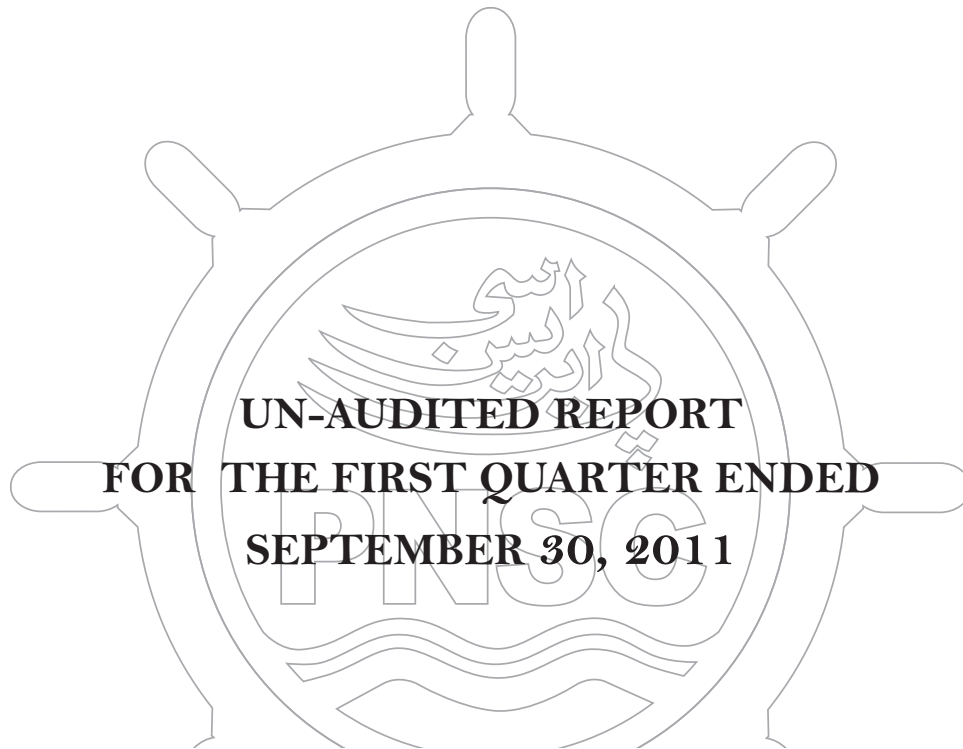

PAKISTAN NATIONAL SHIPPING CORPORATION





CORPORATE INFORMATION

BOARD	:	Vice Admiral (Retd.) Saleem Ahmed Meenai H.I (M) Chairman
		Capt. Anwar Shah Member
		Mr. Seerat Asghar Jaura Member
		Capt. S. Akhlaq Hussain Abidi Member
		Mr. Khowaja Obaid Imran Ilyas Member
AUDIT COMMITTEE OF THE BOARD	:	Mr. Khowaja Obaid Imran Ilyas Chairman Capt. Syed Akhlaq Hussain Abidi Member
CHIEF FINANCIAL OFFICER	:	Mr. Imtiaz C. Agboatwala
SECRETARY	:	Ms. Zainab Suleman
CHIEF INTERNAL AUDITOR	:	Mr. Muhammad Reyaz
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	:	Bank Al-Falah Limited Barclays Bank Pakistan PLC Faysal Bank Limited Habib Bank Limited JS Bank Limited National Bank Of Pakistan Silk Bank Standard Chartered Bank United Bank Limited National Bank Of Pakistan Tokyo National Bank Of Pakistan Hong Kong Bank Al-Falah, Bahrain



Pakistan National Shipping Corporation

**PAKISTAN NATIONAL SHIPPING CORPORATION
DIRECTORS' REPORT
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2011**

The Directors of Pakistan National Shipping Corporation (PNSC) are pleased to present the un-audited financial statements for the first quarter ended September 30, 2011.

OVERVIEW

The PNSC Group achieved a turnover of Rs 2,332 million (including Rs 478 million from PNSC) as compared to Rs 2,158 million (including Rs 319 million from PNSC) for the similar period last year showing an increase of 8%. The Gross Profit for the period ended September 30, 2011 was Rs 522 million as against Rs 533 million for the same period last year. Despite softening of freight market and global economic slowdown, PNSC was able to achieve a Net After Tax Profit of Rs 216 million, during this period.

FUTURE PROSPECTS

The Corporation is gradually adding more vessels to its fleet, to replace older ones being scrapped and adding to the tonnage.

