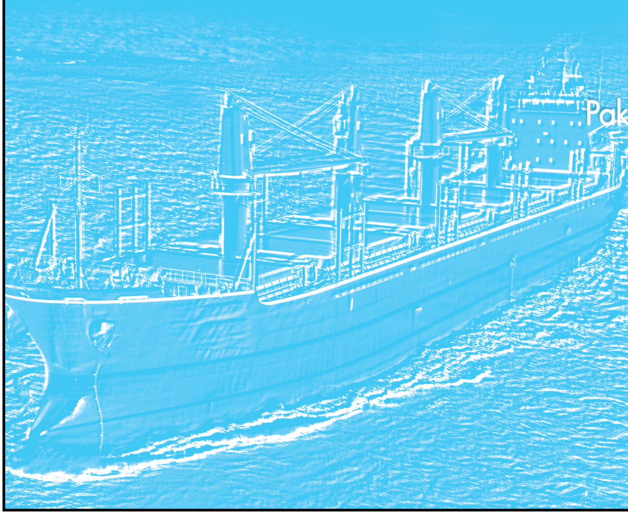
PNSC

HALF-YEAR ENDED DECEMBER 31, 2012

2012

Pakistan National Shipping Corporation



CORPORATE INFORMATION

Board of Directors

Vice Admiral (Retd) Saleem Ahmed Meenai HI (M) (Chairman)

Capt. S. Akhlaq Hussain Abidi (Member)

Vice Admiral (R) Muhammad Asad Qureshi,HI (M) (Member)

Capt. S. Kamal A. Mahmoodi (Member)

Mr. Abdur Rauf (Member)

Capt. Anwar Shah (Member)

Mr. Khowaja Obaid Imran Ilyas (Member)

Audit Committee of the Board

Mr. Khowaja Obaid Imran Ilyas (Chairman)

Capt. S. Akhlaq Hussain Abidi (Member)

Vice Admiral (R) Muhammad Asad Qureshi,HI (M) (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

Regional office

Gulberg Heights, Lower ground floor ,
Near Sherpao Bridge Gulberg, Lahore, Pakistan.

Auditors

A. F. Ferguson & Co., Chartered Accountants

Ernst & Young Ford Rhodes Sidat Hyder., Chartered Accountants

Shares Registerar

M/s Technology Trade (Pvt.) Ltd. Dagia
House 241-C, Block 2, P.E.C.H.S Off
Sharah-e-Quaideen, Karachi.

Bankers

Barclays Bank Pakistan PLC

Faysal Bank Limited

JS Bank Limited

Habib Bank Limited

National Bank of Pakistan

NIB Bank

Samba Bank Limited

Silk Bank Limited

Soneri Bank Limited

Standard Chartered Bank

Bank Alfalah, Bahrain

National Bank of Pakistan, Hong Kong

National Bank of Pakistan, Tokyo

UniCredit Bank, Italy

United Bank Limited, London

PAKISTAN NATIONAL SHIPPING CORPORATION
DIRECTORS' REPORT
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2012

The Directors of Pakistan National Shipping Corporation (PNSC) are pleased to present the accounts of PNSC Group for the six months period ended December 31, 2012. In accordance with the statutory requirements, the external auditors have carried out a limited review of financial statements of PNSC.

OVERVIEW

The consolidated revenues of the Group for the quarter ended December 31, 2012 were Rs 2,454 m (including Rs 752 m from PNSC), making a total of Rs 5,000 m (including Rs1,579 m from PNSC) for the half-year under review as against Rs 4,406 m for the half-year ended December 31, 2011.

Profit after tax for the half year ended 31 December 2012 was Rs 816 m as against Rs 264 m last year resulting in Earnings per Share (EPS) for the Group at Rs 6.18 against Rs 2.00 in the last period.

Earnings per Share (EPS) increased by three times as compared to the previous Half- Year and five times comparing last quarters of 2011 and 2012.

Expenditures have been proportionately curtailed and Cargo Volume increased.

FUTURE PROSPECTS

International shipping industry continues to operate in the worst freight rate ever in the history of the shipping world. Shipping companies are therefore perpetually making efforts to cut expenditures and maximize cargo lifting. PNSC's endeavours on similar lines have paid dividends. PNSC is also pursuing various projects with number of companies which are likely to materialize in near future and therefore future prospects in the shipping market in general and for PNSC in particular are brighter than today.

PNSC is vigorously pursuing expansion of fleet plans and their funding etc. Our national fleet is likely to grow in years ahead, Inshallah.

Vice Admiral (R) Saleem Ahmed Meenai
Chairman and Chief Executive

Karachi 20th February 2013

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
a member firm of the PwC network
STATE LIFE BUILDING 1-C
I. I. CHUNDRIGAR ROAD
KARACHI

ERNST & YOUNG FORD RHODES SIDAT HYDER
CHARTERED ACCOUNTANTS
(a member firm of Ernst & Young Global Limited)
PROGRESSIVE PLAZA
BEAUMONT ROAD
KARACHI

Introduction

We have reviewed the accompanying condensed interim balance sheet of Pakistan National Shipping Corporation as at December 31, 2012 and the related condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement together with the notes forming part thereof for the six months period then ended (here-in-after referred to as the 'condensed interim financial information'). Management is responsible for the preparation and presentation of these condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial information based on our review. The figures included in the condensed interim profit and loss account for the quarters ended December 31, 2012 and 2011 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2012.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the six months period ended December 31, 2012 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

A. F. Ferguson & Co.
Chartered Accountants
Karachi : February 20, 2013
Engagement partner: Saad Kaliya

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Karachi : February 20, 2013
Engagement partner: Shabbir Yunus

PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2012

	Note	(Unaudited) December 31, 2012	Audited June 30, 2012
		---------- (Rupees in '000)----------	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**1,519,256**	1,527,195
Investment properties		**1,080,596**	1,080,596
Long-term investments in:			
- Related parties (subsidiaries and an associate)		**23,852,949**	23,852,949
- Listed companies and an entity		**22,380**	22,453
		23,875,329	23,875,402
Long-term loans and advances			
- Advance against shares	5	**1,336,115**	-
- Others		**41**	72
		1,336,156	72
Deferred tax - net		**45,254**	134,126
		27,856,591	26,617,392
CURRENT ASSETS			
Stores and spares		**38,247**	16,807
Trade debts	6	**405,249**	189,732
Agents' and owners' balances		**2,134**	529
Loans and advances		**54,438**	32,647
Deposits and short-term prepayments		**26,574**	26,648
Interest / mark-up accrued on bank deposits and investments		**9,807**	9,390
Other receivables		**23,279**	12,234
Incomplete voyages		**52,538**	63,536
Insurance claims		**-**	47
Taxation - net		**178,258**	242,769
Short-term investments	7	**1,488,360**	1,525,475
Cash and bank balances		**2,023,620**	1,740,027
		4,302,504	3,859,841
TOTAL ASSETS		**32,159,095**	30,477,233
EQUITY AND LIABILITIES			
Share Capital:			
Authorised (200,000,000 Ordinary shares of Rs 10 each)		**2,000,000**	2,000,000
Issued, subscribed and paid-up capital		**1,320,634**	1,320,634
Reserves		**5,148,995**	5,107,078
		6,469,629	6,427,712
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX		**774,469**	777,285
NON-CURRENT LIABILITIES			
Long-term financing	8	**6,516,242**	5,878,870
Deferred liabilities		**580,598**	583,701
Advance rent		**-**	11,349
		7,096,840	6,473,920
CURRENT LIABILITIES			
Trade and other payables	9	**16,385,327**	15,592,479
Provision against damage claims		**17,509**	20,111
Current maturity of long-term financing	8	**1,316,882**	1,079,763
Accrued mark-up on long-term financing		**98,439**	105,963
		17,818,157	16,798,316
TOTAL EQUITY AND LIABILITES		**32,159,095**	30,477,233
CONTINGENCIES AND COMMITMENTS	10		

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

Chairman & Chief Executive **Director**

PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2012 (UNAUDITED)

	Quarter ended December 31, 2012	Quarter ended December 31, 2011 (Restated)	**Six months period ended December 31, 2012**	Six months period ended December 31, 2011 (Restated)
	(Rupees in '000)			
REVENUES				
Chartering revenue	**717,752**	584,084	**1,521,739**	1,037,755
Services fees	**68,094**	58,887	**136,816**	133,039
Rental income	**33,783**	17,412	**57,724**	41,398
Dividend income from subsidiaries	**-**	235,469	-	235,469
	819,629	895,852	**1,716,279**	1,447,661
EXPENDITURE				
Fleet expenses - direct	**433,466**	309,798	**857,479**	544,296
- indirect	**8,315**	2,876	**15,046**	6,247
Vessel management expenses	**133,689**	106,430	**244,737**	226,877
Real estate expenses	**16,569**	30,657	**30,362**	51,917
	592,039	449,761	**1,147,624**	829,337
GROSS PROFIT	**227,590**	446,091	**568,655**	618,324
Administrative and general expenses	**44,759**	27,270	**83,069**	45,487
Other operating expenses	**37,795**	53,483	**76,038**	113,369
Finance costs	**114,019**	409,247	**391,377**	526,574
	196,573	490,000	**550,484**	685,430
Other operating income	**268,104**	80,951	**348,155**	154,588
PROFIT BEFORE TAXATION	**299,121**	37,042	**366,326**	87,482
Taxation	**205,223**	17,992	**261,690**	40,789
PROFIT AFTER TAXATION	**93,898**	19,050	**104,636**	46,693
Other comprehensive income	**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME	**93,898**	19,050	**104,636**	46,693
	(Rupees)			
EARNINGS PER SHARE				
Basic and Diluted	**0.71**	0.14	**0.79**	0.35

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

Chairman & Chief Executive **Director**

PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2012 (UNAUDITED)

	Issued, subscribed and paid-up share capital	Capital Reserve	Revenue reserve Actuarial losses	Revenue reserve Unappropriated profit	Total
	------------ (Rupees in '000) ------------				
Balance as at July 1, 2011 - as restated (note 3.3)	1,320,634	126,843	(89,833)	5,423,716	6,781,360
Final cash dividend for the year ended June 30, 2011 (Re 1 per ordinary share of Rs 10 each)	-	-	-	(132,063)	(132,063)
Total comprehensive income for the six months period ended December 31, 2011 - restated (note 3.3)	-	-	-	46,693	46,693
Surplus on revaluation of fixed assets realised through incremental depreciation charged during the current year on related assets - net of tax recognised directly in equity	-	-	-	7,837	7,837
Balance as at December 31, 2011 - as restated (note 3.3)	1,320,634	126,843	(89,833)	5,346,183	6,703,827
Balance as at July 1, 2012	1,320,634	126,843	(154,433)	5,134,668	6,427,712
Final cash dividend for the year ended June 30, 2012 (Re 0.5 per ordinary share of Rs 10 each)	-	-	-	(66,032)	(66,032)
Total comprehensive income for the six months period ended December 31, 2012	-	-	-	104,636	104,636
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	-	-	-	3,313	3,313
Balance as at December 31, 2012	1,320,634	126,843	(154,433)	5,176,585	6,469,629

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

Chairman & Chief Executive **Director**

PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2012 (UNAUDITED)

