



PAKISTAN NATIONAL SHIPPING CORPORATION



**UN-AUDITED REPORT
FOR THE THIRD QUARTER ENDED
MARCH 31, 2011**



CORPORATION INFORMATION

BOARD	: Vice Admiral (Retd) Saleem Ahmed Meenai HI (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, Moulvi Tamizuddin Khan Road Karachi-74000	
AUDITORS	: A.F. Ferguson & Co., Chartered Accountants Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants	
BANKERS	: Allied Bank Limited Bank Al-Falah Limited Barclays Bank PLC, Pakistan Faysal Bank Limited Habib Bank Limited JS Bank Limited MCB Bank Limited Meezan Bank Limited National Bank Of Pakistan 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 : 34391316-7 & 19, 34387960-16, Fax: 34391318.	



Pakistan National Shipping Corporation

PAKISTAN NATIONAL SHIPPING CORPORATION DIRECTORS' REPORT FOR THE QUARTER AND NINE MONTHS ENDED MARCH 31, 2011

The Directors of Pakistan National Shipping Corporation (PNSC) are pleased to present the accounts of PNSC Group for the quarter and nine months ended March 31, 2011. These financial statements are un-audited and presented in accordance with the requirements of the Code of Corporate Governance and the Companies Ordinance, 1984.

OVERVIEW

The consolidated revenues of the Group for the quarter ended March 31, 2011 were Rs 2,552 million (including Rs 1,043 million from PNSC), making a total of Rs 6,772 million (including Rs 1,805 million from PNSC) for the nine months under review as against Rs 5,583 million for the corresponding period last year showing an increase of 21%. Net Profit after tax for the nine months to 31 March 2011 was Rs 787 million as against Rs 697 million last year.

The earnings per share for the 9 months period ended March 31, 2011 were Rs 5.96 as against Rs 5.28 for the corresponding period last year.

FUTURE PROSPECTS

During the quarter, the Corporation contracted to purchase two Dry Cargo Vessels. These will be shortly delivered, one in April and another in May 2011, which will add tonnage to PNSC fleet.

The freight market remains under pressure. However, the Corporation is making all out efforts to meet the challenges and is likely to fare out well.

Vice Admiral (Retd) Saleem Ahmed Meenai HI(M)
Chairman and Chief Executive

Karachi: April 26, 2011



PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
INTERIM CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2011

	Note	(Unaudited) March 31, 2011	(Audited) June 30, 2010
----- (Rupees in '000) -----			
NON-CURRENT ASSETS			
Property, plant and equipment	3	19,275,163	14,710,607
Investment properties	4	996,639	970,926
Long-term investments in:			
- Related party (associate)		-	-
- Listed companies and an other entity		27,594	26,254
Long-term loans		462	668
Long-term deposits		90	90
Deferred tax - net		22,744	36,074
		20,322,692	15,744,619
CURRENT ASSETS			
Stores and spares		621,121	536,449
Trade debts	5	770,028	462,272
Agents' and owners' balances		17,471	1,070
Loans and advances		125,561	38,863
Deposits and short term prepayments	6	74,408	7,132
Interest / mark-up accrued		4,213	1,786
Other receivables	7	130,872	72,592
Incomplete voyages		-	80,616
Insurance claims		50,836	46,651
Short-term investments		600,000	1,207,224
Cash and bank balances		1,983,959	1,314,633
		4,378,469	3,769,288
TOTAL ASSETS		24,701,161	19,513,907
EQUITY AND LIABILITIES			
Share capital		1,320,634	1,320,634
Reserves		16,590,912	15,449,428
		17,911,546	16,770,062
NON-CONTROLLING INTEREST		1,496	2,235
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		17,913,042	16,772,297
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX			
- Group		553,436	1,191,054
- Non-controlling interest		2,329	2,144
		555,765	1,193,198
NON-CURRENT LIABILITIES			
Long-term Financing	8	3,874,292	-
Deferred liabilities		298,971	291,288
		4,173,263	291,288
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	9	1,178,386	1,090,585
Provision against damage claims		25,485	39,403
Accrued mark-up		72,064	-
Current portion of long-term financing		580,563	-
Incomplete voyages		7,186	-
Taxation - net		195,407	127,136
		2,059,091	1,257,124
TOTAL EQUITY AND LIABILITIES		24,701,161	19,513,907
CONTINGENCIES AND COMMITMENTS	10		

