



## Half Yearly Report December 31, 2010



**PAKISTAN NATIONAL SHIPPING CORPORATION**



## CORPORATION INFORMATION

### BOARD

**Brigadier (R) Rashid Siddiqi SI (M)**  
Chairman

**Mr. Seerat Asghar Jaura**  
Member

**Capt. S. Akhlaq Hussain Abidi**  
Member

**Mr. Khowaja Obaid Imran Ilyas**  
Member

**Capt. Anwar Shah**  
Member

### AUDIT COMMITTEE OF THE BOARD

**Mr. Khowaja Obaid Imran Ilyas**  
**Capt. Syed Akhlaq Hussain Abidi**

Chairman  
Member

### CHIEF FINANCIAL OFFICER

**Mr. Imtiaz C. Agboatwala**

### SECRETARY

**Ms. Zainab Suleman**

### HEAD OFFICE

**PNSC Building, Maulvi Tamizuddin Khan Road  
Karachi-74000**

### AUDITORS

**A.F. Ferguson & Co., Chartered Accountants**  
**Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants**

### BANKERS

**Allied Bank Limited**  
**Bank Al-Falah Limited**  
**Faysal Bank Limited**  
**Habib Bank Limited**  
**Habib Metropolitan Bank Limited**  
**JS Bank Limited**  
**MCB Bank Limited**  
**National Bank of Pakistan**  
**Meezan Bank Limited**  
**Standard Chartered Bank**  
**United Bank Limited**

### SHARES REGISTRAR

**M/S Technology Trade (PVT.) LTD**  
**Dagia House 241-C, Block -2,**  
**P.E.C.H.S Off: Shahrah-E-Quaideen,**  
**Karachi.**  
**Tel: 4391316-7 & 19, 4387960-16,**  
**Fax: 4391318.**



*Pakistan National Shipping Corporation*

**PAKSITAN NATIONAL SHIPPING CORPORATION  
DIRECTORS' REPORT  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2010**

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, 2010. In accordance with the statutory requirements, the external auditors have carried out a limited review of financial statements of PNSC.

**OVERVIEW**

The consolidated revenues of the Group for the quarter ended December 31, 2010 were Rs 2,063 Million (including Rs 443 Million from PNSC), making a total of Rs 4,221 Million (including Rs 762 Million from PNSC) for the half-year under review as against Rs 3,566 million for the half-year ended December 31, 2009.

The earnings per share for the Group for the 6 months period ended December 31, 2010 were Rs 3.95 as against Rs 2.54 last period. Net After tax Profit was Rs 522 Million as against Rs 336 Million last year.

**FUTURE PROSPECTS**

During the last quarter, two Dry Cargo Vessels were acquired. Three Dry Cargo Vessels and one Oil Tanker are expected to be acquired in the second half for which the process is underway. Prospects for joint ventures with private and public sectors are also being explored.

**Brigadier (R) Rashid Siddiqui**  
Chairman and Chief Executive Officer

Karachi February 18



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

**ERNST & YOUNG FORD RHODES SIDAT HYDER**  
**CHARTERED ACCOUNTANTS**  
**PROGRESSIVE PLAZA**  
**BEAUMONT ROAD**  
**KARACHI**

### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of Pakistan National Shipping Corporation as at December 31, 2010 and the related condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement together with the notes forming part thereof for the six months period then ended (here-in-after referred to as the 'condensed interim financial information'). Management is responsible for the preparation and presentation of these condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial information based on our review. The figures included in the condensed interim profit and loss account for the quarters ended December 31, 2010 and 2009 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2010.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the six months period ended December 31, 2010 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

**A. F. Ferguson & Co.**  
**Chartered Accountants**  
**Karachi: February 18, 2011**  
**Engagement partner: Saad Kaliya**

**Ernst & Young Ford Rhodes Sidat Hyder**  
**Chartered Accountants**  
**Karachi: February 18, 2011**  
**Engagement partner: Riaz A. Rehman**



**PAKISTAN NATIONAL SHIPPING CORPORATION  
CONDENSED INTERIM BALANCE SHEET  
AS AT DECEMBER 31, 2010**

	Note	(Unaudited) December 31, 2010 ------(Rupees in '000)-----	(Audited) June 30, 2010
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	1,391,224	1,436,371
Investment properties	4	996,639	970,926
Long-term investments in:			
- Related parties (subsidiaries and an associate)	5	13,224,154	1,558,416
- Listed companies and an other entity		30,284	26,254
		13,254,438	1,584,670
Long-term loans and advances			
- Related parties (subsidiaries)	6	5,972,888	11,665,738
- Others		552	668
		5,973,440	11,666,406
Deferred tax		22,743	36,074
		21,638,484	15,694,447
<b>CURRENT ASSETS</b>			
Stores and spares		23,921	22,788
Trade debts	7	224,537	193,195
Agents' and owners' balances		20,348	1,070
Loans and advances		49,612	38,863
Deposits and short-term prepayments	8	74,080	7,085
Interest / mark-up accrued		3,235	1,780
Other receivables	9	240,777	22,315
Incomplete voyages		4,407	24,019
Insurance claims		-	572
Short-term investments		500,000	1,207,224
Cash and bank balances		2,149,710	1,307,961
		3,290,627	2,826,872
<b>TOTAL ASSETS</b>		<b>24,929,111</b>	<b>18,521,319</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		1,320,634	1,320,634
Reserves		5,192,555	5,140,981
		6,513,189	6,461,615
<b>SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX</b>		<b>664,492</b>	<b>671,928</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred liabilities		289,392	291,288
Long term financing	10	4,016,168	-
		4,305,560	291,288
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	12,738,797	10,904,729
Provision against damage claims		30,311	39,403
Current maturity of long-term financing	10	580,563	-
Accrued markup		61,394	-
Taxation - net		34,805	152,356
		13,445,870	11,096,488
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>24,929,111</b>	<b>18,521,319</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Brigaidier (R) Rashid Siddiqi  
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION  
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE QUARTER  
AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2010 (UNAUDITED)**

	Note	Quarter ended December 31, 2010	Quarter ended December 31, 2009	Six months period ended December 31, 2010	Six months period ended December 31, 2009
<b>REVENUES</b>					
<b>(Rupees in '000)</b>					
Chartering revenues		418,167	571,622	713,446	1,093,574
Services fee		64,472	49,504	138,004	97,251
Rental income		24,466	23,347	48,514	38,996
		<u>507,105</u>	<u>644,473</u>	<u>899,964</u>	<u>1,229,821</u>
<b>EXPENDITURES</b>					
Fleet expenses - direct		229,473	327,845	404,150	561,326
- indirect		4,485	4,453	7,327	7,936
		<u>233,958</u>	<u>332,298</u>	<u>411,477</u>	<u>569,262</u>
<b>GROSS PROFIT</b>		<u>273,147</u>	<u>312,175</u>	<u>488,487</u>	<u>660,559</u>
Administrative and general expenses		161,856	145,259	311,295	274,547
Other operating expenses	13	160,012	55,160	189,917	110,616
Finance cost		95,467	264	95,960	5,186
		<u>417,335</u>	<u>200,683</u>	<u>597,172</u>	<u>390,349</u>
Other operating income	14	302,204	280,875	365,106	541,644
<b>PROFIT BEFORE TAXATION</b>		<u>158,016</u>	<u>392,367</u>	<u>256,421</u>	<u>811,854</u>
Taxation	15	(50,205)	115,189	18,066	274,387
<b>PROFIT AFTER TAXATION</b>		<u>208,221</u>	<u>277,178</u>	<u>238,355</u>	<u>537,467</u>
<b>(Rupees)</b>					
<b>EARNINGS PER SHARE - basic and diluted</b>		<u>1.58</u>	<u>2.10</u>	<u>1.80</u>	<u>4.07</u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Brigadier (R) Rashid Siddiqi  
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas  
Director



*Pakistan National Shipping Corporation*

**PAKISTAN NATIONAL SHIPPING CORPORATION  
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2010 (UNAUDITED)**

	Issued, subscribed and paid-up share capital	Capital Reserve	Unappropriated profit	Total
	<b>(Rupees in '000)</b>			
Balance as at July 1, 2009 - restated	1,320,634	126,843	4,687,747	6,135,224
Final cash dividend for the year ended June 30, 2009 (Rs 3 per ordinary share)	-	-	(396,190)	(396,190)
Total comprehensive income for the six months period ended December 31, 2009	-	-	537,467	537,467
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets during the period recognised directly in equity - net of tax	-	-	5,270	5,270
<b>Balance as at December 31, 2009</b>	<b><u>1,320,634</u></b>	<b><u>126,843</u></b>	<b><u>4,834,294</u></b>	<b><u>6,281,771</u></b>
Balance as at July 1, 2010	1,320,634	126,843	5,014,138	6,461,615
Final cash dividend for the year ended June 30, 2010 (Rs 1.50 per ordinary share)	-	-	(198,095)	(198,095)
Total comprehensive income for the six months period ended December 31, 2010	-	-	238,355	238,355
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets during the period recognised directly in equity - net of tax	-	-	11,314	11,314
<b>Balance as at December 31, 2010</b>	<b><u>1,320,634</u></b>	<b><u>126,843</u></b>	<b><u>5,065,712</u></b>	<b><u>6,513,189</u></b>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