CAPT. ANWAR SHAH
DIRECTOR

Karachi: October 25, 2011



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
INTERIM CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 2011**

	Note	(Unaudited) September 30, 2011	(Audited) June 30, 2011
----- (Rupees in '000) -----			
NON-CURRENT ASSETS			
Property, plant and equipment	3	23,709,009	23,975,314
Investment properties		997,133	996,638
Long-term investments in listed companies and an other entity		26,056	26,883
Long-term loans		167	214
Long-term deposits		90	90
Deferred tax - net		18,890	18,890
		24,751,345	25,018,029
CURRENT ASSETS			
Stores and spares		615,480	537,248
Trade debts	4	1,082,425	654,580
Agents' and owners' balances		4,370	6,443
Loans and advances		54,475	62,618
Deposits and short term prepayments	5	35,658	28,079
Interest / mark-up accrued		3,228	2,582
Other receivables	6	308,353	240,382
Incomplete voyages		-	92,992
Insurance claims		40,377	36,672
Taxation		61,716	28,158
Short-term investments		580,200	477,300
Cash and bank balances		1,487,998	2,100,797
		4,274,280	4,267,851
TOTAL ASSETS		29,025,625	29,285,880
EQUITY AND LIABILITIES			
Share capital		1,320,634	1,320,634
Reserves		17,027,442	16,785,737
		18,348,076	18,106,371
NON-CONTROLLING INTEREST		2,709	1,560
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		18,350,785	18,107,931
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX			
- Group		1,202,071	1,227,292
- Non-controlling interest		1,152	1,287
		1,203,223	1,228,579
NON-CURRENT LIABILITIES			
Long-term Financing	7	6,674,309	6,941,693
Deferred liabilities		359,350	320,395
		7,033,659	7,262,088
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	8	1,141,243	1,414,283
Provision against damage claims		28,327	28,327
Accrued mark-up		129,481	134,898
Current portion of long-term financing		1,079,763	1,079,763
Incomplete voyages		31,578	-
Taxation - net		27,566	30,011
		2,437,958	2,687,282
TOTAL EQUITY AND LIABILITIES		29,025,625	29,285,880
CONTINGENCIES AND COMMITMENTS	9		

The annexed notes 1 to 13 form an integral part of these consolidated financial statements.

Capt. Anwar Shah
Director

Khowaja Obaid Imran Ilyas
Director

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the Chief Executive was out of the country on the date of the Board Meeting, therefore, these interim condensed consolidated financial statements have been signed by two directors of the Corporation as required under the section 241(2) of the Companies Ordinance, 1984.



Pakistan National Shipping Corporation

**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Quarter ended September 30, 2011	Quarter ended September 30, 2010
	----- (Rupees in '000) -----	
REVENUES		
Income from shipping business	2,307,434	2,133,563
Rental income	24,167	24,217
	2,331,601	2,157,780
EXPENDITURE		
Fleet expenses - direct	1,784,428	1,606,212
- indirect	3,688	2,982
Real estate expenses	21,260	15,156
	1,809,376	1,624,350
GROSS PROFIT	522,225	533,430
Administrative and general expenses	142,566	136,740
Other operating expenses	62,604	31,443
Finance costs	117,799	1,002
	322,969	169,185
Other operating income	74,904	63,403
PROFIT BEFORE TAXATION	274,160	427,648
Taxation	57,701	76,091
PROFIT AFTER TAXATION	216,459	351,557
Attributable to:		
Equity holders of the Group	216,352	351,463
Non-controlling interest	107	94
	216,459	351,557
	----- (Rupees) -----	
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP - BASIC & DILUTED	1.64	2.66

The annexed notes 1 to 13 form an integral part of these consolidated financial statements.

Capt. Anwar Shah
Director

Khowaja Obaid Imran Ilyas
Director

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the Chief Executive was out of the country on the date of the Board Meeting, therefore, these interim condensed consolidated financial statements have been signed by two directors of the Corporation as required under the section 241(2) of the Companies Ordinance, 1984.



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Issued, subscribed and paid-up share capital	Capital Reserve	Revenue reserve		Non-controlling interest	Total
			General Reserve	Unappropriated profit		
(Rupees in '000)						
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 first quarter ended September 30, 2010	-	-	-	351,463	94	351,557
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period - net of tax	-	-	-	20,158	-	20,158
Total income credited to equity				371,621	94	371,715
Balance as at September 30, 2010	1,320,634	131,344	129,307	15,560,398	2,329	17,144,012
Balance at July 1, 2011	1,320,634	131,344	129,307	16,525,086	1,560	18,107,931
Total comprehensive income for the first quarter ended September 30, 2011	-	-	-	216,352	107	216,459
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets for the period - net of tax	-	-	-	25,353	-	25,353
Total income credited to equity				241,705	107	241,812
Balance as at September 30, 2011	1,320,634	131,344	129,307	16,766,791	1,667	18,349,743

The annexed notes 1 to 13 form an integral part of these consolidated financial statements.

Capt. Anwar Shah
Director

Khowaja Obaid Imran Ilyas
Director

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the Chief Executive was out of the country on the date of the Board Meeting, therefore, these interim condensed consolidated financial statements have been signed by two directors of the Corporation as required under the section 241(2) of the Companies Ordinance, 1984.