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

Vice Admiral (Retd) Saleem Ahmed Meenai
Chairman

Khowaja Obaid Imran Ilyas
Director



Pakistan National Shipping Corporation

**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2011**

	Note	Quarter ended March 31, 2011	Quarter ended March 31, 2010	Nine months period ended March 31, 2011	Nine months period ended March 31, 2010
----- (Rupees in '000) -----					
REVENUES					
Income from shipping business		2,526,655	1,996,761	6,698,426	5,523,126
Rental income		24,906	20,712	73,679	59,990
		2,551,561	2,017,473	6,772,105	5,583,116
EXPENDITURE					
Fleet expenses - direct		1,888,201	1,563,571	5,182,082	4,619,927
- indirect		3,128	3,328	11,015	12,341
		1,891,329	1,566,899	5,193,097	4,632,268
GROSS PROFIT					
		660,232	450,574	1,579,008	950,848
Administrative and general expenses	11	147,746	120,901	463,713	404,583
Other operating expenses		(48,087)	52,015	145,609	192,407
Finance costs		179,008	973	275,934	7,015
		278,667	173,889	885,256	604,005
Other operating income	12	110,632	170,212	429,512	732,401
PROFIT BEFORE TAXATION		492,197	446,897	1,123,264	1,079,244
Taxation	13	227,279	85,862	336,289	382,110
PROFIT AFTER TAXATION		264,918	361,035	786,975	697,134
Attributable to:					
Equity holders of the Group		264,949	361,035	786,821	697,068
Non-controlling interest		(31)	-	154	66
		264,918	361,035	786,975	697,134
----- (Rupees) -----					
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP - BASIC & DILUTED					
		2.01	2.73	5.96	5.28

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

Vice Admiral (Retd) Saleem Ahmed Meenai
Chairman

Khowaja Obaid Imran Ilyas
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2011**

	Issued, subscribed and paid-up share capital	Capital Reserve	General Reserve	Revenue reserve Unappropriated profit	Minority interest	Total
	(Rupees in '000)					
Balance at July 1, 2009 - restated	1,320,634	131,344	129,307	14,297,283	1,895	15,880,463
Total comprehensive income for the nine months period ended March 31, 2010	-	-	-	697,068	66	697,134
Surplus realised on disposal of vessels	-	-	-	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				552,810	66	552,876
Balance as at March 31, 2010	1,320,634	131,344	129,307	14,850,093	1,961	16,433,339
Balance at July 1, 2010	1,320,634	131,344	129,307	15,188,777	2,235	16,772,297
Total comprehensive income for the nine months period ended March 31, 2011	-	-	-	786,821	154	786,975
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	-	-	-	71,596	-	71,596
Total income credited to equity				1,141,484	154	1,141,638
Balance as at March 31, 2011	1,320,634	131,344	129,307	16,330,261	2,389	17,913,935

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

Vice Admiral (Retd) Saleem Ahmed Meenai
Chairman

Khowaja Obaid Imran Ilyas
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2011**

	Note	Nine months period ended March 31, 2011	Nine months period ended March 31, 2010
		----- (Rupees in '000) -----	
Cash flows from operating activities			
Cash generated from operations	14	1,484,336	4,851,923
Employees' gratuity paid		(42,345)	(31,014)
Employees' compensated absences paid		(60,018)	(33,840)
Post retirement medical benefits paid		(2,981)	(12,143)
Long-term loans		206	252
Finance Cost paid		(196,341)	-
Received from cross currency interest rate swap		65,174	-
Arrangement fee paid		(106,662)	-
Taxes paid		(254,690)	(339,677)
Net cash generated from operating activities		886,679	4,435,501
Cash flows from investing activities			
Fixed capital expenditure		(6,656,311)	(3,897,819)
Proceeds from disposal of property, plant and equipment		1,484,597	330,925
Dividends received		822	416
Interest / mark-up received		130,551	706,642
Net cash used in investing activities		(5,040,341)	(2,859,836)
Cash flows from financing activities			
Long-term financing obtained		4,644,500	-
Repayment of long-term financing		(145,141)	-
Share issue costs paid		(88,178)	-
Dividend paid		(195,417)	(348,342)
Net cash generated from / (used in) financing activities		4,215,764	(348,342)
Net increase in cash and cash equivalents		62,102	1,227,323
Cash and cash equivalents at July 01		2,521,857	3,432,104
Cash and cash equivalents at March 31	15	2,583,959	4,659,427

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

Vice Admiral (Retd) Saleem Ahmed Meenai
Chairman

Khowaja Obaid Imran Ilyas
Director



PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2011

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 73 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 nine months period ended March 31, 2011 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 March 31, 2011 and the interim consolidated profit and loss account, interim consolidated statement of changes in equity and the interim consolidated cash flow statement for the nine months period ended March 31, 2011. These financial statements also include the interim consolidated profit and loss account for the quarter ended March 31, 2011.

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 nine months period ended March 31, 2010.

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) March 31, 2011	(Audited) June 30, 2010
		----- (Rupees in '000) -----	
3	PROPERTY, PLANT AND EQUIPMENT		
- Fixed assets	3.1 & 3.2	18,401,351	14,041,845
- Capital work-in-progress (CWIP)	3.3	873,812	668,762
		<u>19,275,163</u>	<u>14,710,607</u>
3.1	Additions to fixed assets (including transfers from CWIP) during the period mainly include:		
		----- (Unaudited) -----	
		Nine months period ended March 31, 2011	Nine months period ended March 31, 2010
		----- (Rupees in '000) -----	
	Vessels	5,971,119	3,366,533
	Buildings on lease hold land	276,178	1,689
	Office machines and appliances	1,128	1,688
	Furniture and fixtures	19,284	248
	Workshop machinery and equipment	231	146
	Computer equipment	3,858	1,296
	Spares capitalised	69,824	17,807
	Class renewal and Dry Docking	110,866	13,912
	Equipment on Board	3,389	1,669
	Total	<u>6,455,877</u>	<u>3,404,988</u>
3.2	Details of assets written off / disposed off during the period:		
	Written off at net book value	40,490	-
	Disposed off at net book value	3.2.1 <u>1,285,945</u>	<u>337,748</u>
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 (2010: 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 34.459 million (2010: 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) March 31, 2011	(Audited) June 30, 2010
		----- (Rupees in '000) -----	
5 TRADE DEBTS			
- considered good		770,028	462,272
- considered doubtful		183,418	183,418
		953,446	645,690
Less: Provision for impairment	5.1	183,418	183,418
		770,028	462,272
5.1 Provision for impairment			
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		183,418	183,418
The ageing analysis of trade debts is as follows:			
Upto 1 month		425,415	340,912
1 month to 6 months		287,055	72,430
More than 6 months		57,558	232,348
		770,028	645,690