	Note	**Six months period ended December 31, 2012**	Six months period ended December 31, 2011 (Re-stated)
		----------(Rupees in '000)----------	
Cash flows from operating activities			
Cash generated from operations	11	**1,295,631**	581,270
Employees' gratuity paid		**(50,699)**	(20,217)
Employees' compensated absences paid		**(22,006)**	(27,847)
Post retirement medical benefits paid		**(6,324)**	(5,684)
Long-term loans and advances		**31**	85
Finance costs paid		**(518,452)**	(624,482)
Receipts under cross currency and interest rate swap - net		**3,974**	305,841
Damage claim paid		**(451)**	-
Taxes paid		**(107,809)**	(107,899)
Net cash generated from operating activities		**593,895**	101,067
Cash flows from investing activities			
Fixed capital expenditure		**(16,485)**	(19,368)
Proceeds from disposal of property, plant and equipment		**611**	7,529
Additions in investment properties		**-**	(991)
Long-term loans and advances - related parties		**(1,336,115)**	
Purchase of short-term investments		**(397,090)**	(100,000)
Interest / mark-up received		**129,871**	95,133
Dividends received		**219**	229,498
Net cash (used in) / generated from investing activities		**(1,618,989)**	211,801
Cash flows from financing activities			
Long-term financing obtained / (repaid) - net		**874,491**	(539,881)
Dividends paid		**(9)**	(128,012)
Net cash generated from / (used in) financing activities		**874,482**	(667,893)
Net decrease in cash and cash equivalents		**(150,612)**	(355,025)
Cash and cash equivalents at the beginning of period		**3,265,502**	2,570,876
Cash and cash equivalents at the end of the period	12	**3,114,890**	2,215,851

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

Chairman & Chief Executive **Director**

PAKISTAN NATIONAL SHIPPING CORPORATION
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2012 (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 at 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 condensed interim 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. STATEMENT OF COMPLIANCE

These condensed interim financial statements of the Corporation for the six months period ended December 31, 2012 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 or directives of the Companies Ordinance, 1984 shall prevail.

These condensed interim financial statements comprise of the condensed interim balance sheet as at December 31, 2012 and the condensed interim profit and loss account, condensed interim statement of changes in equity and the condensed interim cash flow statement for the six months period ended December 31, 2012 which have been subjected to a review in accordance with the listing regulations but not audited. These condensed interim financial statements also include the condensed interim profit and loss account for the quarter ended December 31, 2012 which is not subjected to review.

The comparative balance sheet, presented in these condensed interim financial statements, as at June 30, 2012 has been extracted from the audited financial statements of the Corporation for the year ended June 30, 2012 whereas the comparative condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement are for the six months period ended December 31, 2011 which were subject to review but not audited.

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended June 30, 2012.

3. SUMMARY OF SIGNIFICANT 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, 2012 except for change in estimate as disclosed in note 4.4 below.

3.1.1 Standards, amendments and interpretations effective for the periods beginning from July 1, 2012:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or have any significant effect on the Corporation's operations and are, therefore, not disclosed in these condensed interim financial statements.

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

There are certain standards, amendments and interpretations to approved accounting standards that are effective for accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or do not have any significant effect on the Corporation's operations and are therefore not detailed in these condensed interim financial statements.

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

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

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

The Scheme, developed in compliance with the stated GoP policy of the empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the Corporation, under the provisions of amended International Financial Reporting Standard-2 'Share Based Payments' (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan on receiving the representation from some of the entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan, has granted exemption vide SRO 587(I)/2011 dated June 7, 2011 to such entities from application of IFRS 2 to the Scheme.

Had the exemption not been granted, the impact for the six months period ended December 31, 2012 and 2011 would have been as follows:

	(Unaudited)	
	Six months period ended December 31, 2012	Six months period ended December 31, 2011
	(Rupees in '000)	
Staff costs of the Corporation for the period would have been higher by	61,245	64,787
Profit after taxation would have been lower by	61,245	64,787
Earnings per share would have been lower by	0.46	0.49
Retained earnings would have been lower by	519,602	400,654
Reserves would have been higher by	519,602	400,654

3.3 Certain comparative information for the six months period ended December 31, 2012 has been restated due to the change in accounting policy in respect of recognition of actuarial gains or losses immediately in 'other comprehensive income' as a result of the early adoption of changes in IAS 19, 'Employee Benefits (Amendments)' by the Corporation, as more fully explained in note 4.2.1 and 6 to the financial statements of the Corporation for the year ended June 30, 2012.

	Note	(Unaudited) December 31, 2012	(Audited) June 30, 2012
		(Rupees in '000)	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1 and 4.2	**1,215,780**	1,239,543
Capital work-in-progress (CWIP)	4.3	**303,476**	287,652
		1,519,256	1,527,195

	(Unaudited) Six months period ended December 31, 2012	Six months period ended December 31, 2011
	(Rupees in '000)	
4.1 Additions to fixed assets (including transfers from CWIP) during the period mainly include:		
Buildings on leasehold land	**49**	6,534
Vehicles	**-**	2,217
Office machines and appliances	**533**	625
Furniture and fixtures	**-**	90
Equipment on board	**-**	952
Workshop machinery and equipment	**-**	113
Computer equipment	**79**	336
	661	10,867
4.2 Details of fixed assets disposed off during the period:		
Net book value of assets disposed off	**7**	3,344

4.3 During the period, additions to capital work-in-progress mainly include expenditure incurred for renovation / refurbishment of PNSC building, aggregating to Rs 15.663 million (2011: Rs 8.653 million).

4.4 During the current period, the Corporation has revised its estimate in respect of useful life of building on leasehold land and beach huts on the basis of its engineering consultant. Had there been no change in estimated useful lives of the aforementioned assets, depreciation expense for the period would have been higher by Rs 27.226 million.

	Note	(Unaudited) December 31, 2012	(Audited) June 30, 2012
		(Rupees in '000)	
5. ADVANCE AGAINST SHARES			
Related party (subsidiary)	5.1	**1,336,115**	-

5.1 This represents amount paid by the Corporation, as an advance against future issue of shares, to its wholly owned subsidiary, Multan Shipping (Private) Limited.