Pakistan National Shipping Corporation

**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Note	Quarter ended September 30, 2011	Quarter ended September 30, 2010
------(Rupees in '000)-----			
Cash flows from operating activities			
Cash generated from operations	10	46,765	82,209
Employees' gratuity paid		(68)	(83)
Employees' compensated absences paid		(13,895)	(11,964)
Post retirement medical benefits paid		(1,879)	(2,394)
Long-term loans		47	91
Finance Cost paid		(318,223)	-
Received from cross currency interest rate swap		122,144	-
Taxes paid		(93,706)	(39,367)
Net cash (used in) / generated from operating activities		(258,815)	28,492
Cash flows from investing activities			
Fixed capital expenditure		(35,012)	(1,241,710)
Proceeds from disposal of property, plant and equipment		7,529	-
Interest / mark-up received		46,404	37,656
Net cash generated from / (used in) investing activities		18,921	(1,204,054)
Cash flows from financing activities			
Repayment of long-term financing		(269,940)	-
Dividend paid		(65)	(141)
Net cash used in financing activities		(270,005)	(141)
Net decrease in cash and cash equivalents		(509,899)	(1,175,703)
Cash and cash equivalents at July 01		2,578,097	2,521,857
Cash and cash equivalents at September 30	11	<u>2,068,198</u>	<u>1,346,154</u>

The annexed notes 1 to 13 form an integral part of these consolidated financial statements.

Capt. Anwar Shah
Director

Khowaja Obaid Imran Ilyas
Director

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the Chief Executive was out of the country on the date of the Board Meeting, therefore, these interim condensed consolidated financial statements have been signed by two directors of the Corporation as required under the section 241(2) of the Companies Ordinance, 1984.



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 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



Pakistan National Shipping Corporation

The holding company owns 73% (2011: 73%) of the share capital of Pakistan Co-operative Ship Stores (Private) Limited and 100% (2011: 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, Swat Shipping (Private) Limited, Lalazar Shipping (Private) Limited, Johar Shipping (Private) Limited, Shalamar Shipping (Private) Limited, Khairpur Shipping (Private) Limited and Makran Shipping (Private) Limited which currently do not own any vessel / tanker.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These interim consolidated financial statements of the Group for the first quarter ended September 30, 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 September 30, 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 first quarter ended September 30, 2011.

The items of comparative consolidated balance sheet presented in these financial statements as at June 30, 2011 have been extracted from the audited consolidated financial statements of the Group for the year ended June 30, 2011 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 first quarter ended September 30, 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, 2011.

3 PROPERTY, PLANT AND EQUIPMENT

	Note	(Unaudited) September 30, 2011	(Audited) June 30, 2011
		————(Rupees in '000)————	
- Fixed assets	3.1 & 3.2	23,448,279	23,714,500
- Capital work-in-progress (CWIP)		260,730	260,814
		<u>23,709,009</u>	<u>23,975,314</u>

Quarterly Report September 30, 2011



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

	(Unaudited)	
	Quarter ended September 30, 2011	Quarter ended September 30, 2010
	----- (Rupees in '000) -----	
Vessels	1,027	-
Vehicles	1,519	-
Office machines and appliances	342	207
Furniture and fixtures	-	182
Workshop machinery and equipment	82	7
Computer equipment	63	207
Spares capitalised	15,648	-
Equipment on Board	1,834	-
Total	20,515	603

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

Net book value of assets disposed off	<u>3,344</u>	<u>-</u>
---------------------------------------	--------------	----------

	Note	(Unaudited) September 30, 2011	(Audited) June 30, 2011
		----- (Rupees in '000) -----	

4 TRADE DEBTS

- considered good		1,082,425	654,580
- considered doubtful		<u>183,448</u>	<u>183,448</u>
		1,265,873	838,028
Less: Provision for impairment	4.1	<u>183,448</u>	<u>183,448</u>
		<u>1,082,425</u>	<u>654,580</u>

4.1 Provision for impairment

Balance at the beginning of the period		183,448	183,418
Provision made during the period		-	30
Balance at the end of the period		<u>183,448</u>	<u>183,448</u>

The ageing analysis of trade debts is as follows:

Upto 1 month	398,234	306,860
1 month to 6 months	488,060	180,249
More than 6 months	196,131	167,471
	<u>1,082,425</u>	<u>654,580</u>

As at September 30, 2011, trade receivables of Rs. 183.448 million (June 30, 2011 Rs. 183.448 million) were impaired and provided for. The ageing of these receivables is as follows:



Pakistan National Shipping Corporation

	Note	(Unaudited) September 30, 2011	(Audited) June 30, 2011
------(Rupees in '000)-----			
one to three years		39,093	39,093
three years to five years		62,833	84,180
five years and over		81,522	60,175
		<u>183,448</u>	<u>183,448</u>
5 DEPOSITS AND SHORT-TERM PREPAYMENTS			
Deposits			
Trade:			
- considered good		1,947	2,422
- considered doubtful		184	184
		2,131	2,606
Less: Provision for impairment - trade		184	184
		<u>1,947</u>	<u>2,422</u>
Others:			
- considered good		3,824	4,253
- considered doubtful		185	185
		4,009	4,438
Less: Provision for impairment - others		185	185
		<u>3,824</u>	<u>4,253</u>
Prepayments		11,385	2,902
Unamortised transaction cost	7.1	18,502	18,502
		<u>35,658</u>	<u>28,079</u>
6 OTHER RECEIVABLES			
Rent receivable:			
- considered good		6,144	6,184
- considered doubtful		4,600	4,600
		10,744	10,784
Less: provision for impairment of rent receivable	6.1	4,600	4,600
		<u>6,144</u>	<u>6,184</u>
Derivative cross currency interest rate swap	6.2	158,979	87,960
Others:			
- considered good		143,230	146,238
- considered doubtful		12,659	12,659
		155,889	158,897
Less: provision for impairment of other receivables	6.3	12,659	12,659
		<u>143,230</u>	<u>146,238</u>
		<u>308,353</u>	<u>240,382</u>

Quarterly Report September 30, 2011



	(Unaudited) September 30, 2011	(Audited) June 30, 2011
	------(Rupees in '000)-----	
6.1 Provision for impairment of rent receivables		
Balance at the beginning of the period	4,600	4,359
Provision made during the period	-	241
Balance at the end of the period	<u>4,600</u>	<u>4,600</u>

6.2 The holding company has entered into a cross currency interest rate swap of Rs 8,513.300 million for its borrowing (note 8). Under the terms of the cross currency swap arrangement, the holding company 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 holding company 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 0.684 million (favourable) to the holding company as of the balance sheet date which has been increased by the net interest receivable and exchange loss amounting to Rs 158.295 million as at September 30, 2011.

	Note	(Unaudited) September 30, 2011	(Audited) June 30, 2011
		------(Rupees in '000)-----	
6.3 Provision for impairment of other receivables			
Balance at the beginning of the period		12,659	8,851
Provision made during the period		-	3,808
Balance at the end of the period		<u>12,659</u>	<u>12,659</u>

7 LONG-TERM FINANCING

Financing under syndicate term finance agreement	7.1	<u>6,775,402</u>	7,009,039
Less: current maturity		<u>943,482</u>	943,482
		5,831,920	6,065,557
Term Finance Certificiates	7.1	<u>978,670</u>	1,012,417
Less: current maturity		<u>136,281</u>	136,281
		842,389	876,136
		<u>6,674,309</u>	<u>6,941,693</u>

7.1 The holding company has obtained financing of Rs. 10,300 million in the form of a syndicated term finance loan of Rs 9,000 million and the remaining amount of Rs 1,300 million, which will be obtained by issuing redeemable capital in the form of Term Finance Certificiates (TFCs) with a face value of Rs 5,000 each by way of private placement.



Pakistan National Shipping Corporation

The holding company can draw down the amount till February 1, 2012. The financing carries mark-up of KIBOR + 2.20%. The loan along with the mark-up is repayable on quarterly basis and the last repayment date is November 23, 2018. The facility is secured by a first mortgage charge over certain vessels owned by the Group, all present and future receivables of the holding company from three major customers and its investment properties.

As at September 30, 2011, the holding company has drawn Rs 7,438.806 million (June 30, 2011: Rs 7,438.806 million) and Rs 1,074.494 million (June 30, 2011: Rs 1,074.494 million) from syndicated term finance and TFCs' respectively. The holding company has also paid loan arrangement fee amounting to Rs 106.662 million out of which Rs 88.160 million (June 30, 2011: Rs 88.160 million) was included in the amortised cost of the long term financing whereas the unamortised portion amounting to Rs 18.502 million (June 30, 2011: Rs 18.502 million) has been included in deposits and short-term prepayments (note 5).

	Note	(Unaudited) September 30, 2011	(Audited) June 30, 2011
(Rupees in '000)			
8	TRADE AND OTHER PAYABLES		
	Creditors	164,432	128,748
	Agents' and owners' balances	102,490	114,232
	Accrued liabilities	587,133	646,553
	Deposits	8.1 30,810	23,257
	Workers' Profits Participation Fund	8.2 (1,329)	50,194
	Unclaimed dividends	24,967	22,380
	Advance from customers	137,575	31,317
	Other liabilities		
	- amounts retained from contractors	25,294	28,022
	- others	69,871	45,882
		95,165	73,904
		<u>1,141,243</u>	<u>1,090,585</u>
8.1	These deposits are interest free and are repayable on demand or on completion of specific contracts.		
8.2	Workers' Profits Participation Fund		
	Balance at the beginning of the period	11,503	50,194
	Allocation for the period / year	-	11,503
	Interest on fund utilised during the period / year	168	143
		11,671	61,840
		13,000	50,337
		<u>(1,329)</u>	<u>11,503</u>
9	CONTINGENCIES AND COMMITMENTS		
	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, 2011.		
		(Unaudited) September 30, 2011	(Audited) June 30, 2011
(Rupees in '000)			
9.2	Commitments for capital expenditure	171,437	165,029
9.3	Outstanding letters of guarantee	2,126	2,126