**Brigaidier (R) Rashid Siddiqi**  
Chairman & Chief Executive

**Khowaja Obaid Imran Ilyas**  
Director





**PAKISTAN NATIONAL SHIPPING CORPORATION  
CONDENSED INTERIM CASH FLOW STATEMENT  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2010 (UNAUDITED)**

	Note	Six months period ended December 31, 2010	Six months period ended December 31, 2009
<b>----- (Rupees in '000) -----</b>			
Cash flows from operating activities			
Cash generated from operations	16	1,896,530	2,306,471
Employees' gratuity paid		(41,891)	(518)
Employees' compensated absences paid		(26,980)	(17,167)
Post retirement medical benefits paid		(5,289)	(9,950)
Long-term loans and advances		116	149
Finance cost paid		(34,239)	-
Arrangement fee paid		(106,662)	-
Taxes paid		(118,408)	(221,205)
Net cash generated from operating activities		1,563,177	2,057,780
Cash flows from investing activities			
Fixed capital expenditure		(35,337)	(97,986)
Proceeds from disposal of property, plant and equipment		40,659	-
Long-term loans and advances - related parties		(5,972,888)	-
Interest / mark-up received		89,271	383,214
Dividends received		364	-
Net cash (used in) / generated from investing activities		(5,877,931)	285,228
Cash flows from financing activities			
Long-term financing obtained		4,644,500	-
Dividends paid		(195,221)	(347,643)
Net cash generated from / (used in) financing activities		4,449,279	(347,643)
Net increase in cash and cash equivalents		134,525	1,995,365
Cash and cash equivalents at July 1		2,515,185	3,426,294
Cash and cash equivalents at December 31	17	2,649,710	5,421,659

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

**Brigadier (R) Rashid Siddiqi**  
Chairman & Chief Executive

**Khowaja Obaid Imran Ilyas**  
Director





**PAKISTAN NATIONAL SHIPPING CORPORATION  
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2010 (UNAUDITED)**

**1. THE CORPORATION AND ITS OPERATIONS**

- 1.1 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 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 Stock Exchange (LSE) in the year 2002. However, at present the matter of delisting from LSE is pending subject to a final decision by the Supreme Court.

- 1.2 These financial statements are separate financial statements of the Corporation in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest and are not consolidated.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 2.1 Statement of compliance

These condensed interim financial statements of the Corporation for the six months period ended December 31, 2010 have been prepared in accordance with the requirements of the International Accounting Standard No. 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.

These condensed interim financial statements comprise of the condensed interim balance sheet as at December 31, 2010 and the condensed interim profit and loss account, condensed interim statement of changes in equity and the condensed interim cash flow statement for the six months period ended December 31, 2010 which have been subjected to a review in accordance with the listing regulations but not audited. These condensed interim financial statements also include the condensed interim profit and loss account for the quarter ended December 31, 2010 which is not subjected to review.

The comparative balance sheet, presented in these condensed interim financial statements, as at June 30, 2010 has been extracted from the audited financial statements of the Corporation for the year ended June 30, 2010 whereas the comparative condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement are for the six months period ended December 31, 2009 which were subject to review but not audited.



2.1.1 Standards, amendments and interpretations effective for the period beginning from July 1, 2010:

2.1.1.1 IFRS 2, 'Share-based Payment–Group Cash-settled Share-based Payment Transactions' was amended by the International Accounting Standards Board (IASB) whereby an entity receiving goods or services is to apply this IFRS in accounting for group cash settled share based payment transactions in its financial statements when that entity has no obligation to settle the share-based payment transaction. This amended IFRS is effective for the annual periods beginning on or after July 1, 2010.

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (the Scheme) for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investment (non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer the Scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a Trust Fund to be created for the purpose by each of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price for listed entities or break-up value for non-listed entities. The shares relating to the surrendered units would be transferred back to GoP.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of SOEs, need to be accounted for by the covered entities, including the Corporation under the provisions of amended IFRS 2 - Shared Based Payments. Keeping in view the difficulties that may be faced under the Scheme, the Corporation requested The Institute of Chartered Accountants of Pakistan (ICAP) to provide further guidance on the issue. ICAP has informed the Corporation that the issue has been forwarded to Securities and Exchange Commission of Pakistan (SECP) for notification of exemption from application of IFRS 2. Pending the directive of SECP the Corporation has not accounted for these transactions in these condensed interim financial statements.'



2.1.1.2 Certain interpretations to the approved accounting standards are mandatory for accounting periods beginning on or before July 1, 2010 but are considered not to be relevant or have any significant effect on the Corporation's operations and are therefore not disclosed in this condensed interim financial statements.

2.1.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

2.1.2.1 IAS 24 (revised), 'Related party disclosures', issued in November 2009, supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after July 1, 2011. Earlier application, in whole or in part, is permitted.

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Corporation will apply the revised standard from July 1, 2011. The company is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

2.1.2.2 Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or have any significant effect on the Corporation's operations and are therefore not detailed in this condensed interim financial statements.

## 2.2 Accounting policies

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2010 except for that mentioned below.

### 2.2.1 Derivative financial instruments

The Corporation uses derivative financial instruments such as interest rate and cross currency swaps to manage its risks associated with interest and exchange rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives with positive market values (unrealised gains) are included in other asset and derivatives with negative market values (unrealised losses) are included in trade and other payables in the balance sheet. Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit and loss account.



### 2.2.2 Interest - bearing loans and borrowings

Interest bearing loans and borrowings (borrowings) are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities (arrangement fees) are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down in this case the fee is deferred until the draw down occurs.

Note	(Unaudited) December 31, 2010	(Audited) June 30, 2010
	----- (Rupees in '000) -----	

### 3. PROPERTY, PLANT AND EQUIPMENT

- Fixed assets	3.1 and 3.2	<b>984,522</b>	767,609
- Capital work-in-progress	3.3	<b>406,702</b>	668,762
		<b>1,391,224</b>	<b>1,436,371</b>

	(Unaudited)	
Six months period ended December 31, 2010	Six months period ended December 31, 2009	
	----- (Rupees in '000) -----	

3.1	Additions to fixed assets (including transfers from CWIP) during the period mainly include:		
	Buildings on leasehold land	<b>274,241</b>	1,689
	Office machines and appliances	<b>522</b>	506
	Furniture and fixtures	<b>19,284</b>	147
	Workshop machinery and equipment	<b>179</b>	128
	Computer equipment	<b>3,171</b>	926
		<b>297,397</b>	<b>3,396</b>
3.2	Details of assets written off / disposed off during the period:		
	Net book value of assets written off	<b>40,490</b>	-
	Net book value of assets disposed off	<b>447</b>	-
3.3	During the period additions to capital work-in-progress mainly include expenditure incurred for renovation / refurbishment of PNSC building aggregating Rs 34.027 million (2009: Rs 94.004 million).		



#### **4. INVESTMENT PROPERTIES**

During the period, revaluation of the Corporation's investment properties was carried out by Pee Dee & Associates as of October 31, 2010 on the basis of their professional assessment of present market values. As a result, a revaluation gain of Rs 41.800 million was assessed in respect of leasehold land whereas a revaluation loss was assessed on buildings on leasehold land amounting to Rs 16.087 million. The management of the Corporation believes that the current market values of the investment properties approximate their fair values.

#### **5. LONG-TERM INVESTMENTS IN RELATED PARTIES (SUBSIDIARIES AND AN ASSOCIATE)**

During the period, amounts aggregating Rs 3,266.458 million, Rs 4,999.640 million and 3,399.640 million provided to Karachi Shipping (Private) Limited, Quetta Shipping (Private) Limited and Lahore Shipping (Private) Limited have been transferred from long term loans and advances to long term investments on conversion of the advances in to share capital of those subsidiary companies.

#### **6. LONG-TERM LOANS AND ADVANCES - RELATED PARTIES (SUBSIDIARIES)**

This represent amounts granted by the Corporation as an advance against future issue of share capital to its wholly owned subsidiaries for purchase of vessels.