As at March 31, 2011, trade receivables of Rs.183.418 million (June 30, 2010: Rs.183.418 million) were impaired and provided for. The ageing of these receivables is as follows:

	Note	(Unaudited) March 31, 2011	(Audited) June 30, 2010
		----- (Rupees in '000) -----	
one to three years		101,897	101,897
three years to five years		212	26,281
five years and over		81,309	55,240
		183,418	183,418

6 DEPOSITS AND SHORT-TERM PREPAYMENTS
Deposits

Trade:			
- considered good		2,703	2,265
- considered doubtful		184	184
		2,887	2,449
Less: provision for impairment - trade		184	184
		2,703	2,265
Others:			
- considered good		6,222	3,040
- considered doubtful		185	185
		6,407	3,225
Less: provision for impairment - others		185	185
		6,222	3,040
Prepayments		6,917	1,827
Unamortised transaction cost	8.1	58,566	-
		74,408	7,132



	Note	(Unaudited) March 31, 2011	(Audited) June 30, 2010
		----- (Rupees in '000) -----	
7 OTHER RECEIVABLES			
Rent receivable:			
- considered good		14,476	4,161
- considered doubtful		4,617	4,359
		<u>19,093</u>	<u>8,520</u>
Less: provision for impairment of rent receivable	7.1	<u>4,617</u>	<u>4,359</u>
		<u>14,476</u>	<u>4,161</u>
Others:			
- considered good		116,396	68,431
- considered doubtful		12,658	8,851
		<u>129,054</u>	<u>77,282</u>
Less: provision for impairment of other receivables	7.2	<u>12,658</u>	<u>8,851</u>
		<u>116,396</u>	<u>68,431</u>
		<u>130,872</u>	<u>72,592</u>
7.1 Provision for impairment of rent receivables			
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		<u>4,617</u>	<u>4,359</u>
The ageing analysis of rent receivables is as follows:			
Upto 1 month		4,941	1,085
1 month to 6 months		9,112	1,136
More than 6 months		423	6,299
		<u>14,476</u>	<u>8,520</u>

As at March 31, 2011, 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.

	Note	(Unaudited) March 31, 2011	(Audited) June 30, 2010
		----- (Rupees in '000) -----	
7.2 Provision for impairment of other receivables			
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		<u>12,658</u>	<u>8,851</u>
8 LONG-TERM FINANCING			
Financing under syndicate term finance agreement	8.1	3,892,592	-
Less: current maturity		<u>507,288</u>	-
		<u>3,385,304</u>	-
Term Finance Certificates	8.1	562,263	-
Less: current maturity		<u>73,275</u>	-
		<u>488,988</u>	-
		<u>3,874,292</u>	-



- 8.1** During the current period the Group 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 (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 March 31, 2011, the Group 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 TFC's respectively. The Group has also paid loan arrangement fee amounting to Rs 106.662 million out of which Rs 48.096 million (June 30, 2010: nil) 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 6).

	Note	(Unaudited) March 31, 2011 ----- (Rupees in '000) -----	(Audited) June 30, 2010
9 TRADE AND OTHER PAYABLES			
Creditors		147,489	128,748
Agents' and owners' balances		126,303	114,232
Accrued liabilities		615,629	646,553
Deposits	9.1	40,231	23,257
Derivative cross currency interest rate swap	9.2	76,387	-
Workers' Profits Participation Fund	9.3	19,183	50,194
Unclaimed dividends		25,058	22,380
Other liabilities			
- freight		34,999	31,317
- amounts retained from contractors		24,048	28,022
- others		69,059	45,882
		128,106	105,221
		<u>1,178,386</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 63.519 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 50.132 million.



	Note	(Unaudited) March 31, 2011	(Audited) June 30, 2010
		----- (Rupees in '000) -----	
9.3 Workers' Profits Participation Fund			
Balance at the beginning of the period		50,194	58,252
Allocation for the period / year		19,183	50,194
Interest on fund utilised during the period / year		143	3,466
		69,520	111,912
Less: payments made during the period / year		50,337	61,718
Balance at the end of the period / year		19,183	50,194

10 CONTINGENCIES & COMMITMENTS

10.1 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, 2010.