Quarterly Report September 30, 2011



		(Unaudited)	
Note	Quarter ended September 30, 2011	Quarter ended September 30, 2010	
----- (Rupees in '000) -----			
10	CASH GENERATED FROM OPERATIONS		
	Profit before taxation	274,160	427,648
	Adjustments for non cash charges and other items:		
	Depreciation	298,519	272,235
	Profit on disposal of property, plant and equipment	(4,185)	-
	Gain on cross currency swap - net	(193,163)	-
	Provision for employees' gratuity	28,860	2,694
	Provision for employees' compensated absences	15,159	12,660
	Provision for post retirement medical benefits	10,778	6,175
	Interest / mark-up income	(47,050)	(46,518)
	Interest / mark-up expense	315,362	-
	Loss / (gain) on revaluation of investments	827	(1,454)
	Working capital changes	(652,502)	(591,231)
	10.1	<u>46,765</u>	<u>82,209</u>
10.1	Working capital changes		
	(Increase) / decrease in current assets		
	Stores and spares	(78,232)	145,326
	Trade debts	(427,845)	(264,821)
	Agents' and owners' balances	2,073	(38,720)
	Loans and advances	8,143	(51,153)
	Deposits and prepayments	(7,579)	(9,921)
	Other receivables	3,048	(90,562)
	Incomplete voyages	124,570	(8,503)
	Insurance claims	(3,705)	1,331
		(379,527)	(317,023)
	Increase / (decrease) in current liabilities		
	Trade and other payables	(272,975)	(274,208)
		<u>(652,502)</u>	<u>(591,231)</u>
	Note		
		(Unaudited)	
		September 30, 2011	September 30, 2010
		----- (Rupees in '000) -----	
11	CASH AND CASH EQUIVALENTS		
	Short-term investments	580,200	700,000
	Cash and bank balances	1,487,998	646,152
	11	<u>2,068,198</u>	<u>1,346,152</u>



Pakistan National Shipping Corporation

12 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 Corporation	Quarter ended September 30, 2011	Quarter ended September 30, 2010
----- (Rupees in '000) -----			
Contribution to provident fund	Associate	2,794	2,406
Directors' fee	Associate	100	90
Key management personnel compensation		6,376	7,046

13 DATE OF AUTHORISATION

These financial statements were authorised for issue on October 25 , 2011 by the Board of Directors of the holding company.

Capt. Anwar Shah
Director

Khowaja Obaid Imran Ilyas
Director

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the Chief Executive was out of the country on the date of the Board Meeting, therefore, these interim condensed consolidated financial statements have been signed by two directors of the Corporation as required under the section 241(2) of the Companies Ordinance, 1984.

Quarterly Report September 30, 2011



PAKISTAN NATIONAL SHIPPING CORPORATION

UN-AUDITED

INTERIM FINANCIAL STATEMENTS

FOR THE QUARTER ENDED

SEPTEMBER 30, 2011



Pakistan National Shipping Corporation



**PAKISTAN NATIONAL SHIPPING CORPORATION
INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2011**

	Note	(Unaudited) September 30, 2011	(Audited) June 30, 2011
—————(Rupees in '000)—————			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	3	1,388,704	1,408,252
Investment properties		997,133	996,638
Long-term investments in:			
- Related parties (subsidiaries and an associate)		19,197,791	19,197,791
- Listed companies and an other entity		26,056	26,883
		19,223,847	19,224,674
Long-term loans and advances			
- Related parties (subsidiaries)	4	4,655,158	4,655,158
- Others		167	214
		4,655,325	4,655,372
Deferred tax - net		18,890	18,890
		26,283,899	26,303,826
CURRENT ASSETS			
Stores and spares		19,060	20,499
Trade debts	5	429,496	272,125
Agents' and owners' balances		4,202	6,443
Loans and advances		53,846	62,384
Deposits and short term prepayments	6	35,203	27,550
Interest / mark-up accrued		2,978	2,505
Other receivables	7	168,658	328,364
Incomplete voyages		2,816	18,532
Insurance claims		-	30
Taxation		32,017	-
Short-term investments		574,800	471,900
Cash and bank balances		1,486,152	2,098,976
		2,809,228	3,309,308
TOTAL ASSETS		29,093,127	29,613,134
EQUITY AND LIABILITIES			
Share capital		1,320,634	1,320,634
Reserves		5,595,237	5,565,343
		6,915,871	6,885,977
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX		660,565	662,817
NON-CURRENT LIABILITIES			
Deferred liabilities		359,350	320,395
Long term financing	8	6,674,309	6,941,694
		7,033,659	7,262,089
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	9	13,245,461	13,531,891
Provision against damage claims		28,327	28,327
Current maturity of long-term financing	8	1,079,763	1,079,763
Accrued markup		129,481	134,898
Taxation - net		-	27,372
		14,483,032	14,802,251
TOTAL EQUITY AND LIABILITIES		29,093,127	29,613,134
CONTINGENCIES AND COMMITMENTS	10		
The annexed notes 1 to 14 form an integral part of these financial statements.			