	Note	(Unaudited) December 31, 2010	(Audited) June 30, 2010
		----- (Rupees in '000) -----	
Quetta Shipping (Private) Limited			4,999,640
Lahore Shipping (Private) Limited		-	3,399,640
Karachi Shipping (Private) Limited		-	3,266,458
Chitral Shipping (Private) Limited		2,659,081	-
Malakand Shipping (Private) Limited		3,313,807	-
		<u>5,972,888</u>	<u>11,665,738</u>



	Note	(Unaudited) December 31, 2010	(Audited) June 30, 2010
		----- (Rupees in '000) -----	
<b>7. TRADE DEBTS</b>			
- considered good		224,537	193,195
- considered doubtful		17,596	17,596
		<u>242,133</u>	<u>210,791</u>
Less: provision for impairment	7.1	17,596	17,596
		<u>224,537</u>	<u>193,195</u>
<b>7.1 Provision for impairment</b>			
Balance at the beginning of the period		17,596	17,738
Amounts reversed		-	(142)
Balance at the end of the period		<u>17,596</u>	<u>17,596</u>

The ageing analysis of these trade debts is as follows:

Upto 1 month	129,303	122,070
1 month to 6 months	57,436	56,449
More than 6 months	55,394	32,272
	<u>242,133</u>	<u>210,791</u>

As at December 31, 2010, trade receivables of Rs 17.596 million (June 30, 2010: Rs 17.596 million) were impaired and provided for. These receivable balances are outstanding for more than five years.

	Note	(Unaudited) December 31, 2010	(Audited) June 30, 2010
		----- (Rupees in '000) -----	
<b>8. DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
<b>Deposits</b>			
Trade:			
- considered good		2,703	2,218
- considered doubtful		184	184
		<u>2,887</u>	<u>2,402</u>
Less: provision for impairment - trade		184	184
		<u>2,703</u>	<u>2,218</u>
Others:			
- considered good		5,700	3,040
- considered doubtful		185	185
		<u>5,885</u>	<u>3,225</u>
Less: provision for impairment - others		185	185
		<u>5,700</u>	<u>3,040</u>
<b>Prepayments</b>		7,111	1,827
<b>Unamortised transaction cost</b>	10.1	58,566	-
		<u>74,080</u>	<u>7,085</u>



	Note	(Unaudited) December 31, 2010	(Audited) June 30, 2010
		----- (Rupees in '000) -----	
<b>9. OTHER RECEIVABLES</b>			
<b>Rent receivable:</b>			
- considered good		5,104	4,161
- considered doubtful		4,616	4,359
		9,720	8,520
Less: provision for impairment of rent receivable	9.1	4,616	4,359
		5,104	4,161
<b>Others:</b>			
- considered good	9.2	235,673	18,154
- considered doubtful		12,659	8,851
		248,332	27,005
Less: provision for impairment of other receivables	9.3	12,659	8,851
		235,673	18,154
		240,777	22,315
<b>9.1 Provision for impairment of rent receivables</b>			
Balance at the beginning of the period		4,359	7,306
Provision made during the period		257	33
Amounts written off / adjusted		-	(2,980)
Balance at the end of the period		4,616	4,359
The ageing analysis of rent receivables is as follows:			
Upto 1 month		3,143	1,085
1 to 6 months		1,501	1,136
More than 6 months		5,076	6,299
		9,720	8,520
As at December 31, 2010, rent receivables of Rs 4.616 million (June 30, 2010: Rs 4.359 million) were impaired and provided for. These receivables were outstanding for more than three years.			
9.2	This includes dividend receivable from subsidiaries, receivable from sundry debtors, General Sales Tax refund claims and insurance claims receivables amounting to Rs 205.788 million (June 30, 2010: nil), Rs 7.030 million (June 30, 2010: 2.526 million), Rs nil (June 30, 2010: 3.807 million) and Rs 19.810 million (June 30, 2010: Rs 11.167 million) respectively.		





	(Unaudited) December 31, 2010	(Audited) June 30, 2010
Note		
	----- (Rupees in '000) -----	

### 9.3 Provision for impairment of other receivables

Balance at the beginning of the period	8,851	461
Provision made during the period	3,808	8,390
Balance at the end of the period	<u>12,659</u>	<u>8,851</u>

## 10. LONG TERM FINANCING

Financing under syndicate term finance agreement	10.1	<u>4,016,561</u>	-
Less: current portion		<u>507,288</u>	-
		<u>3,509,273</u>	-
Term Finance Certificates	10.1	<u>580,170</u>	-
Less: current portion		<u>73,275</u>	-
		<u>506,895</u>	-
		<u>4,016,168</u>	-

- 10.1 During the current period the Corporation has obtained financing facility of Rs 10,300 million (June 30, 2010: nil). The financing was obtained in the form of a syndicated term finance loan of Rs 9,000 million and the remaining amount of Rs 1,300 million will be obtained by issuing redeemable capital in the form of Term Finance Certificates (TFCs) with a face value of Rs 5,000 each by way of private placement.

The Corporation can draw down the amount till August 5, 2011. The financing carries mark-up of KIBOR + 2.20% and is repayable quarterly. The facility is secured by a first mortgage charge over certain vessels owned by its subsidiary companies and all present and future receivables of the Corporation from three major customers.

As at December 31, 2010, the Corporation has drawn Rs 4,058.301 million (June 30, 2010: nil) and Rs 586.199 million (June 30, 2010: nil) from syndicated term finance and TFCs' respectively. The Corporation has also paid loan arrangement fee amounting to Rs 106.662 million out of which Rs 48.096 (June 30, 2010: nil) million was included in the amortised cost of the long term financing whereas the unamortised portion amounting to Rs 58.566 (June 30, 2010: nil) has been included in deposits and short-term prepayments (note 8).



## 11. TRADE AND OTHER PAYABLES

	Note	(Unaudited) December 31, 2010	(Audited) June 30, 2010
----- (Rupees in '000) -----			
Creditors		8,119	21,816
Current account balances with subsidiary companies		12,266,457	10,354,326
Agents' and owners' balances		58,086	114,232
Accrued liabilities		131,302	213,303
Deposits	11.1	25,278	23,257
Derivative cross currency interest rate swap	11.2	95,843	-
Workers' Profits Participation Fund	11.3	13,567	50,194
Unclaimed dividends		25,254	22,380
Other liabilities			
- freight		26,670	15,301
- amounts retained from contractors		24,106	28,022
- others		64,115	61,898
		<u>114,891</u>	<u>105,221</u>
		<u>12,738,797</u>	<u>10,904,729</u>

11.1 These deposits are interest free and are repayable on demand or on completion of specific contracts.

11.2 The Corporation has entered into a derivative cross currency interest rate swap of Rs 4,644.500 million for its borrowing (note 10). Under the terms of the cross currency swap arrangement, the Corporation is required to pay LIBOR plus 3.75% to the arranging bank on the borrowing denominated in USD (USD notional) for the purpose of cross currency swap, and receive KIBOR plus 2.20% from the arranging bank. Further, the Corporation shall pay / receive any exchange loss / gain on the USD notional outstanding at each quarter end. The net fair value of this cross currency interest rate swap as determined by the bank was Rs 126.730 million (unfavourable) to the Corporation as of the balance sheet date which has been reduced by the net interest receivable and exchange loss amounting to Rs 30.887 million.

	Note	(Unaudited) December 31, 2010	(Audited) June 30, 2010
----- (Rupees in '000) -----			
11.3 Workers' Profits Participation Fund			
Balance at the beginning of the period		50,194	58,252
Allocation for the period / year		13,567	50,194
Interest on funds utilised during the period / year		143	3,466
		<u>63,904</u>	<u>111,912</u>
Less: payments made during the period / year		50,337	61,718
Balance at the end of the period		<u>13,567</u>	<u>50,194</u>



## 12. CONTINGENCIES AND COMMITMENTS

- 12.1 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, 2010, except for the contingent liability in respect of claims not admitted by the Corporation which as at December 31, 2010 aggregate to Rs 167.201 million (June 30, 2010: Rs 196.921 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo and damages to cargo. These include Rs 8.685 million (June 30, 2010: Rs 13.685 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 112.814 million (June 30, 2010: Rs 112.901 million) approximately would be recoverable from the P&I Club, Steamship Mutual Underwriting Association (Bermuda) Limited, in the event these claims are accepted by the Corporation. As a matter of prudence, the management has made a total provision of Rs 30.311 million (June 30, 2010: Rs 39.403 million) against the aforementioned claims in these condensed interim financial statements.
- 12.2 Certain other claims have been filed against the Corporation in respect of employees' matters for an aggregate amount of approximately Rs 56.510 million (2010: Rs 31.261 million). These cases are pending and the management is confident that the outcome of these cases will be in the Corporation's favour and accordingly no provision for above claims has been made in these condensed interim financial statements.
- 12.3 During the current period, the Officer Inland Revenue (OIR) has issued assessment order in respect of tax years 2008. In the order the OIR has disallowed certain expenses claimed in the return of income and also allocated certain expenses to FTR income, creating an additional tax liability of Rs 133.95 million. The management has filed appeals with Commissioner Inland Revenue (Appeals) and based on the advice of its consultant is confident that the matter in appeal shall be eventually decided in its favour. Therefore, no provision for the aforesaid demand has been made in these condensed interim financial statements.



