

## CORPORATE INFORMATION

Board	:	<b>Vice Admiral (Retd) S. Tauquir H. Naqvi</b> HI(M), S. Bt. Chairman
		<b>Mr. S. Haider Abbas Rizvi, MNA</b> Director
		<b>Mr. Kamal Afsar</b> Director
		<b>Mr. Tauqir Ahmed</b> Director
		<b>Mr. Sheikh Manzar Alam</b> Director
		<b>Mr. Mohammad Khusrow Khowaja</b> Director
		<b>Mr. Jahangir Siddiqui</b> Director
Audit Committee of the Board	:	<b>Mr. S. Haider Abbas Rizvi</b> – Chairman <b>Mr. Mohammad Khusrow Khowaja</b> – Member <b>Mr. Jahangir Siddiqui</b> – Member <b>Mr. Sheikh Manzar Alam</b> – Member
Secretary	:	<b>Mr. Arif Saeed</b>
Head Office	:	<b>PNSC Building</b> , Moulvi Tamizuddin Khan Road, Karachi - 74000
Auditors	:	<b>A. F. Ferguson &amp; Co.</b> Chartered Accountants  <b>Ford Rhodes Sidat Hyder &amp; Co.</b> Chartered Accountants
Bankers		<b>National Bank of Pakistan</b> <b>Habib Bank Limited</b> <b>United Bank Limited</b>

**PAKISTAN NATIONAL SHIPPING CORPORATION  
DIRECTORS' REPORT  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2005**

The Directors of Pakistan National Shipping Corporation are pleased to present the unaudited financial statements for the quarter ended September 30, 2005.

**OVERVIEW**

The Corporation achieved an Operating Profit of Rs. 258.07 million as against Rs. 123.93 million for the same period last year. This increase is mainly due to the increase in chartering revenue, which is largely a part of revenue of the Corporation.

The subsidiary companies have posted a profit of Rs. 123.38 million as against Rs. 310.33 million of the same period last year. The decrease is mainly due to increase in bunker prices, depreciation charge due to revaluation of fixed assets and insurance cost. Furthermore, M.T Johar was under repair towards completion of special survey and condition assessment scheme. M.V Bolan was also docked and special survey carried out during the same period. The Profit before Taxation for the quarter under review is Rs. 429.95 million as against Rs 425.51 million for the corresponding period last year.

The PNSC Group achieved an operating profit of Rs 421.25 million for the quarter ended September 30, 2005 as against Rs 452.83 million of the corresponding period. Similarly, the Consolidated Profit before Taxation for the quarter ended September 30, 2005 was Rs 437.36 million as against Rs 430.79 million for the corresponding period last year.

**FUTURE OUTLOOK**

The Corporation is continuing its efforts to add more vessels to its fleet and it is expected to add two bulk carriers and one AFRAMAX oil tanker during the current financial year. The continued increase in the cost of bunker coupled with the increase in depreciation and insurance cost is likely to put strain on profitability in the forthcoming periods, however it is expected that due to the stable international freight market the PNSC Group will perform well.

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

Karachi: October 27, 2005

**PAKISTAN NATIONAL SHIPPING CORPORATION**  
**BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2005**

	Unaudited September 30 2005	Audited June 30 2005
	Note -----(Rupees in '000)-----	
<b>Non-current assets</b>		
Fixed assets	642,848	638,714
Investment properties	674,162	674,162
Long-term investments	8,087,498	7,964,285
Long term loans	955,211	996,466
	<b>10,359,719</b>	<b>10,273,627</b>
<b>Current assets</b>		
Stores and spares	17,677	17,665
Freight and hire receivable	112,912	103,700
Agents' and owners' balances	72,108	38,815
Loans and advances	397,075	384,519
Deposits and prepayments	11,473	5,990
Interest / mark-up accrued	43,200	27,677
Other receivables	39,397	20,587
Incomplete voyages	12,994	7,448
Insurance claims	3,276	2,168
Short-term investments - held to maturity	3,450,000	2,950,000
Cash and bank balances	637,113	1,101,579
	<b>4,797,225</b>	<b>4,660,148</b>
<b>Less: current liabilities and provision</b>		
Trade and other payables	3,238,805	3,436,364
Current portion of long-term financing	256,071	256,071
Interest accrued	19,682	180
Taxation payable - net	76,354	61,363
	<b>3,590,912</b>	<b>3,753,978</b>
<b>Net current assets</b>	<b>1,206,313</b>	<b>906,170</b>
	<b>11,566,032</b>	<b>11,179,797</b>
<b>Share capital and reserves</b>		
Share capital	1,200,576	1,200,576
Reserves	1,626,843	1,626,843
Unappropriated profit	3,908,496	3,384,782
Shareholders' equity	<b>6,735,915</b>	<b>6,212,201</b>
<b>Surplus on revaluation of fixed assets - net of tax</b>	<b>3,693,515</b>	<b>3,821,963</b>
<b>Non-current liabilities</b>		
Long-term financing	726,850	725,536
Deferred liabilities	405,677	419,772
Deferred tax liability - net	4,075	325
	<b>11,566,032</b>	<b>11,179,797</b>