	(Unaudited) March 31, 2011	(Audited) June 30, 2010
	----- (Rupees in '000) -----	
10.2 Commitments for capital expenditure	185,617	171,730
10.3 Outstanding letters of guarantree	17,521	4,461
10.4 Commitments for loan arrangement fee	-	115,362

	Quarter ended March 31, 2011	Quarter ended March 31, 2010	Nine months period ended March 31, 2011	Nine months period ended March 31, 2010
	----- (Rupees in '000) -----			
11 OTHER OPERATING EXPENSES				
Workers' Profits Participation Fund	5,616	11,309	19,183	41,888
Donations	-	4	2,000	3,000
Auditors' remuneration	1,377	1,277	4,518	4,711
Employees' gratuity	5,263	20,734	15,791	62,238
Post retirement medical benefits	10,807	(861)	23,158	21,891
Employees' compensated absences	24,693	19,552	74,079	34,150
Loss on disposal of fixed assets	-	-	-	24,529
Loss on fixed assets written off	-	-	2,537	-
Loss on cross currency interest rate swap	(95,843)	-	-	-
Provision in respect of damage claims	-	-	4,343	-
	(48,087)	52,015	145,609	192,407

12 OTHER OPERATING INCOME

Income from financial assets / liabilities

Interest / mark-up on loans and advances to employees	13	36	138	77
Income from saving and term deposits	42,252	159,872	132,978	559,493
Gain on insurance claims - destroyed items	-	-	-	21,054
Dividend income	364	-	1,144	634
Insurance claims	85	530	1,630	22,014
Exchange gain	145	2,921	6,564	30,060
Gain / (loss) on revaluation of long-term investments	(2,690)	1,520	1,340	9,305
Gain on revaluation of investment property	-	170	25,713	170
Liabilities no longer payable written back	-	-	45	31,595
Net gain on cross currency interest rate swap	51,787	-	51,787	-
Agency fee	4,174	-	4,174	-

Income from non-financial assets

Profit on disposal of fixed assets	(180)	-	160,699	-
Provisions no longer required written back	4,826	-	17,940	40,166
Sundries	9,856	5,163	25,360	17,833
	110,632	170,212	429,512	732,401



		(Unaudited)			
		Quarter ended March 31, 2011	Quarter ended March 31, 2010	Nine months period ended March 31, 2011	Nine months period ended March 31, 2010
		(Rupees in '000)			
13	TAXATION				
	Tax charge for:				
	- current year	148,992	70,306	284,218	366,662
	- prior years	75,000	15,447	30,516	22,666
		223,992	85,753	314,734	389,328
	Deferred	-	-	17,209	(10,567)
		223,992	85,753	331,943	378,761
	Taxes paid abroad	3,287	109	4,346	3,349
		227,279	85,862	336,289	382,110
		Note	(Unaudited)		
			Nine months period ended March 31, 2011	Nine months period ended March 31, 2010	
		(Rupees in '000)			
14	CASH GENERATED FROM OPERATIONS				
	Profit before taxation		1,123,264	1,079,244	
	Adjustments for non cash charges and other items:				
	Depreciation		779,067	890,161	
	(Profit) / Loss on disposal of property, plant and equipment		(160,699)	6,823	
	Gain on revaluation of investment property		(25,713)	-	
	Gain on cross currency swap - net		(51,787)	-	
	Loss on fixed assets written off		2,538	-	
	Provision for employees' gratuity		15,791	62,202	
	Provision for employees' compensated absences		74,079	34,197	
	Provision for post retirement medical benefits		23,158	21,880	
	Liabilities no longer required written back		(45)	(31,595)	
	Dividend income		(1,144)	(634)	
	Provision for doubtful balances / receivables		4,057	6,387	
	Provision no longer required written back		-	(1,818)	
	Interest / mark-up income		(132,978)	(559,570)	
	Interest / mark-up expense		271,997	-	
	Gain on revaluation of investments		(1,340)	(9,475)	
	Provision reversed against claim for damages		(13,597)	(34,736)	
	Working capital changes	14.1	(422,312)	3,388,857	
			1,484,336	4,851,923	
14.1	Working capital changes				
	(Increase) / decrease in current assets				
	Stores and spares		(84,672)	(23,587)	
	Trade debts		(307,756)	(92,636)	
	Agents' and owners' balances		(16,401)	(28,165)	
	Loans and advances		(86,698)	1,099	
	Deposits and prepayments		(8,710)	9,337	
	Other receivables		(62,015)	34,530	
	Incomplete voyages		76,664	81,395	
	Insurance claims		(4,185)	(7,648)	
	Short-term investments		-	3,900,000	
			(493,773)	3,874,325	
	Increase / (decrease) in current liabilities				
	Trade and other payables		71,782	(485,468)	
	Provision against damages claims		(321)	-	
			(422,312)	3,388,857	



----- (Unaudited) -----
 March 31, March 31,
 2011 2010
 -----(Rupees in '000)-----

15 CASH AND CASH EQUIVALENTS

Short-term investments	600,000	3,995,000
Cash and bank balances	1,983,959	2,050,146
	<u>2,583,959</u>	<u>6,045,146</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	Nine months period ended March 31, 2011	Nine months period ended March 31, 2010
		----- (Rupees in '000) -----	
Contribution to provident fund	Associate	8,032	6,617
Directors' fee	Associate	280	490
Key management personnel compensation		17,048	15,329
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	-	3,450
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 April 26, 2011 by the Board of Directors of the holding company.