	Note	(Unaudited) December 31, 2012	(Audited) June 30, 2012
		(Rupees in '000)	
6. TRADE DEBTS			
Considered good	6.1	**405,249**	189,732
Considered doubtful		**17,625**	17,625
		422,874	207,357
Provision for impairment	6.2	**(17,625)**	(17,625)
		405,249	189,732

6.1 The ageing analysis of these trade debts that are past due but not impaired is as follows:

	Note	(Unaudited) December 31, 2012	(Audited) June 30, 2012
		(Rupees in '000)	
Upto 1 month		**65,137**	12,218
1 month to 6 months		**269,011**	151,090
More than 6 months		**71,101**	26,424
		405,249	189,732

6.2 As at December 31, 2012, trade debts of Rs 17.625 million (June 30, 2012: Rs 17.625 million) were impaired and provided for. These balances were outstanding for more than three years.

7. SHORT-TERM INVESTMENTS

	(Unaudited) December 31, 2012	(Audited) June 30, 2012
	(Rupees in '000)	
Term deposits with banks, having maturity of:		
- more than six months	**100,000**	-
- three to six months	**297,090**	-
- three months or less	**1,091,270**	1,525,475
	1,488,360	1,525,475

7.1 The mark-up on term deposits denominated in local currency ranges between 9% and 10.2% (June 30, 2012: 11%.to 13.8%) per annum, whereas mark-up on term deposits denominated in foreign currency ranges between 2.5% and 2.95% (June 30, 2012: 2.2% to 2.5%) per annum.

8. LONG-TERM FINANCING

	Note	(Unaudited) December 31, 2012	(Audited) June 30, 2012
		(Rupees in '000)	
Financing under Syndicated term finance agreement	8.1	**6,844,478**	6,080,359
Current maturity shown under current liabilities		**(1,150,674)**	(943,482)
		5,693,804	5,136,877
Term Finance Certificates	8.1	**988,646**	878,274
Current maturity shown under current liabilities		**(166,208)**	(136,281)
		822,438	741,993
		6,516,242	5,878,870

8.1 "During the year ended June 30, 2011, the Corporation obtained a financing facility of Rs 10,300 million. The financing was obtained in the form of a syndicated term finance loan of Rs 9,000 million and the remaining amount of Rs 1,300 million in the form of Term Finance Certificate (TFCs) with the face value of Rs 5,000 each by way of private placement.

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 subsidiary companies, all present and future receivables of the Corporation from three major customers and its investment properties.

As at December 31, 2012, the Corporation has drawn Rs 8,733.757 million (June 30, 2012: Rs 7,438.806) and Rs 1,261.543 million (June 30, 2012: 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 103.507 million (June 30, 2012: Rs 88.160 million) was included in the amortised cost of the long term financing whereas the remaining amount of Rs 3.155 million has been expensed out upon completion of the drawdowns and expiry of the facility thereof on September 7, 2012.

9. TRADE AND OTHER PAYABLES

	Note	**(Unaudited) December 31, 2012**	(Audited) June 30, 2012
		(Rupees in '000)	
Creditors		**94,356**	71,125
Current account balances with subsidiary companies		**15,335,133**	14,525,523
Agents' and owners' balances		**164,290**	68,338
Accrued liabilities		**159,392**	156,892
Deposits	9.1	**39,588**	36,248
Fair value of derivative instruments	9.2	**139,997**	424,801
Unclaimed dividends		**92,746**	26,723
Advance from customers		**226,896**	133,743
Other liabilities			
- amounts retained from contractors		**22,385**	27,145
- others		**110,544**	121,941
		132,929	149,086
		16,385,327	15,592,479

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

9.2 The Corporation has entered into a cross currency interest rate swap in respect of its borrowing (note 8). Under the terms of the cross currency swap arrangement, the Corporation is required to pay LIBOR plus 3.75% and LIBOR plus 3.93% in respect of 1st to 4th drawdown amounting to Rs 8,513.300 million and 5th drawdown amounting to Rs 1,482.000 million respectively 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. Furthermore, during the year ended June 30, 2012, the Corporation has also entered into an interest rate swap. Under the terms of the interest rate swap the Corporation receives a fixed interest of 13% per annum, whereas the Corporation has to pay 3 months KIBOR for each quarter. The net fair value of cross currency interest rate swap and interest rate swap as determined by the bank were Rs 137.391 million (unfavourable) million and Rs 29.863 million (favourable) to the Corporation as of the balance sheet date which has been increased by the net interest payable and exchange loss aggregating Rs 32.468 million as at December 31, 2012.

10. CONTINGENCIES AND COMMITMENTS

Contingencies

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, 2012, except for the contingent liability in respect of claims not acknowledged as debts by the Corporation, which as at December 31, 2012 aggregated to Rs 305.351 million (June 30, 2012: Rs 293.756 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo and damages to cargo. These include Rs 5.429 million (June 30, 2012: Rs 5.158 million) approximately in respect of insurance claims which, if accepted, will be borne by the Corporation as the P&I Club, Oceanus Mutual Underwriting Association (Bermuda) Limited has gone into liquidation. Out of the remaining claims, a sum of Rs 251.539 million (June 30, 2012: Rs 247.952 million) approximately would be recoverable from the P&I Club, Steamship Mutual Underwriting Association (Bermuda) Limited, in the event these claims are accepted by the Corporation. As a matter of prudence, the management has made a total provision of Rs 17.509 million (June 30, 2012: Rs 20.206 million) against the aforementioned claims in these condensed interim financial statements. The management believes that this provision is adequate to cover any future losses and no further provision for the remaining balance of Rs 287.842 million (June 30, 2012: Rs 273.550 million) is required.