*Pakistan National Shipping Corporation*

	(Unaudited) December 31, 2010	(Audited) June 30, 2010
	----- (Rupees in '000) -----	
12.4 Commitments for capital expenditure	161,742	171,730
12.5 Outstanding letters of guarantee	2,626	4,461
12.6 Commitments for loan arrangement fee	-	115,362

	(Unaudited)			
Note	Quarter ended December 31, 2010	Quarter ended December 31, 2009	Six months period ended December 31, 2010	Six months period ended December 31, 2009
	----- (Rupees in '000) -----			
<b>13. OTHER OPERATING EXPENSES</b>				
Workers' Profits Participation Fund	7,945	16,058	13,567	30,579
Donations	-	500	2,000	2,996
Auditors' remuneration	416	855	1,809	1,542
Employees' gratuity				
- funded	4,327	18,559	3,629	37,119
- unfunded	2,971	1,130	5,942	2,260
	7,298	19,689	9,571	39,379
Post retirement medical benefits	5,983	11,001	11,966	22,006
Employees' compensated absences	35,646	7,057	48,280	14,114
Loss on fixed assets written off	2,538	-	2,538	-
Loss on cross currency interest rate swap	95,843	-	95,843	-
Provision in respect of damage claims	4,343	-	4,343	-
	<u>160,012</u>	<u>55,160</u>	<u>189,917</u>	<u>110,616</u>

**14. OTHER OPERATING INCOME**

**Income from financial assets / liabilities**

"Interest / mark-up on loans and advances to employees"	22	20	125	41
Income from saving and term deposits	44,208	194,378	90,726	399,621
Gain on insurance claims - destroyed items	-	-	-	21,054
Dividend income	206,568	634	206,568	634
Insurance claims	-	-	1,465	1,282
Exchange gain	1,647	11,677	6,419	27,139
Gain / (loss) on revaluation of long-term investments	2,577	(2,206)	4,030	7,785
Gain on revaluation of investment property	25,713	-	25,713	-
Liabilities no longer payable written back	45	33,260	45	33,260

**Income from non-financial assets**

Profit on disposal of fixed assets	2,260	-	2,260	-
Provisions no longer required written back	13,114	38,349	13,114	38,349
Sundries	6,050	4,763	14,641	12,479
	<u>302,204</u>	<u>280,875</u>	<u>365,106</u>	<u>541,644</u>



----- (Unaudited) -----

Quarter ended December 31, 2010	Quarter ended December 31, 2009	Six months period ended December 31, 2010	Six months period ended December 31, 2009
---------------------------------------	---------------------------------------	--	--

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

## 15. TAXATION

Tax charge for:

- current year	(22,930)	125,654	45,341	284,852
- prior years	(44,484)	-	(44,484)	-
	(67,414)	125,654	857	284,852
Deferred tax	17,209	(10,567)	17,209	(10,567)
	(50,205)	115,087	18,066	274,285
Taxes paid abroad	-	102	-	102
	(50,205)	115,189	18,066	274,387

----- (Unaudited) -----

Six months period ended December 31, 2010	Six months period ended December 31, 2009
--	--

Note

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

## 16. CASH GENERATED FROM OPERATIONS

Profit before taxation		256,421	811,854
Adjustments for non-cash charges and other items:			
Depreciation		39,547	18,832
Profit on disposal of property, plant and equipment		(2,260)	-
Loss on fixed assets written off		2,538	-
Provision for employees' gratuity		9,571	39,379
Provision for employees' compensated absences		48,280	22,006
Provision for post retirement medical benefits		11,966	14,114
Liabilities no longer required written back		(45)	(33,260)
Dividend income		(206,568)	-
Provision for doubtful balances / receivables		4,065	4,462
Provision reversed / adjusted in respect of trade debts		-	(142)
Interest / mark-up income		(90,726)	(399,662)
Interest / mark-up expense		95,960	-
Loss on cross currency swap		95,843	-
Gain on revaluation of investments		(4,030)	(7,785)
Gain on revaluation of investment property		(25,713)	-
Provision reversed against claims for damages		(9,092)	(38,349)
Working capital changes	16.1	1,670,773	1,875,022
		1,896,530	2,306,471



------(Unaudited)-----

Six months  
period ended  
December 31,  
2010

Six months  
period ended  
December 31,  
2009

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

#### 16.1 WORKING CAPITAL CHANGES

(Increase) / decrease in current assets:

Stores and spares	(1,133)	(1,401)
Trade debts	(31,342)	20,747
Agents' and owners' balances	(19,278)	(33,674)
Loans and advances	(10,749)	16,163
Deposits and prepayments	(8,429)	8,636
Other receivables	(16,323)	11,673
Incomplete voyages	19,612	(8,565)
Insurance claims	572	2,349
Short-term investments	-	1,700,000
	(67,070)	1,715,928

Increase in current liabilities:

Trade and other payables	1,737,843	159,094
	<u>1,670,773</u>	<u>1,875,022</u>

------(Unaudited)-----

December 31,  
2010

December 31,  
2009

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

#### 17. CASH AND CASH EQUIVALENTS

Short-term investments	500,000	1,207,224
Cash and bank balances	2,149,710	1,307,961
	<u>2,649,710</u>	<u>2,515,185</u>

#### 18. 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 is charged to subsidiary companies and 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:

Name and particulars	Relationship with the Corporation	(Unaudited)	
		Six months period ended December 31, 2010	Six months period ended December 31, 2009
----- (Rupees in '000) -----			
Service fee charged to subsidiary companies	Subsidiary	138,004	97,251
Rental expense of Pakistan Co-operative Ship Stores (Private) Limited	Subsidiary	244	166
Delivery of stores and spares to subsidiary companies	Subsidiary	9,256	8,759
Retirement benefits costs charged to subsidiaries	Subsidiary	2,447	3,354
Contribution to provident fund		6,056	4,479
Directors' fee		160	390
Key management personnel compensation		11,796	11,487
Advance against future issue of shares to Quetta Shipping (Private) Limited	Subsidiary	-	2,460,726
Advance against future issue of shares to Malakand Shipping (Private) Limited	Subsidiary	3,313,807	-
Advance against future issue of shares to Chitral Shipping (Private) Limited	Subsidiary	2,659,081	-
Dividend from Malakand Shipping (Private) Limited	Subsidiary	101,992	-
Dividend from Chitral Shipping (Private) Limited	Subsidiary	103,796	-
Investment in Karachi Shipping (Private) Limited	Subsidiary	3,266,458	-
Investment in Quetta Shipping (Private) Limited	Subsidiary	4,999,640	-
Investment in Lahore Shipping (Private) Limited	Subsidiary	3,399,640	-

18.1 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.

