceeds from disposal of property, plant and equipment		-	1
Interest / mark-up received		227,570	56,981
Dividend received		1,737	782
Net cash inflow from investing activities		<u>215,676</u>	<u>52,678</u>
Cash flow from financing activities			
Repayment of long-term financing		(256,020)	(254,850)
Dividend paid		(236,072)	(112,153)
Net cash outflow from financing activities		<u>(492,092)</u>	<u>(367,003)</u>
Net decrease in cash and cash equivalents		<u>(589,892)</u>	<u>1,055,832</u>
Cash and cash equivalents at July 1		4,051,579	2,234,625
Cash and cash equivalents at December 31	6	<u><u>3,461,687</u></u>	<u><u>3,290,457</u></u>
		-	

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

Chairman and Chief Executive

Director

**PAKISTAN NATIONAL SHIPPING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2006 (UNAUDITED)**

1. THE CORPORATION AND ITS OPERATIONS

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

During the year ended June 30, 2005, 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 at present the matter of delisting from LSE is pending subject to final decision by the High 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, 2005.

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

Consistent with the annual audited financial statements of the Corporation for the year ended June 30, 2005 the investments in subsidiaries and associates have been accounted for on the basis of the equity method of accounting less any accumulated impairment losses.

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 should be carried in the separate financial statements of the investor, at cost or at fair value in accordance with IAS-39 'Financial Instruments: Recognition and Measurement'.

However, the Corporation believes that due to the typical group structure of its subsidiaries and associates and the manner in which the operations are conducted, the equity method of accounting would result in more appropriate presentation of its financial statements and, therefore, an exemption was sought from the Securities and Exchange Commission of Pakistan (SECP) for complying with the revised requirements of IAS-27. In response to the Corporation's request, the SECP has through its letter referenced EMD/233/474/2002, dated March 3, 2006, allowed the Corporation to continue to account for investments in subsidiaries on the basis of equity method only for the purpose of its financial statements for the six months period ended December 31, 2005.

The Corporation has again approached the SECP for obtaining exemption from the application of the said IAS for future periods and it is expected that consistent with the past practice SECP would grant exemption to the Corporation from the application of IAS-27 (revised).

Had the investments in subsidiaries and associates been carried at cost, the long-term investments, revenue reserves and surplus on revaluation of property, plant and equipment at the end of the period would have been lower by Rs 6,919 million, Rs 3,964 million and Rs 2,953 million respectively and deferred tax asset would have been higher by Rs 79 million whereas profit after taxation for the period would have been lower by Rs 379 million.

4. 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, 2005, except for the contingent liability in respect of claims not admitted by the Corporation which as at March 31, 2006 amount to Rs 1,030.786 million (June 30, 2005: Rs 987.181million). 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 32.281 million (June 30, 2005: Rs 32.806 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 312.479 million (June 30, 2005: Rs 270.824 million) approximately would be recoverable from the P&I Club, 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 115.051million (June 30, 2005: Rs 103.927 million) against the afore-mentioned claims in these financial statements.

5. CASH GENERATED FROM OPERATIONS

	For the Nine months period ended March 31, 2006	For the Nine months period ended March 31, 2005
	------(Rupees in '000)-----	
Profit before taxation	1,191,128	2,167,252
Adjustments for non cash charges and other items:		
Share of net profit in subsidiaries and associates	(378,813)	(1,694,500)
Depreciation	18,429	16,662
Amortisation	2,475	2,475
Gain on disposal of property, plant and equipment	-	(1)
Property, plant and equipment written off	-	1
Provision for staff retirement gratuity	1,298	2,610
Provision for employees' compensated absences	646	7,212
Provision / (reversal) for post retirement medical benefits	361	(351)
Dividend income	(1,373)	(782)
Provision no longer required written back	(10,154)	-
Interest / mark-up income	(259,678)	(76,466)
Finance costs	52,140	44,328
Gain on revaluation of investments	(3,557)	(10,911)
Provision against claims for damages	11,124	-
Unrealised exchange loss	4,021	25,164
Working capital changes - note 5.1	(39,693)	1,201,019
	<u>588,354</u>	<u>1,683,712</u>