Capt. Anwar Shah
Director

Khowaja Obaid Imran Ilyas
Director

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the Chief Executive was out of the country on the date of the Board Meeting, therefore, these interim condensed consolidated financial statements have been signed by two directors of the Corporation as required under the section 241(2) of the Companies Ordinance, 1984.



Pakistan National Shipping Corporation

**PAKISTAN NATIONAL SHIPPING CORPORATION
INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Quarter ended September 30, 2011	Quarter ended September 30, 2010
	----- (Rupees in '000) -----	
REVENUES		
Chartering revenues	453,671	295,279
Services fee	74,152	73,532
Rental income	23,986	24,048
	<u>551,809</u>	<u>392,859</u>
EXPENDITURE		
Fleet expenses - direct	234,498	174,677
- indirect	3,371	2,842
Vessel mangement expenses	120,447	120,375
Real estate expenses	21,260	15,156
	<u>379,576</u>	<u>313,050</u>
GROSS PROFIT	<u>172,233</u>	<u>79,809</u>
Administrative and general expenses	18,217	13,908
Other operating expenses	59,886	29,905
Finance costs	117,327	493
	<u>195,430</u>	<u>44,306</u>
Other operating income	73,637	62,902
PROFIT BEFORE TAXATION	<u>50,440</u>	<u>98,405</u>
Taxation	22,797	68,271
PROFIT AFTER TAXATION	<u>27,643</u>	<u>30,134</u>
EARNINGS PER SHARE - basic & diluted	<u>0.21</u>	<u>0.23</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Capt. Anwar Shah
Director

Khowaja Obaid Imran Ilyas
Director

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

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**PAKISTAN NATIONAL SHIPPING CORPORATION
INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Issued, subscribed and paid-up share capital	Capital Reserve	Unappropriated profit	Total
----- (Rupees in '000) -----				
Balance as at June 30, 2010	1,320,634	126,843	5,014,138	6,461,615
Total comprehensive income for the first quarter ended September 30, 2010	-	-	30,134	30,134
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	-	-	2,107	2,107
Balance as at September 30, 2010	1,320,634	126,843	5,046,379	6,493,856
Balance at July 1, 2011	1,320,634	126,843	5,438,500	6,885,977
Total comprehensive income for the first quarter ended September 30, 2011	-	-	27,643	27,643
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	-	-	2,251	2,251
Balance as at September 30, 2011	1,320,634	126,843	5,468,394	6,915,871

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Capt. Anwar Shah
Director

Khowaja Obaid Imran Ilyas
Director

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the Chief Executive was out of the country on the date of the Board Meeting, therefore, these interim condensed consolidated financial statements have been signed by two directors of the Corporation as required under the section 241(2) of the Companies Ordinance, 1984.



Pakistan National Shipping Corporation

**PAKISTAN NATIONAL SHIPPING CORPORATION
INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	Note	Quarter ended September 30, 2011	Quarter ended September 30, 2010
----- (Rupees in '000) -----			
Cash flows from operating activities			
Cash generated from operations	11	(225,989)	(1,190,111)
Employees' gratuity paid		(66)	(84)
Employees' compensated absences paid		(13,702)	(11,964)
Post retirement medical benefits paid		(1,819)	(2,394)
Long-term loans and advances		47	93
Finance cost paid		(318,223)	-
Receipts under cross currency interest rate swap		122,144	-
Taxes paid		(82,186)	(33,408)
Net cash used in operating activities		<u>(519,794)</u>	<u>(1,237,868)</u>
Cash flows from investing activities			
Fixed capital expenditure		(3,582)	(24,463)
Proceeds from disposal of property, plant and equipment		7,529	-
Interest / mark-up received		46,577	37,750
Dividends received		229,352	-
Net cash generated from investing activities		279,876	62,213
Cash flows from financing activities			
Repayment of long-term financing		(269,941)	-
Dividend paid		(65)	(141)
Net cash used in financing activities		(270,006)	(141)
Net (decrease) in cash and cash equivalents		<u>(509,924)</u>	<u>(1,175,796)</u>
Cash and cash equivalents at July 1		2,570,876	2,515,185
Cash and cash equivalents at September 30	12	<u>2,606,952</u>	<u>1,339,389</u>

The annexed notes 1 to 14 form an integral part of these condensed interim financial statements.

Capt. Anwar Shah
Director

Khowaja Obaid Imran Ilyas
Director

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the Chief Executive was out of the country on the date of the Board Meeting, therefore, these interim condensed consolidated financial statements have been signed by two directors of the Corporation as required under the section 241(2) of the Companies Ordinance, 1984.



**PAKISTAN NATIONAL SHIPPING CORPORATION
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 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 first quarter ended September 30, 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 September 30, 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 first quarter ended September 30, 2011.

The comparative balance sheet, presented in these condensed interim financial statements, as at June 30, 2011 has been extracted from the audited financial statements of the Corporation for the year ended June 30, 2011 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 first quarter ended September 30, 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, 2011.