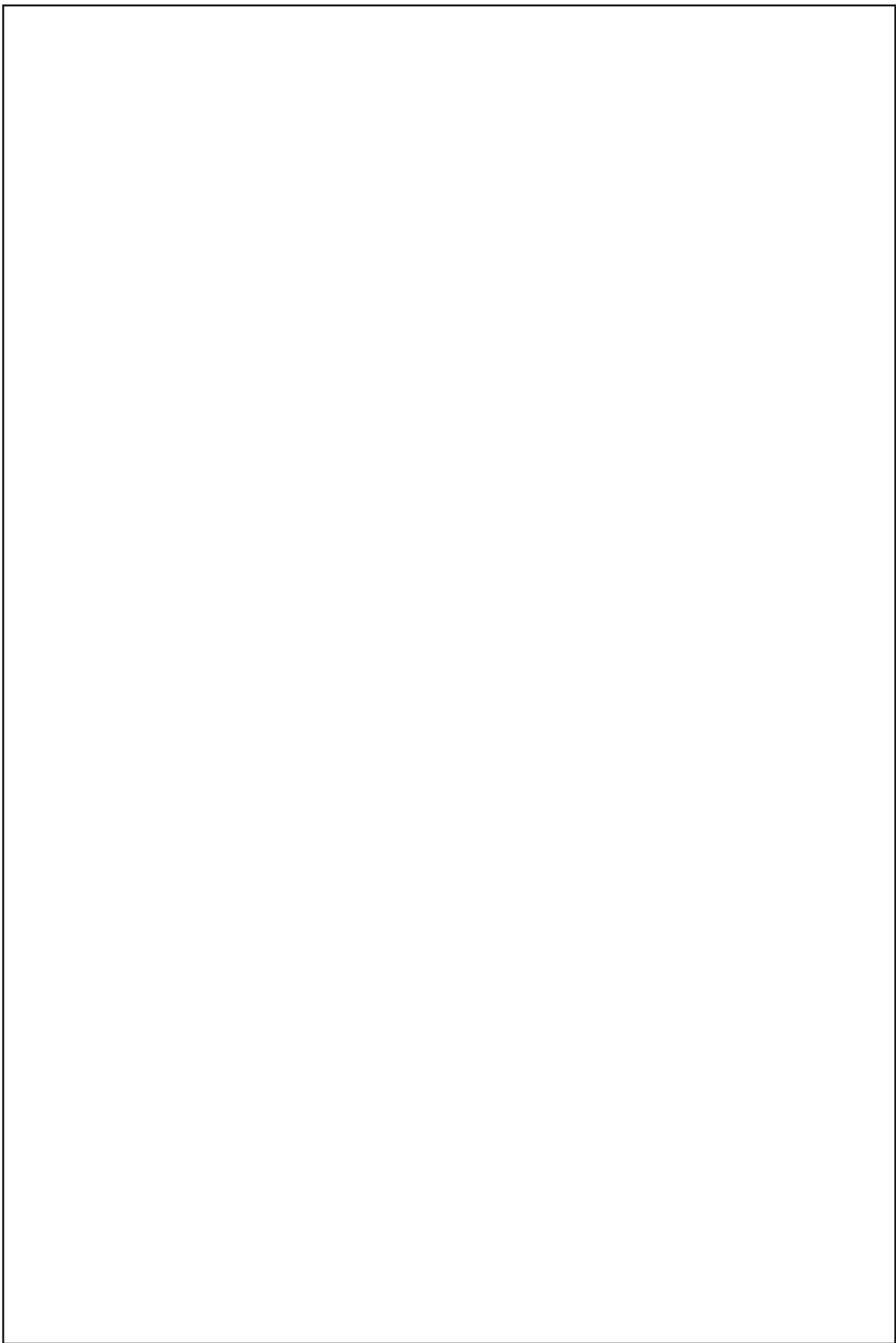
## 19. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 18, 2011 by the Board of Directors of the Corporation.

Brigaidier (R) Rashid Siddiqi  
Chairman & Chief Executive

Khawaja Obaid Imran Ilyas  
Director

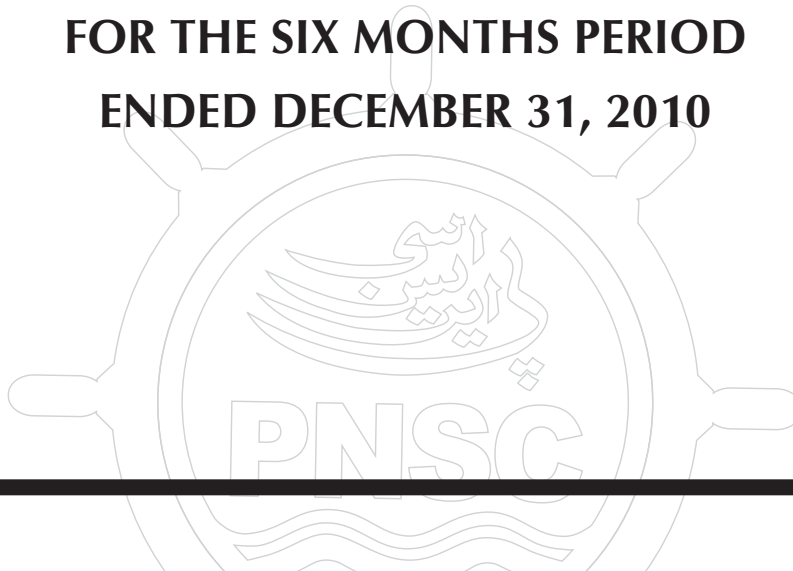






**PAKISTAN NATIONAL  
SHIPPING CORPORATION  
&  
ITS SUBSIDIARY COMPANIES  
(PNSC GROUP)**

**INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD  
ENDED DECEMBER 31, 2010**





**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES  
INTERIM CONSOLIDATED BALANCE SHEET  
AS AT DECEMBER 31, 2010**

	Note	(Unaudited) December 31, 2010	(Audited) June 30, 2010
		<b>----- (Rupees in '000) -----</b>	
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	3	19,050,130	14,710,607
Investment properties	4	996,639	970,926
Long-term investments in:			
- Related party (associate)		-	-
- Listed companies and an other entity		30,284	26,254
Long-term loans		552	668
Long-term deposits		90	90
Deferred tax - net		22,744	36,074
		20,100,439	15,744,619
<b>CURRENT ASSETS</b>			
Stores and spares		517,990	536,449
Trade debts	5	786,608	462,272
Agents' and owners' balances		20,348	1,070
Loans and advances		49,614	38,863
Deposits and short term prepayments	6	74,127	7,132
Interest / mark-up accrued		3,340	1,786
Other receivables	7	128,120	72,592
Incomplete voyages		97,992	80,616
Insurance claims		57,170	46,651
Short-term investments		500,000	1,207,224
Cash and bank balances		2,156,713	1,314,633
		4,392,022	3,769,288
<b>TOTAL ASSETS</b>		<b>24,492,461</b>	<b>19,513,907</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital		1,320,634	1,320,634
Reserves		16,301,635	15,449,428
		17,622,269	16,770,062
<b>NON-CONTROLLING INTEREST</b>		<b>2,420</b>	<b>2,235</b>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>		<b>17,624,689</b>	<b>16,772,297</b>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX</b>			
- Group		577,757	1,191,054
- Non-controlling interest		2,329	2,144
		580,086	1,193,198
<b>NON-CURRENT LIABILITIES</b>			
Long-term Financing	8	4,016,168	-
Deferred liabilities		289,392	291,288
		4,305,560	291,288
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Trade and other payables	9	1,225,091	1,090,585
Provision against damage claims		30,311	39,403
Accrued mark-up		61,394	-
Current portion of long-term financing		580,563	-
Taxation - net		84,767	127,136
		1,982,126	1,257,124
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>24,492,461</b>	<b>19,513,907</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	10		

The annexed notes 1 to 17 form an integral part of these consolidated financial statements.

Brigadier (R) Rashid Siddiqi  
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas  
Director



**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, 2010**

	Note	Quarter ended December 31, 2010	Quarter ended December 31, 2009	Six months period ended December 31, 2010	Six months period ended December 31, 2009
<b>(Rupees in '000)</b>					
<b>REVENUES</b>					
Income from shipping business		2,038,208	1,809,204	4,171,771	3,526,365
Rental income		24,556	23,488	48,773	39,278
		<u>2,062,764</u>	<u>1,832,692</u>	<u>4,220,544</u>	<u>3,565,643</u>
<b>EXPENDITURE</b>					
Fleet expenses - direct		1,687,669	1,594,089	3,293,881	3,056,356
- indirect		4,905	5,415	7,887	9,013
		<u>1,692,574</u>	<u>1,599,504</u>	<u>3,301,768</u>	<u>3,065,369</u>
<b>GROSS PROFIT</b>		<u>370,190</u>	<u>233,188</u>	<u>918,776</u>	<u>500,274</u>
Administrative and general expenses		164,071	150,409	315,967	283,682
Other operating expenses	11	162,252	58,136	193,696	140,392
Finance costs		95,924	264	96,926	6,042
		<u>422,247</u>	<u>208,809</u>	<u>606,589</u>	<u>430,116</u>
Other operating income	12	255,477	300,261	318,880	562,189
<b>PROFIT BEFORE TAXATION</b>		<u>203,420</u>	<u>324,640</u>	<u>631,067</u>	<u>632,347</u>
Taxation	13	32,919	130,111	109,010	296,248
<b>PROFIT AFTER TAXATION</b>		<u>170,501</u>	<u>194,529</u>	<u>522,057</u>	<u>336,099</u>
<b>Attributable to:</b>					
Equity holders of the Group		170,409	194,529	521,872	336,033
Non-controlling interest		92	-	185	66
		<u>170,501</u>	<u>194,529</u>	<u>522,057</u>	<u>336,099</u>

**(Rupees)**

<b>EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP - BASIC &amp; DILUTED</b>	<u>1.29</u>	<u>1.47</u>	<u>3.95</u>	<u>2.54</u>
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The annexed notes 1 to 17 form an integral part of these consolidated financial statements.