	For the nine months period ended March 31, 2006	For the nine months period ended March 31, 2005
	----- (Rupees in '000) -----	
5.1 WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Stores and spares	(3,957)	(1,703)
Freight and hire receivable	(56,193)	(910)
Agents' and owners' balances	(20,560)	(59,843)
Loans and advances	(7,575)	34,533
Deposits and prepayments	(1,977)	10,222
Other receivables (net)	(39,768)	9,076
Incomplete voyages	7,448	(23,221)
Insurance claims	1,290	(983)
	(121,292)	(32,829)
Increase / (decrease) in current liabilities		
Trade and other payables	81,599	1,233,848
	<u>(39,693)</u>	<u>1,201,019</u>
	March 31, 2006	March 31, 2005
	----- (Rupees in '000) -----	
6. CASH AND CASH EQUIVALENTS		
Short term investments - held to maturity	2,600,000	1,100,000
Cash and bank balances	861,687	2,190,457
	<u>3,461,687</u>	<u>3,290,457</u>

7. 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.

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

	For the nine months period ended March 31, 2006	For the nine months period ended March 31, 2005
	----- (Rupees in '000) -----	
Long-term loans and advance to subsidiary companies	90,056	360,000
Repayment of long-term loan and interest thereon by subsidiary companies	238,720	197,148
Repayment of short term loan and interest thereon by subsidiary companies	-	91,314
Freight income from subsidiary companies	8,951	6,363
Service fee charged to subsidiary companies	191,398	169,933
Rental income from subsidiary companies	2,707	2,707

	For the nine months period ended March 31, 2006	For the nine months period ended March 31, 2005
	----- (Rupees in '000) -----	
Expenses charged to subsidiary companies	165,912	124,476
Retirement benefits cost charged to subsidiary companies	24,395	17,456
Contribution to provident fund	5,621	5,893
Directors' fee	198	11
Key management personnel compensation	5,753	6,610

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

8. DATE OF AUTHORISATION

These financial statements were authorised for issue on April 27, 2006 by the Board of Directors of the Corporation.

9. REDESIGNATION OF INVESTMENT HELD UNDER 'AVAILABLE FOR SALE' TO 'FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS'

Effective July 1, 2005 the Corporation has redesignated its investments held under the head 'available for sale' securities to 'Financial assets at fair value through profit or loss'. This change has been made in accordance with the requirements of revised International Accounting Standard No. 39 'Financial Instruments: Recognition and Measurement' which became applicable to the Corporation effective July 1, 2005. There is, however, no change in the measurement basis and recognition of unrealised gains/losses as a result of the said redesignation.