Pakistan National Shipping Corporation

	Note	(Unaudited) September 30, 2011	(Audited) June 30, 2011
----- (Rupees in '000) -----			
3. PROPERTY, PLANT AND EQUIPMENT			
- Fixed assets	3.1&3.2	1,128,190	1,150,549
- Capital work-in-progress (CWIP)		260,514	257,703
		<u>1,388,704</u>	<u>1,408,252</u>
		(Unaudited)	
		Quarter ended	Quarter ended
		September 30,	September 30,
		2011	2010
		----- (Rupees in '000) -----	
3.1	Additions to fixed assets (including transfers from CWIP) during the period mainly include:		
	Vehicles	1,519	-
	Office machines and appliances	342	207
	Furniture and fixtures	-	181
	Workshop machinery and equipment	82	7
	Computer equipment	63	207
		<u>2,006</u>	<u>602</u>
4. 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	(Audited)
		(Unaudited)	June 30,
		September 30,	2011
		----- (Rupees in '000) -----	
	Hyderabad Shipping (Private) Ltd.	2,211,395	2,211,395
	Sibi Shipping (Private) Ltd.	2,443,763	2,443,763
		<u>4,655,158</u>	<u>4,655,158</u>
5. TRADE DEBTS			
- considered good		429,496	272,125
- considered doubtful		17,625	17,625
		<u>447,121</u>	<u>289,750</u>
Less: provision for impairment	5.1	17,625	17,625
		<u>429,496</u>	<u>272,125</u>
	The ageing analysis of these trade debts is as follows:		
	Upto 1 month	84,435	172,099
	1 month to 6 months	322,040	45,141
	More than 6 months	23,021	54,885
		<u>429,496</u>	<u>272,125</u>
5.1 Provision for impairment			
Balance at the beginning of the period		17,625	17,596
Provision made during the period		-	29
Balance at the end of the period		<u>17,625</u>	<u>17,625</u>

Quarterly Report September 30, 2011



As at September 30, 2011, trade receivables of Rs 17.625 million (June 30, 2011: Rs 17.625 million) were impaired and provided for. These receivable balances are outstanding for more than three years.

	Note	(Unaudited) September 30, 2011	(Audited) June 30, 2011
----- (Rupees in '000) -----			
6. DEPOSITS AND SHORT-TERM PREPAYMENTS			
Deposits			
Trade:			
- considered good		1,900	2,375
- considered doubtful		184	184
		2,084	2,559
Less provision for impairment - trade		184	184
		1,900	2,375
Others:			
- considered good		3,824	4,252
- considered doubtful		185	185
		4,009	4,437
Less provision for impairment - others		185	185
		3,824	4,252
Prepayments		10,977	2,421
Unamortised transaction cost	8.1	18,502	18,502
		35,203	27,550
7. OTHER RECEIVABLES			
Rent receivable:			
- considered good		6,144	6,184
- considered doubtful		4,600	4,600
		10,744	10,784
Less: provision for impairment of rent receivable	7.1	4,600	4,600
		6,144	6,184
Derivative cross currency interest rate swap		158,979	87,960
Others:			
- considered good		3,535	234,220
- considered doubtful		12,659	12,659
		16,194	246,879
Less: provision for impairment of other receivables	7.3	12,659	12,659
		3,535	234,220
		168,658	328,364
7.1 Provision for impairment of rent receivables			
Balance at the beginning of the period		4,600	4,359
Provision made during the period		-	241
Balance at the end of the period		4,600	4,600



Pakistan National Shipping Corporation

- 7.2 The Corporation has entered into a cross currency interest rate swap of Rs 8,513.300 million for its borrowing (note 8). 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 0.684 million (favourable) to the Corporation as of the balance sheet date which has been increased by the net interest receivable and exchange loss amounting to Rs 158.295 million as at September 30, 2011.

	Note	(Unaudited) September 30, 2011	(Audited) June 30, 2011
		----- (Rupees in '000) -----	
7.3	Provision for impairment of other receivables		
	Balance at the beginning of the period	12,659	8,851
	Provision made during the period	-	3,808
	Balance at the end of the period	<u>12,659</u>	<u>12,659</u>

8. LONG TERM FINANCING

	Financing under syndicate term		
	finance agreement	8.1	6,775,402
	Less: current portion		943,482
			<u>5,831,920</u>
	Term Finance Certificates	8.1	978,670
	Less: current portion		136,281
			<u>842,389</u>
			<u>6,674,309</u>

- 8.1 The Corporation has obtained financing of Rs. 10,300 million in the form of a syndicated term finance loan of Rs 9,000 million and the remaining amount of Rs 1,300 million, which 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 February 1, 2012. The financing carries mark-up of KIBOR + 2.20%. The loan along with the mark-up is repayable on quarterly basis and the last repayment date is November 23, 2018. The facility is secured by a first mortgage charge over certain vessels owned by its subsidiary companies, all present and future receivables of the Corporation from three major customers and its investment properties.