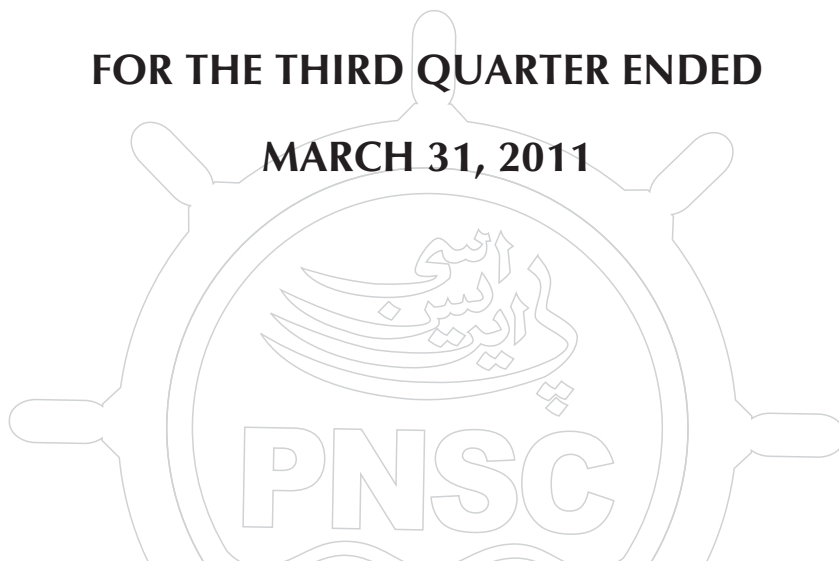
Vice Admiral (Retd) Saleem Ahmed Meenai
 Chairman

Khowaja Obaid Imran Ilyas
 Director



**PAKISTAN NATIONAL
SHIPPING CORPORATION**

**UN-AUDITED
INTERIM FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED
MARCH 31, 2011**





PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM BALANCE SHEET
AS AT MARCH 31, 2011

	Note	(Unaudited) March 31, 2011 ------(Rupees in '000)-----	(Audited) June 30, 2010
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	1,382,038	1,436,371
Investment properties	4	996,639	970,926
Long-term investments in:			
- Related parties (subsidiaries and an associate)		13,224,903	1,558,416
- Listed companies and an other entity		27,594	26,254
		13,252,497	1,584,670
Long-term loans and advances			
- Related parties (subsidiaries)	5	5,972,888	11,665,738
- Others		462	668
		5,973,350	11,666,406
Deferred tax		22,744	36,074
		21,627,268	15,694,447
CURRENT ASSETS			
Stores and spares		21,126	22,788
Trade debts	6	461,219	193,195
Agents' and owners' balances		17,471	1,070
Loans and advances		125,561	38,863
Deposits and short-term prepayments	7	74,313	7,085
Interest / mark-up accrued		4,019	1,780
Other receivables	8	54,315	22,315
Incomplete voyages		4,774	24,019
Insurance claims		-	572
Short-term investments		600,000	1,207,224
Cash and bank balances		1,977,154	1,307,961
		3,339,952	2,826,872
TOTAL ASSETS		24,967,220	18,521,319
EQUITY AND LIABILITIES			
Share capital		1,320,634	1,320,634
Reserves		5,292,048	5,140,981
		6,612,682	6,461,615
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX		664,491	671,928
NON-CURRENT LIABILITIES			
Deferred liabilities		298,971	291,288
Long term financing	9	3,874,292	-
		4,173,263	291,288
CURRENT LIABILITIES			
Trade and other payables	10	12,692,653	10,904,729
Provision against damage claims		25,485	39,403
Current maturity of long-term financing	9	580,563	-
Accrued markup		72,064	-
Taxation - net		146,019	152,356
		13,516,784	11,096,488
TOTAL EQUITY AND LIABILITIES		24,967,220	18,521,319
CONTINGENCIES AND COMMITMENTS			
	11		

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Vice Admiral (Retd) Saleem Ahmed Meenai
Chairman

Khowaja Obaid Imran Ilyas
Director



Pakistan National Shipping Corporation

**PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE QUARTER
AND NINE MONTHS PERIOD ENDED MARCH 31, 2011 (UNAUDITED)**

	Note	Quarter ended March 31, 2011	Quarter ended March 31, 2010	Nine months period ended March 31, 2011	Nine months period ended March 31, 2010
REVENUES					
Chartering revenues		1,018,683	211,717	1,732,129	1,305,291
Services fee		60,319	76,804	198,323	174,055
Rental income		24,649	20,487	73,163	59,483
		1,103,651	309,008	2,003,615	1,538,829
EXPENDITURES					
Fleet expenses - direct		623,452	88,607	1,027,602	649,933
- indirect		2,882	3,223	10,209	11,159
		626,334	91,830	1,037,811	661,092
GROSS PROFIT					
		477,317	217,178	965,804	877,737
Administrative and general expenses		143,161	116,548	454,456	391,095
Other operating expenses	12	(50,281)	49,736	139,636	160,352
Finance cost		178,370	584	274,330	5,770
		271,250	166,868	868,422	557,217
Other operating income	13	110,282	169,409	475,388	711,053
PROFIT BEFORE TAXATION					
		316,349	219,719	572,770	1,031,573
Taxation	14	216,856	79,785	234,922	354,172
PROFIT AFTER TAXATION					
		99,493	139,934	337,848	677,401
EARNINGS PER SHARE - basic and diluted					
		0.75	1.06	2.56	5.13