10.2 Certain other claims have been filed against the Corporation in respect of employees' matters for an aggregate amount of approximately Rs 102.468 million (June 30, 2012: Rs 102.468 million). These cases are pending and the management is confident that the outcome of these cases will be in the Corporation's favour and, accordingly, no provision for the above claims has been made in these condensed interim financial statements.

	(Unaudited) December 31, 2012	(Audited) June 30, 2012
	(Rupees in '000)	
Commitments		
10.3 Outstanding letters of guarantee	17,350	2,126
10.4 Commitment for capital expenditure	255,700	96,000
10.5 Commitment for time charter of a vessel	65,536	-

11. CASH GENERATED FROM OPERATIONS

	Note	(Unaudited) Six months period ended December 31, 2012	(Unaudited) Six months period ended December 31, 2011 (Re-stated)
		(Rupees in '000)	
Profit before taxation		**366,326**	87,482
Adjustments for non-cash charges and other items:			
Depreciation		**24,417**	51,150
Profit on disposal of property, plant and equipment		**(604)**	(4,185)
Provision for employees' gratuity		**25,995**	43,068
Provision for employees' compensated absences		**37,263**	29,898
Provision for post retirement medical benefits		**9,556**	11,387
Liabilities no longer required written back		**-**	(12,074)
Dividend income		**-**	(235,615)
Interest / mark-up income		**(130,288)**	(96,930)
Interest / mark-up expense		**510,928**	608,216
Gain on cross currency interest rate swap		**(258,193)**	(41,371)
Gain on interest rate swap		**(30,585)**	(17,068)
Loss on revaluation of investments		**73**	2,953
Long term advance rent earned		**(11,349)**	-
Provision reversed against claims for damages		**(3,458)**	(3,236)
Provision made against claims for damages		**1,307**	-
Working capital changes	11.1	**754,243**	157,595
		1,295,631	581,270

11.1 WORKING CAPITAL CHANGES

(Increase) / decrease in current assets:		
Stores and spares	**(29,180)**	2,174
Trade debts	**(215,517)**	(340,202)
Agents' and owners' balances	**(1,605)**	3,960
Loans and advances	**(21,791)**	13,227
Deposits and prepayments	**74**	(5,467)
Other receivables	**(11,264)**	(80,860)
Incomplete voyages	**10,998**	17,241
Insurance claims	**47**	(148)
	(268,238)	(390,075)
Increase in current liabilities:		
Trade and other payables	**1,022,481**	547,670
	754,243	157,595

12. CASH AND CASH EQUIVALENTS

	Note	(Unaudited) December 31, 2012	(Audited) June 30, 2012
		(Rupees in '000)	
Short-term investments	7	**1,091,270**	669,700
Cash and bank balances		**2,023,620**	1,546,151
		3,114,890	2,215,851

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:

Name and particulars	Relationship with the Corporation	(Unaudited) Six months period ended December 31, 2012	Six months period ended December 31, 2011
		(Rupees in '000)	
Service fee charged to subsidiary companies	Subsidiary	**136,816**	133,039
Rental expense of Pakistan Co-operative Ship Stores (Private) Limited	Subsidiary	**268**	268
Delivery of stores and spares to subsidiary companies	Subsidiary	**7,740**	8,274
Retirement benefits costs charged to subsidiaries	Subsidiary	**3,112**	3,968
Contribution to provident fund		**4,215**	4,824
Directors' fee		**345**	200
Key management personnel compensation		**14,357**	14,653
Advance against future issue of shares to Multan Shipping (Private) Limited	Subsidiary	**1,336,115**	-
Dividend from Malakand Shipping (Private) Limited	Subsidiary	**-**	50,403
Dividend from Chitral Shipping (Private) Limited	Subsidiary	**-**	55,068
Dividend from Hyderabad Shipping (Private) Limited	Subsidiary	**-**	62,546
Dividend from Sibi Shipping (Private) Limited	Subsidiary	**-**	67,452

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 February 20, 2013 by the Board of Directors of the Corporation.

Chairman & Chief Executive **Director**

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

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2012

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2012

	Note	(Unaudited) December 31, 2012	Audited June 30, 2012
		---------- (Rupees in '000)----------	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**23,531,850**	22,614,412
Investment properties		**1,080,596**	1,080,596
Long-term investments in listed companies and an other entity		**22,380**	22,453
Long-term loans		**42**	72
Long-term deposits		**90**	90
Deferred tax		**45,254**	134,126
		24,680,212	23,851,750
CURRENT ASSETS			
Stores and spares		**592,469**	471,684
Trade debts	5	**904,495**	432,070
Agents' and owners' balances		**2,136**	529
Loans and advances		**54,500**	32,713
Deposits and short-term prepayments		**26,796**	27,498
Interest / mark-up accrued		**9,807**	9,453
Other receivables		**166,088**	89,089
Incomplete voyages		**102,691**	119,724
Insurance claims		**4,092**	21,485
Taxation - net		**164,398**	268,774
Short-term investments		**1,494,360**	1,531,475
Cash and bank balances		**2,025,900**	1,742,306
		5,547,732	4,746,800
TOTAL ASSETS		**30,227,944**	28,598,549
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY			
Share capital		**1,320,634**	1,320,634
Reserves		**18,023,605**	17,270,673
		19,344,239	18,591,307
NON-CONTROLLING INTEREST		**1,942**	1,823
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		**19,346,181**	18,593,130
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX			
- Owners of the holding company		**773,945**	779,586
- Non-controlling interest		**524**	524
		774,469	780,110
NON-CURRENT LIABILITIES			
Long term financing	6	**6,516,242**	5,878,870
Deferred liabilities		**580,601**	583,701
Advance Rent		**-**	11,349
		7,096,843	6,473,920
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	7	**1,566,650**	1,533,201
Provision against damage claims		**17,509**	20,111
Current maturity of long-term financing	6	**1,316,883**	1,079,763
Accrued mark-up on long-term financing		**98,439**	105,963
Taxation - net		**10,970**	12,351
		3,010,451	2,751,389
TOTAL EQUITY AND LIABILITES		**30,227,944**	28,598,549
CONTINGENCIES AND COMMITMENTS	8		