**Contingencies**

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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**  
**PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2005**

	<b>July to September 2005</b>	<b>July to September 2004</b>
	----- <b>(Rupees in '000)</b> -----	
<b>Operating revenues</b>		
Chartering revenues	423,698	647,313
Services fee	59,200	43,865
Rental income	25,030	21,226
	<u>507,928</u>	<u>712,404</u>
<b>Operating expenses</b>		
Fleet expenses - direct	226,303	556,843
- indirect	1,073	1,036
	227,376	557,879
Administration and general expenses	22,485	30,594
	<u>249,861</u>	<u>588,473</u>
<b>Operating profit</b>	<u>258,067</u>	123,931
Other operating expenses	25,055	44,468
Other income	93,632	44,075
	<u>326,644</u>	<u>123,538</u>
Finance cost	20,079	8,356
	<u>306,565</u>	<u>115,182</u>
Share of net profit in subsidiaries and associates	123,383	310,332
<b>Profit before taxation</b>	<u>429,948</u>	<u>425,514</u>
Taxation - Current year	30,932	21,731
- Deferred	3,751	(4,210)
	34,683	17,521
<b>Profit after taxation</b>	<u>395,265</u>	<u>407,993</u>
	----- <b>(Rupees)</b> -----	
<b>Earnings per share - basic /diluted</b>	<u>3.29</u>	<u>3.57</u>

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

*Chairman and Chief Executive*

*Director*

**PAKISTAN NATIONAL SHIPPING CORPORATION**  
**CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2005**

	Note	July to September 2005	July to September 2004
------(Rupees in '000)-----			
<b>Cash flow from operating activities</b>			
Cash flow from operations	6	(28,072)	360,993
Staff retirement gratuity paid		(8,519)	(8,678)
Employees' compensated absences paid		(12,609)	(9,935)
Post retirement medical benefits paid		(1,866)	(287)
Taxes paid		(12,363)	(24,037)
Long term loans - net		41,255	(11,691)
Net cash outflow from operating activities		<u>(22,174)</u>	<u>306,365</u>
<b>Cash flow from investing activities</b>			
Fixed capital expenditure		(10,975)	(1,061)
Proceeds from disposal of fixed assets		-	1
Interest / mark-up received		68,324	16,875
Dividend received		364	220
Net cash inflow from investing activities		<u>57,713</u>	<u>16,035</u>
<b>Cash flow from financing activities</b>			
Dividend paid		(5)	(6)
Net cash outflow on financing activities		<u>(5)</u>	<u>(6)</u>
Net increase in cash and cash equivalents		<u>35,534</u>	<u>322,394</u>
Cash and cash equivalents at July 1		<u>4,051,579</u>	<u>2,234,625</u>
Cash and cash equivalents at September 30		<u><u>4,087,113</u></u>	<u><u>2,557,019</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**  
**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2005**