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Vice Admiral (Retd) Saleem Ahmed Meenai
Chairman

Khowaja Obaid Imran Ilyas
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2011 (UNAUDITED)**

	Issued, subscribed and paid-up share capital	Capital Reserve	Unappropriated profit	Total
	(Rupees in '000)			
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 nine months period ended March 31, 2010	-	-	677,401	677,401
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
Balance as at March 31, 2010	1,320,634	126,843	4,974,228	6,421,705
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 nine months period ended March 31, 2011	-	-	337,848	337,848
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
Balance as at March 31, 2011	1,320,634	126,843	5,165,205	6,612,682

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Vice Admiral (Retd) Saleem Ahmed Meenai
Chairman

Khowaja Obaid Imran Ilyas
Director



Pakistan National Shipping Corporation

**PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2011 (UNAUDITED)**

	Note	Nine months period ended March 31, 2011	Nine months period ended March 31, 2010
----- (Rupees in '000) -----			
Cash flows from operating activities			
Cash generated from operations	15	1,959,921	5,114,117
Employees' gratuity paid		(42,345)	(31,014)
Employees' compensated absences paid		(60,018)	(33,840)
Post retirement medical benefits paid		(2,981)	(12,143)
Long-term loans and advances		206	252
Finance cost paid		(196,341)	-
Received from cross currency interest rate swap		65,174	-
Arrangement fee paid		(106,662)	-
Taxes paid		(227,929)	(306,486)
Net cash generated from operating activities		1,389,025	4,730,886
Cash flows from investing activities			
Fixed capital expenditure		(35,189)	(169,513)
Proceeds from disposal of property, plant and equipment		40,479	-
Long-term loans and advances - related parties		(5,973,637)	(3,693,354)
Interest / mark-up received		130,739	706,777
Dividends received		206,610	416
Net cash used in investing activities		(5,630,998)	(3,155,674)
Cash flows from financing activities			
Long-term financing obtained		4,644,500	-
Repayment of long-term financing		(145,141)	-
Dividends paid		(195,417)	(348,342)
Net cash generated from / (used in) financing activities		4,303,942	(348,342)
Net increase in cash and cash equivalents		61,969	1,226,870
Cash and cash equivalents at July 1		2,515,185	3,426,294
Cash and cash equivalents at March 31	16	2,577,154	4,653,164

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

Vice Admiral (Retd) Saleem Ahmed Meenai
Chairman

Khowaja Obaid Imran Ilyas
Director



PAKISTAN NATIONAL SHIPPING CORPORATION
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2011 (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 nine months period ended March 31, 2011 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 March 31, 2011 and the condensed interim profit and loss account, condensed interim statement of changes in equity and the condensed interim cash flow statement for the nine months period ended March 31, 2011. These condensed interim financial statements also include the condensed interim profit and loss account for the quarter ended March 31, 2011.

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 nine months period ended March 31, 2010.

- 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) March 31, 2011	(Audited) June 30, 2010
		----- (Rupees in '000) -----	
3. PROPERTY, PLANT AND EQUIPMENT			
- Fixed assets	3.1 and 3.2	974,883	767,609
- Capital work-in-progress	3.3	407,155	668,762
		<u>1,382,038</u>	<u>1,436,371</u>
		----- (Unaudited) -----	
		Nine months period ended March 31, 2011	Nine months period ended March 31, 2010
		----- (Rupees in '000) -----	
3.1 Additions to fixed assets (including transfers from CWIP) during the period mainly include:			
Buildings on leasehold land		276,178	1,689
Office machines and appliances		1,128	1,688
Furniture and fixtures		19,284	248
Workshop machinery and equipment		231	146
Computer equipment		3,858	1,296
		<u>300,679</u>	<u>5,067</u>
3.2 Details of assets written off / disposed off during the period:			
Net book value of assets written off		<u>40,490</u>	-
Net book value of assets disposed off		<u>447</u>	-



- 3.3 During the period additions to capital work-in-progress mainly include expenditure incurred for renovation / refurbishment of PNSC building aggregating Rs 34.459 million (2010: Rs 92.220 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 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) March 31, 2011	(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>

6. TRADE DEBTS

- considered good		461,219	193,195
- considered doubtful		17,596	17,596
		<u>478,815</u>	<u>210,791</u>
Less: provision for impairment	6.1	17,596	17,596
		<u>461,219</u>	<u>193,195</u>

6.1 Provision for impairment

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		332,268	122,070
1 month to 6 months		101,391	56,449
More than 6 months		27,560	32,272
		<u>461,219</u>	<u>210,791</u>