Chairman and Chief Executive

Director

**PAKISTAN NATIONAL SHIPPING CORPORATION
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2006 (UNAUDITED)**

	(Unaudited) March 31, 2006	(Audited) June 30, 2005
Note	------(Rupees in '000)-----	
NON-CURRENT ASSETS		
Fixed assets		
- Property plant and equipment	7,399,301	6,921,861
- Intangible assets	9,077	11,552
Investment properties	674,768	674,162
Long-term investments in:		
- Related parties - associates	138,472	142,380
- Listed companies and other entities	36,516	32,959
	174,988	175,339
Long term loans and advances	2,065	3,300
Deferred tax asset - net	13,923	-
CURRENT ASSETS		
Stores and spares	126,597	90,178
Freight and hire receivable	523,822	291,678
Agents' and owners' balances	63,628	58,168
Loans and advances	28,174	20,602
Deposits and prepayments	8,019	6,037
Interest / markup accrued	20,066	9,420
Other receivables	99,376	44,841
Incomplete voyages	400,723	201,953
Insurance claims	75,787	73,879
Short term investments - held to maturity	2,600,000	2,950,000
Cash and bank balances	864,711	1,164,991
	4,810,903	4,911,747
LESS: CURRENT LIABILITIES AND PROVISIONS		
Trade and other payables	908,586	1,089,428
Provision against damage claims	115,051	103,927
Current portion of long-term financing	257,400	256,071
Interest accrued	13,930	180
Taxation - net	119,160	65,278
	1,414,127	1,514,884
NET CURRENT ASSETS	3,396,776	3,396,863
	11,670,898	11,183,077
SHARE CAPITAL AND RESERVES		
Authorised capital		
200,000,000 (June 30, 2005 : 200,000,000) ordinary shares of Rs 10 each	2,000,000	2,000,000
Issued, subscribed and paid -up capital	1,320,634	1,200,576
Capital Reserves	126,843	126,843
Revenue Reserves:		
General reserves	3,500,023	1,500,023
Unappropriated profit	1,993,873	2,986,583
	5,493,896	4,486,606
Retained earnings	6,941,373	5,814,025
Minority interest	1,173	3,285
Shareholders' equity	6,942,546	5,817,310
SURPLUS ON REVALUATION OF PROPERTY PLANT AND EQUIPMENT - NET OF TAX	3,875,174	4,220,134
NON-CURRENT LIABILITIES		
Long term loan	472,208	725,536
Deferred liabilities	380,970	419,772
Deferred tax liability - net	-	325
	11,670,898	11,183,077

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The annexed notes 1 to 8 form an integral part of these financial statements.

Chairman and Chief Executive

Director

PAKISTAN NATIONAL SHIPPING CORPORATION
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE QUARTER
AND NINE MONTHS PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

	Quarter ended March 31, 2006	Quarter ended March 31, 2005	Nine months period ended March 31, 2006	Nine months period ended March 31, 2005
Note	------(Rupees in '000)-----			
REVENUES				
Freight - net	1,630,136	1,658,747	4,621,854	3,869,570
Chartering revenues	415,639	731,892	1,313,163	2,203,647
Rental income	26,994	22,360	77,822	64,686
	<u>2,072,769</u>	<u>2,412,999</u>	<u>6,012,839</u>	<u>6,137,903</u>
EXPENDITURE				
Fleet expenses - direct	1,696,253	1,250,691	4,610,730	3,778,267
- indirect	4,724	4,665	12,338	12,755
	<u>1,700,977</u>	<u>1,255,356</u>	<u>4,623,068</u>	<u>3,791,022</u>
GROSS PROFIT	371,792	1,157,643	1,389,771	2,346,881
Administration and general expenses	78,899	99,128	247,561	254,158
Other operating expenses	27,490	79,173	95,318	313,200
	<u>106,389</u>	<u>178,301</u>	<u>342,879</u>	<u>567,358</u>
Other operating income	65,000	29,882	219,651	349,627
OPERATING PROFIT	330,403	1,009,224	1,266,543	2,129,150
Finance costs	14,957	14,867	53,193	49,863
	<u>315,446</u>	<u>994,357</u>	<u>1,213,350</u>	<u>2,079,287</u>
Share of net (loss) in associates	(1,176)	(1,553)	(3,919)	(4,494)
PROFIT BEFORE TAXATION	314,270	992,804	1,209,431	2,074,793
Taxation - Current period	61,747	45,815	180,546	96,671
- Prior year	-	(298)	16,235	(3,808)
- Deferred	821	4,990	(14,248)	18,492
	<u>62,568</u>	<u>50,507</u>	<u>182,533</u>	<u>111,355</u>
PROFIT BEFORE MINORITY INTEREST	251,702	942,297	1,026,898	1,963,438
Minority interest	3	105	37	104
PROFIT AFTER TAXATION	251,699	942,192	1,026,861	1,963,334
	------(Rupees)-----			
EARNINGS PER SHARE - BASIC / DILUTED	1.91	7.14	7.78	14.87

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

The annexed notes 1 to 8 form an integral part of these financial statements.