	Issued, subscribed and paid-up capital	Capital reserves		General reserves	Unappropriated profit	Total
		Reserve for issue of bonus shares	Others			
------(Rupees in '000)-----						
<b>Balance at June 30, 2004</b>	1,143,406	57,170	126,843	1,500,000	530,169	3,357,588
Profit after taxation for the quarter ended September 30, 2004	-	-	-	-	407,993	407,993
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets for the period - net of tax	-	-	-	-	1,257	1,257
<b>Balance at September 30, 2004</b>	<u>1,143,406</u>	<u>57,170</u>	<u>126,843</u>	<u>1,500,000</u>	<u>939,419</u>	<u>3,766,838</u>
<b>Balance at June 30, 2005</b>	<b>1,200,576</b>	<b>-</b>	<b>126,843</b>	<b>1,500,000</b>	<b>3,384,782</b>	<b>6,212,201</b>
Profit after taxation for the quarter ended September 30, 2005	-	-	-	-	395,265	395,265
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets for the period - net of tax	-	-	-	-	128,449	128,449
<b>Balance at September 30, 2005</b>	<u>1,200,576</u>	<u>-</u>	<u>126,843</u>	<u>1,500,000</u>	<u>3,908,496</u>	<u>6,735,915</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 FINANCIAL STATEMENTS (UNAUDITED)  
 FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2005**

**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 lease-term 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.

**2. BASIS OF PREPARATION**

These financial statements are unaudited and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard 34: Interim Financial Reporting as applicable in Pakistan.

**3. ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the Corporation.

**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.

**5. TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise of the holding company, directors, key executives of the holding company and employees' funds maintained by the holding company as well as companies affiliated to the holding company and their directors. Transactions with related parties essentially entail sale of vessels and related accessories, investments made in subsidiary companies, freight income and chartering revenue recovered, service fee charged on account of rendering of technical, commercial, administrative and financial services, expenses charged to subsidiary companies on actual cost basis etc. Transactions with related parties are carried out on arms length basis using admissible valuation methods.

The significant transactions carried out by the Corporation with related parties other than remuneration and benefits to directors, key management personnel under the terms of their employment and contribution to retirement benefit schemes during the period are given below:

	<b>July to September 2005</b>	<b>July to September 2004</b>
	----- <b>(Rupees in '000)</b> -----	
Freight income	34	33
Service fee	59,200	43,865
Rental income	902	902
Expenses charged to subsidiary companies	53,480	39,941
Retirement benefits cost charged to subsidiary companies	8,073	(1,601)
Contribution to provident fund	2,149	2,169
Directors' fee	68	1

- 5.1** 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 account with each of the subsidiary companies.

	<b>July to September 2005</b>	<b>July to September 2004</b>
	----- <b>(Rupees in '000)</b> -----	
<b>6. CASH FLOW FROM OPERATIONS</b>		
Profit before taxation	<b>429,948</b>	425,514
Adjustment for non cash charges and other items:		
Share of profit in subsidiaries and associates	<b>(123,383)</b>	(310,332)
Depreciation	<b>6,845</b>	6,607
Profit on disposal of fixed assets	<b>-</b>	(1)
Provision for deferred liabilities and others	<b>827</b>	(361)
Dividend income	<b>(364)</b>	(2)
Interest / mark-up income	<b>(83,847)</b>	(18,461)
Interest / mark-up expense	<b>19,502</b>	4,865
Loss on revaluation of investments	<b>170</b>	657
Unrealised exchange loss	<b>1,314</b>	22,164
Working capital changes	<b>(279,084)</b>	230,343
	<b><u>(28,072)</u></b>	<b><u>360,993</u></b>

**7. DATE OF AUTHORISATION**

These financial statements were authorised for issue on October 27, 2004 by the Board of Directors of the Corporation.

**8. GENERAL**

All figures have been rounded off to the nearest thousand rupees.