**Brigadier (R) Rashid Siddiqi**  
Chairman & Chief Executive

**Khowaja Obaid Imran Ilyas**  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES  
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2010**

	Issued, subscribed and paid-up share capital	Capital Reserve	Revenue reserve General Reserve	Unappropri- ated profit	Minority interest	Total
	<b>(Rupees in '000)</b>					
<b>Balance at July 1, 2009 - restated</b>	1,320,634	131,344	129,307	14,297,283	1,895	15,880,463
Total comprehensive income for the six months period ended December 31, 2009	-	-	-	336,033	66	336,099
Surplus realised on disposal of vessel	-	-	-	201,176	-	201,176
Final cash dividend for the year ended June 30, 2009 (Rs 3.00 per ordinary share)	-	-	-	(396,190)	-	(396,190)
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period - net of tax	-	-	-	50,756	-	50,756
Total income credited to equity				191,775	66	191,841
<b>Balance as at December 31, 2009</b>	<b>1,320,634</b>	<b>131,344</b>	<b>129,307</b>	<b>14,489,058</b>	<b>1,961</b>	<b>16,072,304</b>
<b>Balance at July 1, 2010</b>	1,320,634	131,344	129,307	15,188,777	2,235	16,772,297
Total comprehensive income for the six months period ended December 31, 2010	-	-	-	521,872	185	522,057
Surplus realised on disposal of vessels	-	-	-	569,340	-	569,340
Final cash dividend for the year ended June 30, 2010 (Rs 1.50 per ordinary share)	-	-	-	(198,095)	-	(198,095)
Share issue costs incurred on rights issue	-	-	-	(88,178)	-	(88,178)
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period - net of tax	-	-	-	47,268	-	47,268
Total income credited to equity				852,207	185	852,392
<b>Balance as at December 31, 2010</b>	<b>1,320,634</b>	<b>131,344</b>	<b>129,307</b>	<b>16,040,984</b>	<b>2,420</b>	<b>17,624,689</b>

The annexed notes 1 to 17 form an integral part of these consolidated financial statements.

**Brigadier (R) Rashid Siddiqi**  
Chairman & Chief Executive

**Khowaja Obaid Imran Ilyas**  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES  
INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2010**

	Note	Six months period ended December 31, 2010	Six months period ended December 31, 2009
<b>----- (Rupees in '000) -----</b>			
<b>Cash flows from operating activities</b>			
Cash generated from operations	14	715,683	2,019,610
Employees' gratuity paid		(41,891)	(519)
Employees' compensated absences paid		(26,980)	(17,168)
Post retirement medical benefits paid		(5,289)	(9,947)
Long-term loans		116	149
Finance Cost paid		(32,236)	-
Arrangement fee paid		(106,662)	
Taxes paid		(138,051)	(249,753)
Net cash generated from operating activities		364,690	1,742,372
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(6,161,469)	(113,905)
Proceeds from disposal of property, plant and equipment		1,480,998	330,925
Dividends received		364	634
Interest / mark-up received		89,172	383,113
Net cash (used in) / generated from investing activities		(4,590,935)	600,767
<b>Cash flows from financing activities</b>			
Long-term financing obtained		4,644,500	-
Share issue costs paid		(88,178)	-
Dividend paid		(195,221)	(347,643)
Net cash generated from / (used in) financing activities		4,361,101	(347,643)
Net increase in cash and cash equivalents		134,856	1,995,496
Cash and cash equivalents at July 01		2,521,857	3,432,104
Cash and cash equivalents at December 31	15	2,656,713	5,427,600

The annexed notes 1 to 17 form an integral part of these consolidated financial statements.

**Brigadier (R) Rashid Siddiqi**  
Chairman & Chief Executive

**Khowaja Obaid Imran Ilyas**  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES  
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2010**

**1 THE GROUP AND ITS OPERATIONS**

Pakistan National Shipping Corporation (the Corporation), its subsidiary companies and an associate (together 'the Group') were incorporated under the provisions of the Pakistan National Shipping Ordinance, 1979 and the Companies Ordinance, 1984 respectively. The Group is principally engaged in the business of shipping, including charter of vessels, transportation of cargo and other related services. The Group is also engaged in renting out its properties to tenants under long-term lease agreements. The Group's registered office is situated in PNSC Building, Moulvi Tamizuddin Khan Road, Karachi except for Pakistan Co-operative Ship Stores (Private) Limited which is situated at 70/4, Timber Pond, N.M Reclamation Kemari, Karachi.

The Group consists of:

Holding company  
Pakistan National Shipping 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
- Khairpur Shipping (Private) Limited
- Lahore Shipping (Private) Limited
- Lalazar Shipping (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
- Shalamar Shipping (Private) Limited
- Sibi Shipping (Private) Limited
- Swat Shipping (Private) Limited

Associate company

- Muhammadi Engineering Works (Private) Limited





The Group owns 55 percent of the share capital of Pakistan Co-operative Ship Stores (Private) Limited and 100 percent of the share capital of the remaining eighteen subsidiary companies. All the fully owned subsidiaries of the Group operate one vessel / tanker each with the exception of Bolan Shipping (Private) Limited, Hyderabad Shipping (Private) Limited, Johar Shipping (Private) Limited, Khairpur Shipping (Private) Limited, Lalazar Shipping (Private) Limited, Makran Shipping (Private) Limited, Shalamar Shipping (Private) Limited, Sibi Shipping (Private) Limited and Swat Shipping (Private) Limited which currently do not own any vessel / tanker.

## 2 BASIS OF PREPARATION

- 2.1 These interim consolidated financial statements of the Group for the six months period ended December 31, 2010 have been prepared in accordance with the requirements of the International Accounting Standard No. 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.

These financial statements comprise of the interim consolidated balance sheet as at December 31, 2010 and the interim consolidated profit and loss account, interim consolidated statement of changes in equity and the interim consolidated cash flow statement for the six months period ended December 31, 2010. These financial statements also include the interim consolidated profit and loss account for the quarter ended December 31, 2010.

The items of comparative consolidated balance sheet presented in these financial statements as at June 30, 2010 have been extracted from the audited consolidated financial statements of the Group for the year ended June 30, 2010 whereas the comparative interim consolidated profit and loss account, interim consolidated statement of changes in equity and interim consolidated cash flow statements are for the six months period ended December 31, 2009.

The items of comparative consolidated balance sheet presented in these financial statements as at June 30, 2010 have been extracted from the audited consolidated financial statements of the Group for the year ended June 30, 2010 whereas the comparative interim consolidated profit and loss account, interim consolidated statement of changes in equity and interim consolidated cash flow statements are for the six months period ended December 31, 2009.



2.1.1 Standards, amendments and interpretations effective for the period beginning from July 1, 2010:

2.1.1.1 IFRS 2, 'Share-based Payment–Group Cash-settled Share-based Payment Transactions' was amended by the International Accounting Standards Board (IASB) whereby an entity receiving goods or services is to apply this IFRS in accounting for group cash settled share based payment transactions in its financial statements when that entity has no obligation to settle the share-based payment transaction. This amended IFRS is effective for the annual periods beginning on or after July 1, 2010.

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (the Scheme) for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investment (non-SOEs). The Scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and permanent employees in certain instances.

The Scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatization Commission of Pakistan for payment to employees against surrendered units. The deficit, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of empowerment of employees of SOEs, need to be accounted for by the covered entities, including the Group under the provisions of amended IFRS 2 - Shared Based Payments. Keeping in view the difficulties that may be faced under the Scheme, the Group requested the Institute of Chartered Accountants of Pakistan (ICAP) to provide further guidance on the issue. ICAP has informed the Group that the issue has been forwarded to Securities and Exchange Commission of Pakistan (SECP) for notification of exemption from application of IFRS 2. Pending the directive of SECP the Group has not accounted for these transactions in these interim consolidated financial statements.

2.1.1.2 Certain interpretations to the approved accounting standards are mandatory for accounting periods beginning on or before July 1, 2010 but are considered not to be relevant or have any significant effect on the Group's operations and are therefore not disclosed in these interim consolidated financial statements.

2.1.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:



- 2.1.2.1 Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after July 1, 2011. Earlier application, in whole or in part, is permitted.

The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from July 1, 2011. Adoption of the amendment is not expected to have any effect on the Group's financial statements.

- 2.1.2.2 Certain standards, amendments and interpretations to approved accounting standards are effective for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or have any significant effect on the Group's operations and are therefore not detailed in these interim consolidated financial statements.