As at March 31, 2011, 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) March 31, 2011	(Audited) June 30, 2010
		----- (Rupees in '000) -----	
7. DEPOSITS AND SHORT-TERM PREPAYMENTS			
Deposits			
Trade:			
- considered good		2,608	2,218
- considered doubtful		184	184
		2,792	2,402
Less: provision for impairment - trade		184	184
		2,608	2,218
Others:			
- considered good		6,222	3,040
- considered doubtful		185	185
		6,407	3,225
Less: provision for impairment - others		185	185
		6,222	3,040
Prepayments		6,917	1,827
Unamortised transaction cost	9.1	58,566	-
		<u>74,313</u>	<u>7,085</u>
8. OTHER RECEIVABLES			
Rent receivable:			
- considered good		14,476	4,161
- considered doubtful		4,617	4,359
		19,093	8,520
Less: provision for impairment of rent receivable	8.1	4,617	4,359
		14,476	4,161
Current account balance with a subsidiary company			
- unsecured, considered good		20,456	-
Others:			
- considered good		19,383	18,154
- considered doubtful		12,658	8,851
		32,041	27,005
Less: provision for impairment of other receivables	8.2	12,658	8,851
		19,383	18,154
		<u>54,315</u>	<u>22,315</u>
8.1 Provision for impairment of rent receivables			
Balance at the beginning of the period		4,359	7,306
Provision made during the period		258	33
Amounts written off / adjusted		-	(2,980)
Balance at the end of the period		<u>4,617</u>	<u>4,359</u>



	(Unaudited) March 31, 2011	(Audited) June 30, 2010
	----- (Rupees in '000) -----	
The ageing analysis of rent receivables is as follows:		
Upto 1 month	4,941	1,085
1 to 6 months	9,112	1,136
More than 6 months	423	6,299
	<u>14,476</u>	<u>8,520</u>

As at March 31, 2011, 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.

8.2 Provision for impairment of other receivables

	(Unaudited) March 31, 2011	(Audited) June 30, 2010
	----- (Rupees in '000) -----	
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	<u>12,658</u>	<u>8,851</u>

9. LONG TERM FINANCING

Financing under syndicate term
finance agreement

9.1	3,892,592	-
	507,288	-
	3,385,304	-

Term Finance Certificates
Less: current portion

9.1	562,263	-
	73,275	-
	488,988	-
	<u>3,874,292</u>	<u>-</u>

- 9.1 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 March 31, 2011, 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 7).

10. TRADE AND OTHER PAYABLES

	Note	(Unaudited) March 31, 2011	(Audited) June 30, 2010
		----- (Rupees in '000) -----	
Creditors		27,303	21,816
Current account balances with subsidiary companies		12,156,447	10,354,326
Agents' and owners' balances		126,303	114,232
Accrued liabilities		92,721	213,303
Deposits	10.1	40,231	23,257
Derivative cross currency interest rate swap	10.2	76,387	-
Workers' Profits Participation Fund	10.3	19,183	50,194
Unclaimed dividends		25,058	22,380
Other liabilities			
- freight		34,999	15,301
- amounts retained from contractors		24,048	28,022
- others		69,973	61,898
		129,020	105,221
		<u>12,692,653</u>	<u>10,904,729</u>

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

10.2 The Corporation has entered into a derivative cross currency interest rate swap of Rs 4,644.500 million for its borrowing (note 9). 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 63.519 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 50.132 million.

	(Unaudited) March 31, 2011	(Audited) June 30, 2010
	----- (Rupees in '000) -----	
10.3 Workers' Profits Participation Fund		
Balance at the beginning of the period	50,194	58,252
Allocation for the period / year	19,183	50,194
Interest on funds utilised during the period / year	143	3,466
	<u>69,520</u>	<u>111,912</u>
Less: payments made during the period / year	50,337	61,718
Balance at the end of the period / year	<u>19,183</u>	<u>50,194</u>



11. CONTINGENCIES AND COMMITMENTS

11.1 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.

	(Unaudited) March 31, 2011	(Audited) June 30, 2010
	----- (Rupees in '000) -----	
11.2 Commitments for capital expenditure	185,617	171,730
11.3 Outstanding letters of guarantee	2,626	4,461
11.4 Commitments for loan arrangement fee	-	115,362

	(Unaudited)			
	Quarter ended March 31, 2011	Quarter ended March 31, 2010	Nine months period ended March 31, 2011	Nine months period ended March 31, 2010
	----- (Rupees in '000) -----			

12. OTHER OPERATING EXPENSES

Workers' Profits Participation Fund	5,616	11,309	19,183	41,888
Donations	-	4	2,000	3,000
Auditors' remuneration	552	677	2,361	2,219
Employees' gratuity	4,785	19,688	14,356	59,067
Post retirement medical benefits	10,469	(836)	22,435	21,170
Employees' compensated absences	24,140	18,894	72,420	33,008
Loss on fixed assets written off	-	-	2,538	-
Loss on cross currency interest rate swap	(95,843)	-	-	-
Provision in respect of damage claims	-	-	4,343	-
	(50,281)	49,736	139,636	160,352