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

Chairman & Chief Executive **Director**

2012

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2012

	Quarter ended December 31, 2012	Quarter ended December 31, 2011 (Restated)	**Six months period ended December 31, 2012**	Six months period ended December 31, 2011 (Restated)
	--------(Rupees in '000)--------			
REVENUES				
Income from shipping business	**2,420,104**	2,056,295	**4,942,150**	4,363,729
Rental income	**34,008**	17,660	**57,999**	41,827
	2,454,112	2,073,955	**5,000,149**	4,405,556
EXPENDITURES				
Fleet expenses - direct	**1,738,514**	1,541,354	**3,379,722**	3,348,567
- indirect	**9,731**	3,816	**16,530**	7,504
Real estate expenses	**16,569**	30,657	**30,362**	51,917
	1,764,814	1,575,827	**3,426,614**	3,407,988
GROSS PROFIT	**689,298**	498,128	**1,573,535**	997,568
Administrative and general expenses	**184,688**	143,930	**340,633**	286,496
Other operating expenses	**39,859**	56,193	**80,338**	118,797
Finance costs	**114,528**	409,995	**392,360**	527,794
	339,075	610,118	**813,331**	933,087
Other operating income	**272,615**	209,529	**384,531**	284,433
PROFIT BEFORE TAXATION	**622,838**	97,539	**1,144,735**	348,914
Taxation	**263,161**	26,787	**328,965**	84,488
PROFIT AFTER TAXATION	**359,677**	70,752	**815,770**	264,426
Other comprehensive income	**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME	**359,677**	70,752	**815,770**	264,426
Attributable to:				
Equity holders of the Group	**359,821**	70,730	**815,651**	264,297
Non-controlling interest	**(144)**	22	**119**	129
	359,677	70,752	**815,770**	264,426
	--------(Rupees)--------			
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP - BASIC & DILUTED	**2.72**	0.54	**6.18**	2.00

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

Chairman & Chief Executive **Director**

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2012

	Issued, subscribed and paid-up share capital	Capital Reserve	Revenue reserve: General Reserve	Revenue reserve: Actuarial losses	Revenue reserve: Unappropriated profit	non controlling interest	Total
	(Rupees in '000)						
Balance at July 01, 2011 - as restated (note 3.3)	1,320,634	131,344	129,307	(89,833)	16,614,919	1,560	18,107,931
Total comprehensive income for the six months period ended December 31, 2011 - restated (note 3.3)	-	-	-	-	264,297	129	264,426
Final cash dividend for the year ended June 30, 2011 paid to shareholders of the holding company (Re 1 per ordinary share)	-	-	-	-	(132,063)	-	(132,063)
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	-	-	-		7,837	-	7,837
Total income credited to equity					140,071	129	140,200
Balance as at December 31, 2011 - as restated	**1,320,634**	**131,344**	**129,307**	**(89,833)**	**16,754,990**	**1,689**	**18,248,131**
Balance at July 01, 2012	1,320,634	131,344	129,307	(154,433)	17,164,455	1,823	18,593,130
Total comprehensive income for the six months period ended December 31, 2012	-	-	-	-	815,651	119	815,770
Final cash dividend for the year ended June 30, 2012 (Rs 0.5 per ordinary share)	-	-	-	-	(66,032)	-	(66,032)
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	-	-	-	-	3,313	-	3,313
Total income credited to equity					752,932	119	753,051
Balance as at December 31, 2012	**1,320,634**	**131,344**	**129,307**	**(154,433)**	**17,917,387**	**1,942**	**19,346,181**

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

Chairman & Chief Executive **Director**

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2012

	Note	**Six months period ended December 31, 2012**	Six months period ended December 31, 2011 (Re-stated)
		-----------(Rupees in '000)-----------	
Cash flows from operating activities			
Cash generated from operations	9	**1,414,997**	799,108
Employees' gratuity paid		**(50,699)**	(20,217)
Employees' compensated absences paid		**(22,006)**	(27,847)
Post retirement medical benefits paid		**(6,324)**	(5,684)
Long-term loans and advances		**30**	85
Finance costs paid		**(518,452)**	(625,703)
Receipts under cross currency interest rate swap		**3,973**	305,841
Damage claim paid		**(451)**	
Taxes paid		**(137,097)**	(115,206)
Net cash generated from operating activities		**683,971**	310,377
Cash flows from investing activities			
Fixed capital expenditure		**(1,437,524)**	(227,321)
Proceeds from disposal of property, plant and equipment		**1,396**	230,496
Additions in investment properties		**-**	(991)
Purchase of short-term investments		**(397,090)**	(94,600)
Interest / mark-up received		**129,934**	94,790
Dividends received		**219**	146
Net cash (used in) / generated from investing activities		**(1,703,065)**	2,520
Cash flows from financing activities			
Long-term financing obtained / (paid)		**874,492**	(539,881)
Dividends paid		**(9)**	(128,012)
Net cash generated from / (used in) financing activities		**874,483**	(667,893)
Net decrease in cash and cash equivalents		**(144,611)**	(354,996)
Cash and cash equivalents at the beginning of period		**3,267,781**	2,578,097
Cash and cash equivalents at the end of the period	10	**3,123,170**	2,223,101

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

Chairman & Chief Executive **Director**

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2012 (UNAUDITED)

1. THE GROUP AND ITS OPERATIONS

Pakistan National Shipping Corporation (the holding company), 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 lease agreements. The Group's registered office is situated at 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
- Muhammadi Engineering Works (Private) Limited

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

2 STATEMENT OF COMPLIANCE

These condensed interim consolidated financial statements of the Group for the six months period ended December 31, 2012 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 or directives of the Companies Ordinance, 1984 shall prevail.