*Chairman and Chief Executive*

*Director*

**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2005**

	Unaudited September 30 2004	Audited June 30 2005
	Note -----(Rupees in '000)-----	
<b>Non-current assets</b>		
Fixed assets	6,768,568	6,933,413
Investment properties	674,582	674,162
Long-term investment:	173,648	175,339
Long term loans	2,670	3,300
	<b>7,619,468</b>	<b>7,786,214</b>
<b>Current assets</b>		
Stores and spares	103,756	90,178
Freight and hire receivable	493,113	291,678
Agents' and owners' balances	117,354	58,168
Loans and advances	33,158	20,602
Deposits and prepayments	11,539	6,037
Interest/mark-up accrued	10,977	9,420
Other receivables	63,248	44,841
Incomplete voyage:	281,111	201,953
Insurance claims	82,173	73,879
Short term investments - held to maturity	3,450,000	2,950,000
Cash and bank balances	700,538	1,164,991
	<b>5,346,967</b>	<b>4,911,747</b>
<b>Less: current liabilities and provision</b>		
Trade and other payables	1,033,834	1,193,355
Current portion of long term financing	256,071	256,071
Interest accrued	19,682	180
Taxation payable - net	84,214	65,278
	<b>1,393,801</b>	<b>1,514,884</b>
<b>Net current assets</b>	<b>3,953,166</b>	<b>3,396,863</b>
	<b>11,572,634</b>	<b>11,183,077</b>
<b>Share capital and reserves:</b>		
Share capital	1,200,576	1,200,576
Reserves	1,626,866	1,626,866
Unappropriated profit	3,510,298	2,986,583
Shareholders' equity	<b>6,337,740</b>	<b>5,814,025</b>
<b>Minority interest</b>	<b>1,163</b>	<b>3,285</b>
<b>Surplus on revaluation of fixed assets - net of tax</b>	<b>4,097,130</b>	<b>4,220,134</b>
<b>Non-current liabilities:</b>		
Long term financing	726,850	725,536
Deferred liabilities:	405,676	419,772
Deferred tax liability - net	4,075	325
	<b>11,572,634</b>	<b>11,183,077</b>

**Contingencies**

4

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

*Chairman and Chief Executive*

*Direct*

**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2005**

	<b>July to September 2005</b>	<b>July to September 2004</b>
	------(Rupees in '000)-----	
<b>Operating revenues</b>		
Chartering revenues	450,547	647,313
Freight - net	1,453,156	1,118,268
Rental income	25,152	21,241
	<u>1,928,855</u>	<u>1,786,822</u>
<b>Operating expenses</b>		
Fleet expenses - direct	1,428,914	1,262,061
- indirect	3,539	3,351
	1,432,453	1,265,412
Administration and general expenses	75,149	68,578
	<u>1,507,602</u>	<u>1,333,990</u>
<b>Operating profit</b>	<u>421,253</u>	<u>452,832</u>
Other operating expenses	33,352	43,078
Other income	71,399	31,224
	<u>459,300</u>	<u>440,978</u>
Finance cost	20,420	10,191
	<u>438,880</u>	<u>430,787</u>
Share of net loss in associates	(1,521)	-
<b>Profit before taxation</b>	<u>437,359</u>	<u>430,787</u>
Taxation - Current year	38,316	27,008
- Deferred	3,751	(4,210)
	<u>42,067</u>	<u>22,798</u>
<b>Profit before minority interest</b>	<u>395,292</u>	<u>407,989</u>
Minority interest	(26)	(3)
<b>Profit after taxation</b>	<u>395,266</u>	<u>407,992</u>
	------(Rupees)-----	
<b>Earnings per share - basic /diluted</b>	<u>3.29</u>	<u>3.57</u>

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

*Chairman and Chief Executive*

*Director*

**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES  
CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2005**

	July to September 2005	July to September 2004
Note	------(Rupees in '000)-----	
<b>Cash flow from operating activities</b>		
Cash flow from operations	7 <b>106,263</b>	356,020
Staff retirement gratuity paid	<b>(8,519)</b>	(8,678)
Employees' compensated absences paid	<b>(12,609)</b>	(9,935)
Post retirement medical benefits paid	<b>(1,866)</b>	(288)
Taxes paid	<b>(23,437)</b>	(27,069)
Long term loans - net	<b>630</b>	810
Net cash inflow from operating activities	<u><b>60,462</b></u>	<u>310,860</u>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure	<b>(85,342)</b>	(5,889)
Proceeds from disposal of fixed assets	<b>-</b>	1
Interest / mark-up received	<b>60,068</b>	17,208
Dividend received	<b>364</b>	220
Net cash (outflow)/inflow from investing activities	<u><b>(24,910)</b></u>	<u>11,540</u>
<b>Cash flow from financing activities</b>		
Dividend paid	<u><b>(5)</b></u>	<u>(6)</u>
Net cash outflow on financing activities	<b>(5)</b>	(6)
Net increase in cash and cash equivalents	<u><b>35,547</b></u>	<u>322,394</u>
Cash and cash equivalents at July 1	<u><b>4,114,991</b></u>	<u>2,296,537</u>
Cash and cash equivalents at September 30	<u><u><b>4,150,538</b></u></u>	<u><u>2,618,931</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 AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2005**