13. OTHER OPERATING INCOME

Income from financial assets / liabilities

Interest / mark-up on loans and advances to employees	13	36	138	77
Income from saving and term deposits	42,252	159,872	132,978	559,493
Agency fee	4,174	-	4,174	-
Gain on insurance claims - destroyed items	-	-	-	21,054
Dividend income	364	-	206,932	634
Insurance claims	-	-	1,465	1,282
Exchange gain	144	2,921	6,563	30,060
Gain / (loss) on revaluation of long-term investments	(2,690)	1,520	1,340	9,305
Gain on revaluation of investment property	-	170	25,713	170
Net gain on cross currency interest rate swap	51,787	-	51,787	-
Liabilities no longer payable written back	-	(1,666)	45	31,594

Income from non-financial assets

Profit on disposal of fixed assets	(180)	-	2,080	-
Provisions no longer required written back	4,826	1,807	17,940	40,156
Sundries	9,592	4,749	24,233	17,228
	110,282	169,409	475,388	711,053



(Unaudited)			
Quarter ended March 31, 2011	Quarter ended March 31, 2010	Nine months period ended March 31, 2011	Nine months period ended March 31, 2010
(Rupees in '000)			

14. TAXATION

Tax charge for:

- current year
- prior years

Deferred tax

Taxes paid abroad

216,856	64,337	262,197	349,189
-	15,447	(44,484)	15,447
216,856	79,784	217,713	364,636
-	-	17,209	(10,567)
216,856	79,784	234,922	354,069
-	1	-	103
216,856	79,785	234,922	354,172

(Unaudited)	
Nine months period ended March 31, 2011	Nine months period ended March 31, 2010
Note	
(Rupees in '000)	

15. CASH GENERATED FROM OPERATIONS

Profit before taxation	572,770	1,031,573
Adjustments for non-cash charges and other items:		
Depreciation	52,462	28,484
Profit on disposal of property, plant and equipment	(2,080)	-
Loss on fixed assets written off	2,538	-
Provision for employees' gratuity	15,791	59,068
Provision for employees' compensated absences	74,078	33,008
Provision for post retirement medical benefits	23,158	21,170
Liabilities no longer required written back	(45)	(31,595)
Dividend income	(206,932)	(634)
Provision for doubtful balances / receivables	4,065	4,425
Provision reversed / adjusted in respect of trade and other payables	-	(1,665)
Provision reversed / adjusted in respect of trade debts	-	(142)
Interest / mark-up income	(132,978)	(559,570)
Interest / mark-up expense	271,997	-
Gain on cross currency swap - net	(51,787)	-
Gain on revaluation of investments	(1,340)	(9,475)
Gain on revaluation of investment property	(25,713)	-
Provision reversed against claims for damages	(13,918)	(38,349)
Working capital changes	15.1 1,377,855	4,577,819
	1,959,921	5,114,117



----- (Unaudited) -----
Nine months **Nine months**
period ended **period ended**
March 31, **March 31,**
2011 **2010**
 ----- (Rupees in '000) -----

15.1 WORKING CAPITAL CHANGES

(Increase) / decrease in current assets:

Stores and spares	1,662	(2,945)
Trade debts	(268,024)	188,650
Agents' and owners' balances	(16,401)	(28,165)
Loans and advances	(86,698)	1,099
Deposits and prepayments	(8,662)	9,673
Other receivables	(35,743)	(109,891)
Incomplete voyages	19,245	10,622
Insurance claims	572	1,847
Short-term investments	-	3,900,000
	(394,049)	3,970,890
Increase in current liabilities:		
Trade and other payables	1,771,904	606,929
	<u>1,377,855</u>	<u>4,577,819</u>

----- (Unaudited) -----
March 31, **March 31,**
2011 **2010**
 ----- (Rupees in '000) -----

16. CASH AND CASH EQUIVALENTS

Short-term investments	600,000	-
Cash and bank balances	1,977,154	4,653,164
	<u>2,577,154</u>	<u>4,653,164</u>

17. 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 of particulars	Relationship with the Corporation	(Unaudited)	
		Nine months period ended	Nine months period ended
		March 31, 2011	March 31, 2010
		----- (Rupees in '000) -----	
Service fee charged to subsidiary companies	Subsidiary	198,323	174,055
Rental expense of Pakistan Co-operative Ship Stores (Private) Limited	Subsidiary	366	436
Delivery of stores and spares to subsidiary companies	Subsidiary	13,636	13,182
Retirement benefits costs charged to subsidiaries	Subsidiary	3,816	5,032
Contribution to provident fund		8,032	6,618
Directors' fee		280	490
Key management personnel compensation		17,048	15,329
Advance against future issue of shares to			
Malakand Shipping (Private) Limited	Subsidiary	3,313,807	-
Chitral Shipping (Private) Limited	Subsidiary	2,659,081	-
Karachi Shipping (Private) Limited		-	3,366,533
Lahore Shipping (Private) Limited		-	326,821
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	-
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	-	3,450
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

17.1 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.

18. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 26, 2011 by the Board of Directors of the Corporation.

Vice Admiral (Retd) Saleem Ahmed Meenai
Chairman

Khawaja Obaid Imran Ilyas
Director



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