As at September 30, 2011, the Corporation has drawn Rs 7,438.806 million (June 30, 2011: Rs 7,438.806 million) and Rs 1,074.494 million (June 30, 2011: Rs 1,074.494 million) 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 88.160 million (June 30, 2011: Rs 88.160 million) was included in the amortised cost of the long term financing whereas the unamortised portion amounting to Rs 18.502 million (June 30, 2011: Rs 18.502 million) has been included in deposits and short-term prepayments (note 6).

Quarterly Report September 30, 2011



	Note	(Unaudited) September 30, 2011	(Audited) June 30, 2011
----- (Rupees in '000) -----			
9. TRADE AND OTHER PAYABLES			
Creditors		50,492	115,012
Current account balances with subsidiary companies		12,710,919	12,874,760
Agents' and owners' balances		102,490	148,878
Accrued liabilities		94,680	95,543
Deposits	9.1	30,810	30,907
Workers' Profits Participation Fund	9.2	(1,329)	11,503
Unclaimed dividends		24,967	25,032
Advance from customers		137,575	136,813
Other liabilities			
- amount retained from contractors		25,294	25,740
- others		69,563	67,703
		94,857	93,443
		13,245,461	13,531,891

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

	Note	(Unaudited) September 30, 2011	(Audited) June 30, 2011
----- (Rupees in '000) -----			
9.2 Workers' Profits Participation Fund			
Balance at the beginning of the period		11,503	50,194
Allocation for the period / year		-	11,503
Interest on funds utilised during the period / year		168	143
		11,671	61,840
Less: payments made during the period / year		13,000	50,337
Balance at the end of the period / year		(1,329)	11,503

10. CONTINGENCIES AND COMMITMENTS

10.1 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, 2011.

	Note	(Unaudited) September 30, 2011	(Audited) June 30, 2011
----- (Rupees in '000) -----			
10.2 Commitments for capital expenditure		171,437	165,029
10.3 Outstanding letters of guarantee		2,126	2,126



Pakistan National Shipping Corporation

	Note	(Unaudited)	
		Quarter ended September 30, 2011	Quarter ended September 30, 2010
----- (Rupees in '000) -----			
11. CASH GENERATED FROM OPERATIONS			
Profit before taxation		50,440	98,405
Adjustments for non-cash charges and other items:			
Depreciation		21,019	9,490
Profit on disposal of fixed assets		(4,185)	-
Provision for employees' gratuity		27,435	2,273
Provision for employees' compensated absences		14,949	12,634
Provision for post retirement medical benefits		10,429	5,983
Interest / mark-up income		(47,050)	(46,518)
Interest / mark-up expense		315,362	-
Gain on cross currency swap - net		(193,163)	-
Loss / (gain) on revaluation of investments		827	(1,454)
Working capital changes	11.1	(422,052)	(1,270,923)
		<u>(225,989)</u>	<u>(1,190,110)</u>
11.1 WORKING CAPITAL CHANGES			
(Increase) / decrease in current assets:			
Stores and spares		1,439	(1,851)
Trade debts		(157,371)	75,768
Agents' and owners' balances		2,241	(344)
Loans and advances		8,538	(51,153)
Deposits and prepayments		(7,653)	(9,920)
Other receivables		1,373	(84,758)
Incomplete voyages		15,716	24,019
Insurance claims		30	519
Short-term investments		-	-
		(135,687)	(47,720)
Increase in current liabilities:			
Trade and other payables		(286,365)	(1,245,795)
Incomplete voyages		-	22,592
		<u>(422,052)</u>	<u>(1,270,923)</u>
		----- (Unaudited) -----	
		September 30, 2011	September 30, 2010
		----- (Rupees in '000) -----	
12. CASH AND CASH EQUIVALENTS			
Short-term investments		574,800	700,000
Cash and bank balances		1,486,152	639,389
		<u>2,060,952</u>	<u>1,339,389</u>



13. 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:

	Relationship with the Corporation	Quarter ended September 30, 2011	Quarter ended September 30, 2010
----- (Rupees in '000) -----			
Service fee charged to subsidiary companies	Subsidiary	74,152	73,531
Rental expense of Pakistan Co-operative Ship Stores (Private) Limited	Subsidiary	134	122
Delivery of stores and spares to subsidiary companies	Subsidiary	4,277	5,111
Retirement benefits costs charged to subsidiaries	Subsidiary	1,985	872
Contribution to provident fund		2,444	2,406
Directors' fee		100	90
Key management personnel compensation		6,376	7,0463

13.1 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.

14. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 25, 2011 by the Board of Directors of the Corporation.

Capt. Anwar Shah
Director

Khowaja Obaid Imran Ilyas
Director

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984

As the Chief Executive was out of the country on the date of the Board Meeting, therefore, these interim condensed consolidated financial statements have been signed by two directors of the Corporation as required under the section 241(2) of the Companies Ordinance, 1984.



Pakistan National Shipping Corporation



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