These condensed interim consolidated financial statements comprise of the condensed interim consolidated balance sheet as at December 31, 2012 and the condensed interim consolidated profit and loss account, condensed interim consolidated statement of changes in equity and the condensed interim consolidated cash flow statement for the six months period ended December 31, 2012. These condensed interim consolidated financial statements also include the condensed interim consolidated profit and loss account for the quarter ended December 31, 2012.

The comparative balance sheet, presented in these condensed interim consolidated financial statements, as at June 30, 2012 has been extracted from the audited consolidated financial statements of the Group for the year ended June 30, 2012 whereas the comparative condensed interim consolidated profit and loss account, condensed interim consolidated statement of changes in equity and condensed interim consolidated cash flow statement are for the six months period ended December 31, 2011.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim consolidated financial statements are the same as those applied in the preparation of the consolidated financial statements for the year ended June 30, 2012 except for change in estimate as disclosed in note 4.4 below.

3.1.1 Standards, amendments and interpretations effective for the periods beginning from July 1, 2012:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or have any significant effect on the Group's operations and are, therefore, not disclosed in these condensed interim consolidated financial statements.

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

There are certain standards, amendments and interpretations to approved accounting standards that are effective for accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or do not have any significant effect on the Groups's operations and are therefore not detailed in these condensed interim consolidated financial statements.

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

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

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

The Scheme, developed in compliance with the stated GoP policy of the empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the Group, under the provisions of amended International Financial Reporting Standard-2 'Share Based Payments' (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan on receiving the representation from some of the entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan, has granted exemption vide SRO 587(I)/2011 dated June 7, 2011 to such entities from application of IFRS 2 to the Scheme.

Had the exemption not been granted, the impact for the six months period ended December 31, 2012 and 2011 would have been as follows:

	(Unaudited) Six months period ended December 31, 2012	Six months period ended December 31, 2011
	(Rupees in '000)	
Staff costs of the Group for the period would have been higher by	**61,245**	64,787
Profit after taxation would have been lower by	**61,245**	64,787
Earnings per share would have been lower by	**0.46**	0.49
Retained earnings would have been lower by	**519,602**	400,654
Reserves would have been higher by	**519,602**	400,654

3.3 Certain comparative information for the six months period ended December 31, 2012 has been restated due to the change in accounting policy in respect of recognition of actuarial gains or losses immediately in 'other comprehensive income' as a result of the early adoption of changes in IAS 19, 'Employee Benefits (Amendments)' by the Group, as more fully explained in note 4.2.1 and 6 to the consolidated financial statements of the Group for the year ended June 30, 2012.

	Note	**(Unaudited) December 31, 2012**	(Audited) June 30, 2012
		(Rupees in '000)	
4. PROPERTY, PLANT AND EQUIPMENT			
- Operating fixed assets	4.1	**23,228,374**	22,326,579
- Capital work-in-progress		**303,476**	287,652
		23,531,850	22,614,231

	(Unaudited) **Six months period ended December 31, 2012**	Six months period ended December 31, 2011 (Re-stated)
	(Rupees in '000)	
4.1 Additions to fixed assets (including transfers from CWIP) during the period mainly include:		
Vessels	**1,344,269**	1,027
Buildings on lease hold land	**49**	6,381
Office machines and appliances	**533**	625
Furniture and fixtures	**-**	90
Workshop machinery and equipment	**-**	113
Vehicles	**-**	2,218
Computer equipment	**69**	336
Spares capitalised	**25,774**	23,670
Class renewal and dry docking	**47,527**	162,422
Equipment on board	**2,363**	5,122
Total	**1,420,584**	202,004

4.2 Details of fixed assets disposed off during the period:

Net book value of assets disposed off	**7**	93,435

4.3 During the period, additions to capital work-in-progress mainly include expenditure incurred for renovation / refurbishment of PNSC building, aggregating to Rs 15.663 million (2011: Rs 8.653 million).

4.4 During the current period, the Group has revised its estimate in respect of useful life of building on leasehold land and beach huts on the basis of its engineering consultant. Had there been no change in estimated useful lives of the aforementioned assets, depreciation expense for the period would have been higher by Rs 27.226 million.

		Note	(Unaudited) December 31, 2012	(Audited) June 30, 2012
			(Rupees in '000	
5.	**TRADE DEBTS**			
	- considered good	5.1	**904,495**	432,070
	- considered doubtful		**183,448**	183,448
			1,087,943	615,518
	Less: provision for impairment		**183,448**	183,448
			904,495	432,070

5.1 The ageing analysis of unimpaired trade debts is as follows:

Upto 1 month	**424,133**	118,955
1 month to 6 months	**375,697**	241,635
More than 6 months	**104,665**	71,480
	904,495	432,070

5.2 As at December 31, 2012, trade debts of Rs 183.448 million (June 30, 2012: Rs 183.448 million) were impaired and provided for. These balances were outstanding for more than three years.

		Note	(Unaudited) December 31, 2012	(Audited) June 30, 2012
			(Rupees in '000	
6.	**LONG-TERM FINANCING**			
	Financing under syndicate term finance agreement	6.1	**6,844,478**	6,080,359
	Current maturity shown under current liabilities		**1,150,674**	943,482
			5,693,804	5,136,877
	Term Finance Certificates	6.1	**988,646**	878,274
	Current maturity shown under current liabilities		**166,208**	136,281
			822,438	741,993
			6,516,242	5,878,870

6.1 During the year ended June 30, 2011, the Group obtained a financing facility of Rs 10,300 million. The financing was obtained in the form of a syndicated term finance loan of Rs 9,000 million and the remaining amount of Rs 1,300 million in the form of Term Finance Certificate (TFCs) with the face value of Rs 5,000 each by way of private placement.

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 Group from three major customers and its investment properties.