Chairman and Chief Executive

Director

PAKISTAN NATIONAL SHIPPING CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

	Issued, subscribed and paid-up capital	Capital reserves		Revenue reserves		Total	Minority interest	Total Equity	
		Reserve for issue of bonus shares	Others	Other reserve	General reserve				Unappropriated profit
-----Rupees in '000-----									
Balance as at July 1, 2004	1,143,406	-	126,843	23	500,000	1,351,384	3,121,656	1,036	3,122,692
Final cash dividend for the year ended June 30, 2004 declared subsequent to the year end (Rs. 1 per share)	-	-	-	-	-	(114,341)	(114,341)	-	(114,341)
Transfer to reserve for issue of bonus shares appropriated subsequent to the year end.	-	57,170	-	-	-	(57,170)	-	-	-
Transfer to General reserve appropriated subsequent to the year end.	-	-	-	-	1,000,000	(1,000,000)	-	-	-
Profit after taxation for the nine months period ended March 31, 2005	-	-	-	-	-	1,963,334	1,963,334	104	1,963,438
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period - net of tax	-	-	-	-	-	37,243	37,243	-	37,243
Issuance of bonus shares	57,170	(57,170)	-	-	-	-	-	-	-
Balance at March 31, 2005	<u>1,200,576</u>	<u>-</u>	<u>126,843</u>	<u>23</u>	<u>1,500,000</u>	<u>2,180,450</u>	<u>5,007,892</u>	<u>1,140</u>	<u>5,009,032</u>
Balance as at July 1, 2005	1,200,576	-	126,843	23	1,500,000	2,986,583	5,814,025	3,285	5,817,310
Final cash dividend for the year ended June 30, 2005 declared subsequent to the year end (Rs. 2 per share)	-	-	-	-	-	(240,115)	(240,115)	-	(240,115)
Transfer to reserve for issue of bonus shares appropriated subsequent to the year end.	-	120,058	-	-	-	(120,058)	-	-	-
Transfer to General reserve appropriated subsequent to the year end.	-	-	-	-	2,000,000	(2,000,000)	-	-	-
Profit after taxation for the nine months period ended March 31, 2006	-	-	-	-	-	1,026,861	1,026,861	37	1,026,898
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period - net of tax	-	-	-	-	-	340,602	340,602	-	340,602
Adjustment on account of revaluation of fixed assets	-	-	-	-	-	-	-	(2,149)	(2,149)
Issuance of bonus shares	120,058	(120,058)	-	-	-	-	-	-	-
Balance at March 31, 2006	<u>1,320,634</u>	<u>-</u>	<u>126,843</u>	<u>23</u>	<u>3,500,000</u>	<u>1,993,873</u>	<u>6,941,373</u>	<u>1,173</u>	<u>6,942,546</u>

The annexed notes 1 to 8 form an integral part of these financial statements.

Chairman and Chief Executive

Director

PAKISTAN NATIONAL SHIPPING CORPORATION
CONSOLIDATED CASH FLOW STATEMENT
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

	Note	Nine months period ended March 31, 2006	Nine months period ended March 31, 2005
------(Rupees in '000)-----			
Cash flow from operating activities			
Cash generated from operations	4	1,159,755	2,242,387
Staff retirement gratuity paid		(27,725)	(5,359)
Employees' compensated absences paid		(32,641)	(36,006)
Post retirement medical benefits paid		(5,137)	(4,095)
Long term loans and advances		1,235	617
Finance costs paid		(39,443)	(30,346)
Taxes paid		(142,899)	(112,059)
Net cash inflow / (outflow) from operating activities		<u>913,145</u>	<u>2,055,139</u>
Cash flow from investing activities			
Fixed capital expenditure		(1,255,617)	(1,114,061)
Proceeds from disposal of fixed assets		-	458,444
Interest / mark-up received		160,554	22,559
Dividend received		1,737	782
Net cash outflow from investing activities		<u>(1,093,326)</u>	<u>(632,276)</u>
Cash flow from financing activities			
Repayment of long-term financing		(234,027)	(254,850)
Dividend paid		(236,072)	(112,153)
Net cash outflow on financing activities		<u>(470,099)</u>	<u>(367,003)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(650,280)</u>	<u>1,055,860</u>
Cash and cash equivalents at July 1		4,114,991	2,297,157
Cash and cash equivalents at March 31	5	<u><u>3,464,711</u></u>	<u><u>3,353,017</u></u>

The annexed notes 1 to 8 form an integral part of these financial statements.