## 2.2 Accounting policies

The accounting policies and the methods of computation adopted in the preparation of these interim consolidated financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2010, except for that mentioned below:

### 2.2.1 Derivative financial instruments

The Group uses derivative financial instruments such as interest rate and cross currency swaps to manage its risks associated with interest and exchange rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives with positive market values (unrealised gains) are included in other asset and derivatives with negative market values (unrealised losses) are included in trade and other payables in the balance sheet. Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit and loss account.

### 2.2.2 Interest - bearing loans and borrowings

Interest bearing loans and borrowings (borrowings) are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities (arrangement fees) are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down in this case the fee is deferred until the draw down occurs.



	Note	(Unaudited) December 31, 2010 ------(Rupees in '000)-----	(Audited) June 30, 2010
<b>3</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
- Fixed assets	3.1 & 3.2	<b>18,643,064</b>	14,041,845
- Capital work-in-progress (CWIP)	3.3	<b>407,066</b>	668,762
		<b>19,050,130</b>	14,710,607

- 3.1** Additions to fixed assets (including transfers from CWIP) during the period mainly include:

	Note	------(Unaudited)----- Six months period ended December 31, 2010 ------(Rupees in '000)-----	Six months period ended December 31, 2009
Vessels		5,971,358	-
Buildings on lease hold land		274,240	1,689
Office machines and appliances		522	506
Furniture and fixtures		19,284	147
Workshop machinery and equipment		178	128
Computer equipment		3,172	926
Spares capitalised		58,482	13,016
Class renewal and Dry Docking		101,573	-
Equipment on Board		1,801	1,328
Total		<b>6,430,610</b>	17,740

- 3.2** Details of assets written off / disposed off during the period:

Written off at net book value		<b>40,490</b>	-
Disposed off at net book value	3.2.1	<b>1,282,167</b>	337,748

- 3.2.1.** This amount includes net book value of three vessel/tankers disposed off during the period, namely MV-Bolan, MT-Swat and MT-Johar (2009: MV-Makran and MV-Chitral).

- 3.3** During the period additions to capital work-in-progress mainly include expenditure incurred for renovation / refurbishment of PNSC building aggregating Rs 34.027 million (2009: Rs 92.315 million).

#### **4 INVESTMENT PROPERTIES**

During the period, revaluation one of the Group's investment properties was carried out by Pee Dee & Associates as of October 31, 2010 on the basis of their professional assessment of present market values. As a result, a revaluation gain of Rs 41.800 million was assessed in respect of revaluation of leasehold land and whereas a revaluation loss was assessed on buildings on leasehold land amounting to Rs 16.087 million respectively. The management of the Group believes that the current market values of the investment properties approximate their fair values.



	Note	(Unaudited) December 31, 2010	(Audited) June 30 2010
------(Rupees in '000)-----			
<b>5 TRADE DEBTS</b>			
- considered good		786,608	462,272
- considered doubtful		183,418	183,418
		<u>970,026</u>	<u>645,690</u>
Less: Provision for impairment	5.1	<u>183,418</u>	<u>183,418</u>
		<u>786,608</u>	<u>462,272</u>
<b>5.1 Provision for impairment</b>			
Balance at the beginning of the period		183,418	81,663
Provision made during the period		-	101,897
Amounts reversed and adjusted		-	(142)
Balance at the end of the period		<u>183,418</u>	<u>183,418</u>
<b>The ageing analysis of trade debts is as follows:</b>			
Upto 1 month		354,120	340,912
1 month to 6 months		362,584	72,430
More than 6 months		<u>253,322</u>	<u>232,348</u>
		<u>970,026</u>	<u>645,690</u>

As at December 31, 2010, trade receivables of Rs.183.418 million (June 30, 2010 Rs.183.418 million) were impaired and provided for. These receivable balances are outstanding for more than five years.

	Note	(Unaudited) December 31, 2010	(Audited) June 30 2010
------(Rupees in '000)-----			
<b>6 DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
<b>Deposits</b>			
Trade:			
- considered good		2,750	2,265
- considered doubtful		184	184
		<u>2,934</u>	<u>2,449</u>
Less: provision for impairment - trade		<u>184</u>	<u>184</u>
		2,750	2,265
Others:			
- considered good		5,700	3,040
- considered doubtful		185	185
		<u>5,885</u>	<u>3,225</u>
Less: provision for impairment - others		<u>185</u>	<u>185</u>
		5,700	3,040
<b>Prepayments</b>		7,111	1,827
Unamortised transaction cost	8.1	58,566	-
		<u>74,127</u>	<u>7,132</u>



	Note	(Unaudited) December 31, 2010 ------(Rupees in '000)-----	(Audited) June 30 2010
<b>7 OTHER RECEIVABLES</b>			
Rent receivable:			
- considered good		5,096	4,161
- considered doubtful		4,617	4,359
		9,713	8,520
Less: provision for impairment of rent receivable	7.1	4,617	4,359
		5,096	4,161
Others:			
- considered good	7.2	123,024	68,431
- considered doubtful		12,658	8,851
		135,682	77,282
Less: provision for impairment of other receivables	7.3	12,658	8,851
		123,024	68,431
		128,120	72,592
<b>7.1 Provision for impairment of rent receivables</b>			
Balance at the beginning of the period		4,359	7,306
Provision made during the period		250	33
Amounts adjusted / written off		8	(2,980)
Balance at the end of the period		4,617	4,359
The ageing analysis of rent receivables is as follows:			
Upto 1 month		1,710	1,085
1 month to 6 months		1,502	1,136
More than 6 months		6,501	6,299
		9,713	8,520
As at December 31, 2010, rent receivables of Rs. 4.617 million (June 30, 2010: Rs 4.359 million) were impaired and provided for. These receivables were outstanding for more than three years.			
<b>7.2</b>			
This includes amounts receivable from sundry debtors, General Sales Tax refund claims and insurance claims receivable of Rs 50.191 million (June 30, 2010: Rs 13.556 million), Rs nil (June 30, 2010: Rs 3.807 million) and Rs 19.810 million (June 30, 2010: Rs 11.167 million) respectively.			
	Note	(Unaudited) December 31, 2010 ------(Rupees in '000)-----	(Audited) June 30 2010
<b>7.3 Provision for impairment of other receivables</b>			
Balance at the beginning of the period		8,851	461
Provision made during the period		3,807	8,390
Balance at the end of the period		12,658	8,851
<b>8 LONG-TERM FINANCING</b>			
Financing under syndicate term finance agreement	8.1	4,016,561	-
Less: current maturity		507,288	-
		3,509,273	-
Term Finance Certificates	8.1	580,170	-
Less: current maturity		73,275	-
		506,895	-
		4,016,168	-



- 8.1** During the period the Group has obtained financing facility of Rs 10,300 million. The financing was obtained in the form of a syndicated term finance loan of Rs 9,000 million and the remaining amount of Rs 1,300 million will be obtained by issuing redeemable capital in the form of Term Finance Certificates (TFC) with a face value of Rs 5,000 by way of private placement.

The Group can draw down the amount till August 5, 2011. The financing carries mark-up of KIBOR + 2.20% and is repaid quarterly. The facility is secured by a first mortgage charge over certain vessels owned by Group and all present and future receivables of the Group from three major customers.

As at December 31, 2010, the Group has drawn Rs 4,058.301 million and Rs 586.199 million from syndicated term finance and TFC's respectively. The Group has also paid loan arrangement fee amounting to Rs 106.662 million out of which Rs 48.096 million was included in the amortised cost of the long term financing whereas the unamortised portion amounting to Rs 58.566 has been included in deposits and short-term prepayments (note 6).

	Note	(Unaudited) December 31, 2010	(Audited) June 30 2010
		----- (Rupees in '000) -----	
<b>9</b>	<b>TRADE AND OTHER PAYABLES</b>		
Creditors		242,583	128,748
Agents' and owners' balances		58,086	114,232
Accrued liabilities		650,505	646,553
Deposits	9.1	25,278	23,257
Derivative cross currency interest rate swap	9.2	95,843	-
Workers' Profits Participation Fund	9.3	13,567	50,194
Unclaimed dividends		25,254	22,380
Other liabilities			
- freight		26,670	31,317
- amounts retained from contractors		24,106	28,022
- others		63,199	45,882
		113,975	105,221
		<u>1,225,091</u>	<u>1,090,585</u>





- 9.1** These deposits are interest free and are repayable on demand or on completion of specific contracts.
- 9.2** The Group has entered into a derivative cross currency interest rate swap of Rs 4,644.500 million for its borrowing (note 8). Under the terms of the cross currency swap arrangement, the Group is required to pay LIBOR plus 3.75% to the arranging bank on the borrowing denominated in USD (USD notional) for the purpose of cross currency swap, and receive KIBOR plus 2.20% from the arranging bank. Further, the Group shall pay / receive any exchange loss / gain on the USD notional outstanding at each quarter end. The net fair value of this cross currency interest rate swap as determined by the bank was Rs 126.730 million (unfavourable) to the Group as of the balance sheet date which has been reduced by the net interest receivable and exchange loss amounting to Rs 30.887 million.