	Issued, subscribed and paid-up capital	Capital reserves		Other reserves	General reserves	(Accumulated loss) / Unappropriated profit	Total
		Reserve for issue of bonus shares	Others				
----- (Rupees in '000) -----							
<b>Balance at June 30, 2004</b>	1,143,406	57,170	126,843	23	1,500,000	179,873	3,007,315
Profit after taxation for the quarter ended September 30, 2004	-	-	-	-	-	407,992	407,992
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets for the period - net of tax	-	-	-	-	-	8,544	8,544
<b>Balance at September 30, 2004</b>	<u>1,143,406</u>	<u>57,170</u>	<u>126,843</u>	<u>23</u>	<u>1,500,000</u>	<u>596,409</u>	<u>3,423,851</u>
<b>Balance at June 30, 2005</b>	<b>1,200,576</b>	<b>-</b>	<b>126,843</b>	<b>23</b>	<b>1,500,000</b>	<b>2,986,583</b>	<b>5,814,025</b>
Profit after taxation for the quarter ended September 30, 2005	-	-	-	-	-	395,266	395,266
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets for the period - net of tax	-	-	-	-	-	128,449	128,449
<b>Balance at September 30, 2005</b>	<u>1,200,576</u>	<u>-</u>	<u>126,843</u>	<u>23</u>	<u>1,500,000</u>	<u>3,510,298</u>	<u>6,337,740</u>

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

*Chairman and Chief Executive*

*Director*

**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2005**

**1. THE CORPORATION 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 [formerly Jehlum 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. BASIS OF PREPARATION**

These consolidated financial statements are unaudited and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard 34: Interim Financial Reporting as applicable in Pakistan.

These consolidated financial statements include the financial statements of the Corporation - Holding company and all the subsidiary companies. The financial statements of the subsidiary companies have been consolidated on a line-by-line basis and the carrying value of investments held by the holding company is eliminated against the subsidiaries' shareholders' equity in the consolidated financial statement:

All inter company balances and transactions have been eliminated

Minority interest is that part of the net results of operations and of net assets of subsidiaries attributable to interests which are not owned by the holding company. Minority interest is presented as a separate item in the consolidated financial statements

**3. ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of these financial statements are the same as those applied in the preparation of the preceding annual published financial statements of the Group.

#### 4. 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.

#### 5. TRANSACTIONS WITH RELATED PARTIES

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

Transactions entered into with directors / executive officers as per their terms of employment are excluded from related party transactions.

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

	<b>July to September 2005</b>	<b>July to September 2004</b>
	----- <b>(Rupees in '000)</b> -----	
Freight income	34	119
Contribution to provident fund	2,149	2,169
Rental income	902	902
Directors' fee	68	1
<b>6. CASH FLOW FROM OPERATIONS</b>		
Profit before taxation	437,359	430,787
Adjustment for non cash charges and other items:		
Share of loss from subsidiaries and associates	1,521	-
Depreciation	258,556	60,223
Profit on disposal of fixed assets	-	(1)
Provision for deferred liabilities and others	8,091	(1,961)
Dividend income	(364)	(2)
Interest / mark-up income	(61,625)	(18,461)
Interest / mark-up expense	16,604	4,865
Loss on revaluation of investments	-	657
Unrealised exchange (gain) / loss	(2,973)	22,164
Working capital changes	(550,906)	(142,251)
	<u><u>106,263</u></u>	<u><u>356,020</u></u>

#### 7. DATE OF AUTHORISATION

These financial statements were authorised for issue on October 27, 2005 by the Board of Directors of the Corporation.

#### 8. GENERAL

All figures have been rounded off to the nearest thousand rupees.

*Chairman and Chief Executive*

*Director*