Chairman and Chief Executive

Director

PAKISTAN NATIONAL SHIPPING CORPORATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2006 (UNAUDITED)

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
- 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 15 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, 2005.

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, 2005, except for the contingent liability in respect of claims not admitted by the group amounts to Rs 1,030.786 million (June 2005: Rs 987.181 million). These claims mainly relate to flaw in shipping documentation, delay in delivery of cargo, damages to cargo and miscellaneous worker and other claims. These include Rs 32.281 million (June 2005: Rs 32.806 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 an amount of Rs 312.479 million (June 2005: Rs 270.824 million) approximately would be recoverable from the P&I Club, 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 115.051 million (June 2005: Rs 103.927 million) against the afore-mentioned claims in these financial statements.

	For the nine months period ended March 31, 2006	For the nine months period ended March 31, 2005
------(Rupees in '000)-----		
4. CASH GENERATED FROM OPERATIONS		
Profit before taxation	1,209,431	2,074,793
Adjustments for non cash charges and other items:		
Share of net loss in associates	3,919	4,494
Depreciation	778,177	255,055
Amortisation	2,475	2,475
Loss / (Gain) on disposal of property, plant and equipment	-	(264,528)
Deficit on vessel disposed of during the period included in the revaluation surplus	-	108,689
Property, plant and equipment written off	-	1
Provision for staff retirement gratuity	15,331	12,794
Provision for employees' compensated absences	7,330	33,417
Provision / (reversal) for post retirement medical benefits	4,040	(1,624)
Dividend income	(1,373)	(782)
Provision no longer required written back	(10,154)	-
Interest / mark-up income	(171,200)	(27,860)
Finance costs	53,193	44,328
Gain on revaluation of investments	(3,557)	(10,911)
Provision against claims for damages	11,124	-
Unrealised exchange (gain) / loss	(17,972)	25,164
Working capital changes - note 4.1	(721,009)	(13,118)
	<u>1,159,755</u>	<u>2,242,387</u>

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

4.1 WORKING CAPITAL CHANGES

(Increase) / decrease in current assets

Stores and spares	(36,419)	(23,470)
Freight and hire receivable	(232,144)	(31,801)
Agents' and owners' balances	(5,460)	(62,277)
Loans and advances	(7,572)	4,034
Deposits and prepayments	(1,982)	10,219
Other receivables (net)	(54,535)	(25,062)
Incomplete voyages	(198,770)	(7,397)
Insurance claims	(1,908)	(14,828)
	(538,790)	(150,582)

Increase / (decrease) in current liabilities

Trade and other payables	(182,219)	137,464
	<u>(721,009)</u>	<u>(13,118)</u>

March 31,
2006

March 31,
2005

5. CASH AND CASH EQUIVALENTS

------(Rupees in '000)-----

Short term investments - held to maturity	2,600,000	1,100,000
Cash and bank balances	864,711	2,253,017
	<u>3,464,711</u>	<u>3,353,017</u>

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:

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

Freight income	8,951	6,363
Rental income	2,707	2,707
Contribution to provident fund	7,530	8,679
Directors' fee	198	11
Key management personnel compensation	5,753	6,610

7. **DATE OF AUTHORISATION**

These financial statements were authorised for issue on April 27, 2006 by the Board of Directors of the Corporation.

8. **REDESIGNATION OF INVESTMENT HELD UNDER 'AVAILABLE FOR SALE
TO 'FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS'**

Effective July 1, 2005 the group has redesignated its investments held under the head 'available for sale' securities to 'Financial assets at fair value through profit or loss'. This change has been made in accordance with the requirements of revised International Accounting Standard No. 39 'Financial Instruments: Recognition and Measurement' which became applicable to the Corporation effective July 1, 2005. There is however no change in the measurement basis and recognition of unrealised gains/losses as a result of the redesignation.

Chairman and Chief Executive

Director