	(Unaudited) December 31, 2010	(Audited) June 30 2010
	----- (Rupees in '000) -----	
<b>9.3 Workers' Profits Participation Fund</b>		
Balance at the beginning of the period	50,194	58,252
Allocation for the period / year	13,567	50,194
Interest on fund utilised during the period / year	143	3,466
	<u>63,904</u>	<u>111,912</u>
Less: payments made during the period /year	50,337	61,718
Balance at the end of the period	<u>13,567</u>	<u>50,194</u>

## **10 CONTINGENCIES & COMMITMENTS**

- 10.1** Amount in respect of claims not admitted by the Group which as at December 31, 2010 aggregate to Rs 167.201 million (June 30, 2010: Rs 196.921 million). These claims mainly relate to deficiencies in shipping documentation, delays in delivery of cargo and damages to cargo. These include Rs 8.685 million (June 30, 2010: Rs 13.685 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 121.814 million (June 30, 2010: Rs 112.901 million) approximately would be recoverable from the P&I Club, Steamship Mutual Underwriting Association (Bermuda) Limited, in the event these claims are accepted by the Group. As a matter of prudence the management has made a total provision of Rs 30.311 million (June 30, 2010: Rs 39.403 million) against the aforementioned claims in these interim consolidated financial statements.



**10.2** Certain other claims have been filed against the Group in respect of employees' matters for an aggregate amount of approximately Rs 56.510 million (2010: Rs 31.261 million). These cases are pending and the management is confident that the outcome of these cases will be in the Group's favour and accordingly no provision for above claims has been made in these interim consolidated financial statements.

**10.3** During the current period, the Officer Inland Revenue (OIR) has issued assessment order in respect of tax years 2008. In the order the OIR has disallowed certain expenses claimed in the return of income and also allocated certain expenses to FTR income, creating an additional tax liability of Rs 133.95 million. The management has filed appeals with Commissioner Inland Revenue (Appeals) and based on the advice of its consultant is confident that the matter in appeal shall be eventually decided in its favour. Therefore, no provision for the aforesaid demand has been made in these interim consolidated financial statements.

	(Unaudited) December 31, 2010	(Audited) June 30 2010
	----- (Rupees in '000) -----	
<b>10.4</b> Commitments for capital expenditure	222,189	171,730
<b>10.5</b> Outstanding letters of guarantree	17,521	4,461
<b>10.6</b> Commitments for loan arrangement fee	-	115,362

	Quarter ended December 31, 2010	Quarter ended December 31, 2009	Six months period ended December 31, 2010	Six months period ended December 31, 2009
	----- (Rupees in '000) -----			
<b>11 OTHER OPERATING EXPENSES</b>				
Workers' Profits Participation Fund	7,945	16,060	13,567	30,579
Donations	-	496	2,000	2,996
Auditors' remuneration	1,082	2,152	3,141	3,434
Employees' gratuity				
- funded	3,629	37,119	3,629	37,119
- unfunded	4,205	(16,349)	6,899	4,385
	7,834	20,770	10,528	41,504
Post retirement medical benefits	6,175	15,459	12,351	22,752
Employees' compensated absences	36,493	3,199	49,386	14,598
Loss on disposal of fixed assets	-	-	-	24,529
Loss on fixed assets written off	2,537	-	2,537	-
Loss on cross currency interest rate swap	95,843	-	95,843	-
Provision in respect of damage claims	4,343	-	4,343	-
	162,252	58,136	193,696	140,392



*Pakistan National Shipping Corporation*

Quarter ended  
December 31,  
2010

Quarter ended  
December 31,  
2009

Six months  
period ended  
December 31,  
2010

Six months  
period ended  
December 31,  
2009

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

12 OTHER OPERATING INCOME

**Income from financial assets / liabilities**

Interest / mark-up on loans and advances to employees	22	20	125	41
Income from saving and term deposits	44,208	194,378	90,726	399,621
Gain on insurance claims - destroyed items	-	-	-	21,054
Dividend income	780	634	780	634
Insurance claims	(33)	19,704	1,545	21,484
Exchange gain	1,647	11,677	6,419	27,139
Gain / (loss) on revaluation of long-term investments	2,576	(2,206)	4,030	7,785
Gain on revaluation of investment property	25,713	-	25,713	-
Liabilities no longer payable written back	45	31,595	45	31,595

**Income from non-financial assets**

Profit on disposal of fixed assets	160,879	-	160,879	-
Provisions no longer required written back	13,114	40,166	13,114	40,166
Sundries	6,526	4,293	15,504	12,670
	<u>255,477</u>	<u>300,261</u>	<u>318,880</u>	<u>562,189</u>

13 TAXATION

Tax charge for:

- current year	59,500	131,497	135,226	296,356
- prior years	(44,484)	7,219	(44,484)	7,219
	15,016	138,716	90,742	303,575
Deferred	17,209	(10,567)	17,209	(10,567)
	<u>32,225</u>	<u>128,149</u>	<u>107,951</u>	<u>293,008</u>
Taxes paid abroad	694	1,962	1,059	3,240
	<u>32,919</u>	<u>130,111</u>	<u>109,010</u>	<u>296,248</u>



		<b>----- (Unaudited) -----</b>	
	<b>Note</b>	<b>Six months period ended December 31, 2010</b>	<b>Six months period ended December 31, 2009</b>
		<b>----- (Rupees in '000) -----</b>	
<b>14 CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		631,067	632,347
Adjustments for non cash charges and other items:			
Depreciation		505,002	591,907
(Profit) / Loss on disposal of property, plant and equipment		(160,879)	6,823
Gain on revaluation of investment property		(25,714)	-
Loss on cross currency swap		95,843	-
Loss on fixed assets written off		2,538	-
Provision for employees' gratuity		10,528	41,468
Provision for employees' compensated absences		49,385	22,798
Provision for post retirement medical benefits		12,351	14,587
Liabilities no longer required written back		(46)	(31,595)
Dividend income		(780)	(634)
Provision for doubtful balances / receivables		4,057	4,462
Provision no longer required written back		-	(1,817)
Interest / mark-up income		(90,726)	(399,621)
Interest / mark-up expense		93,957	-
Gain on revaluation of investments		(4,030)	(7,785)
Provision reversed against claim for damages		(8,771)	(34,742)
Working capital changes	14.1	(398,099)	1,181,412
		<u>715,683</u>	<u>2,019,610</u>

**14.1 Working capital changes**

**(Increase) / decrease in current assets**

Stores and spares	18,459	(32,227)
Trade debts	(324,336)	59,518
Agents' and owners' balances	(19,278)	(33,674)
Loans and advances	(10,751)	16,163
Deposits and prepayments	(8,429)	8,259
Other receivables	(28,282)	(33,582)
Incomplete voyages	(19,590)	43,014
Insurance claims	(10,519)	971
Short-term investments	-	1,700,000
	<u>(402,726)</u>	<u>1,728,442</u>

**Increase / (decrease) in current liabilities**

Trade and other payables	4,948	(547,030)
Provision against damages claims	(321)	-
	<u>(398,099)</u>	<u>1,181,412</u>



----- (Unaudited) -----  
**December 31, 2010**      December 31, 2009  
 ----- (Rupees in '000) -----

**15 CASH AND CASH EQUIVALENTS**

Short-term investments	<b>500,000</b>	2,522,540
Cash and bank balances	<b>2,156,713</b>	2,905,060
	<b><u>2,656,713</u></b>	<u>5,427,600</u>

**16 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.

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

	Relationship with the Group	Six months period ended December 31, 2010	Six months period ended December 31, 2009
Contribution to provident fund	Associate	6,057	5,089
Directors' fee	Associate	160	390
Key management personnel compensation		11,796	11,877
Premium paid on account of medical health insurance to Allianz EFU Health Insurance Limited	Associate	-	26,543
Premium paid on account of Group Term Insurance of employees to State Life Insurance Corporation	Associate	-	2,697
Investment during the period in Term Deposit Receipts (TDRs) - JS Bank Limited	Associate	-	400,000
Interest income on TDRs - JS Bank Limited	Associate	-	27,364

**17 DATE OF AUTHORISATION**

These financial statements were authorised for issue on February 18, 2011 by the Board of Directors of the holding company.

**Brigadier (R) Rashid Siddiqi**  
 Chairman & Chief Executive

**Khowaja Obaid Imran Ilyas**  
 Director



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