As at December 31, 2012, the Group has drawn Rs 8,733.757 million (June 30, 2012: Rs 7,438.806) and Rs 1,261.543 million (June 30, 2012: Rs 1,074.494 million) from syndicated term finance and TFCs' respectively. The Group has also paid loan arrangement fee, amounting to Rs 106.662 million, out of which Rs 103.507 million (June 30, 2012: Rs 88.160 million) was included in the amortised cost of the long term financing whereas the remaining amount of Rs 3.155 million has been expensed out upon completion of the drawdowns and expiry of the facility thereof on September 7, 2012.

	Note	(Unaudited) December 31, 2012	(Audited) June 30, 2012
		(Rupees in '000)	
7. TRADE AND OTHER PAYABLES			
Creditors		**87,213**	133,284
Agents' and owners' balances		**164,287**	68,338
Accrued liabilities		**540,135**	420,532
Deposits	7.1	**39,589**	36,248
Derivative instruments		**139,996**	424,801
Sales tax payable		**-**	1,932
Bills payable		**135,429**	138,154
Unclaimed dividends		**92,746**	26,723
Advance from customers		**226,896**	133,743
Other liabilities			
- amounts retained from contractors		**22,385**	27,145
- others		**117,974**	122,301
		140,359	149,446
		1,566,650	1,533,201

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

7.2 The Group has entered into a cross currency interest rate swap in respect of its borrowing (note 6). Under the terms of the cross currency swap arrangement, the Group is required to pay LIBOR plus 3.75% and LIBOR plus 3.93% in respect of 1st to 4th drawdown amounting to Rs 8,513.300 million and 5th drawdown amounting to Rs 1,482.000 million respectively 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. Furthermore, during the year ended June 30, 2012, the Group has also entered into an interest rate swap. Under the terms of the interest rate swap the Group receives a fixed interest of 13% per annum, whereas the Group has to pay 3 months KIBOR for each quarter. The net fair value of cross currency interest rate swap and interest rate swap as determined by the bank were Rs 137.391 million (unfavourable) million and Rs 29.863 million (favourable) to the Group as of the balance sheet date which has been increased by the net interest payable and exchange loss aggregating Rs 32.468 million as at December 31, 2012.

8. CONTINGENCIES AND COMMITMENTS

8.1 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, 2012, except for the contingent liability in respect of claims not acknowledged as debts by the Group, which as at December 31, 2012 aggregated to Rs 305.351 million (June 30, 2012: Rs 293.756 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo and damages to cargo. These include Rs 5.429 million (June 30, 2012: Rs 5.158 million) approximately in respect of insurance claims which, if accepted, will be borne by the Group as the P&I Club, Oceanus Mutual Underwriting Association (Bermuda) Limited has gone into liquidation. Out of the remaining claims, a sum of Rs 251.539 million (June 30, 2012: Rs 247.952 million) approximately would be recoverable from the P&I Club, Steamship Mutual Underwriting Association (Bermuda) Limited, in the event these claims are accepted by the Group. As a matter of prudence, the management has made a total provision of Rs 17.509 million (June 30, 2012: Rs 20.206 million) against the aforementioned claims in these condensed interim consolidated financial statements. The management believes that this provision is adequate to cover any future losses and no further provision for the remaining balance of Rs 287.842 million (June 30, 2012: Rs 273.550 million) is required.

8.2 Certain other claims have been filed against the Group in respect of employees' matters for an aggregate amount of approximately Rs 102.468 million (June 30, 2012: Rs 102.468 million). These cases are pending and the management is confident that the outcome of these cases will be in the Groups's favour and, accordingly, no provision for the above claims has been made in these condensed interim consolidated financial statements.

			(Unaudited) December 31, 2012	(Audited) June 30, 2012
			(Rupees in '000)	
8.3	Outstanding letters of guarantee		**17,350**	2,126
8.4	Commitment for capital expenditure		**255,700**	96,000
8.5	Commitment for time charter of a vessel		**65,536**	-

			(Unaudited)	
			Six months period ended December 31, 2012	Six months period ended December 31, 2011 (Re-stated)
			(Rupees in '000)	
9.	**CASH GENERATED FROM OPERATIONS**			
	Profit before taxation		**1,144,735**	348,914
	Adjustments for non-cash charges and other items:			
	Depreciation		**503,231**	563,565
	Profit on disposal of property, plant and equipment		**(1,389)**	(137,061)
	Provision for employees' gratuity		**27,648**	45,918
	Provision for employees' compensated absences		**38,284**	30,318
	Provision for post retirement medical benefits		**9,994**	12,086
	Liabilities no longer required written back		**-**	(12,074)
	Dividend income		**(219)**	(146)
	Interest / mark-up income		**(130,288)**	(96,930)
	Interest / mark-up expense		**510,928**	525,759
	(Gain) / loss on cross currency interest rate swap		**(258,193)**	40,272
	Gain on interest rate swap		**(30,585)**	(17,068)
	Loss on revaluation of investments		**73**	2,953
	Provision made against claims for damages		**1,307**	-
	Provision reversed against claims for damages		**(3,458)**	(3,235)
	Exchange loss		**4,026**	-
	Working capital changes	9.1	**(401,097)**	(504,163)
			1,414,997	799,108
9.1	**WORKING CAPITAL CHANGES**			
	(Increase) / decrease in current assets:			
	Stores and spares		**(120,785)**	(42,775)
	Trade debts		**(472,425)**	(316,706)
	Agents' and owners' balances		**(1,607)**	3,960
	Loans and advances		**(21,787)**	13,395
	Deposits and prepayments		**702**	(24,434)
	Other receivables		**(76,999)**	22,942
	Incomplete voyages		**22,180**	65,241
	Insurance claims		**17,393**	(4,093)
			(653,328)	(282,470)
	Increase / (Decrease) in current liabilities:			
	Trade and other payables		**252,231**	(221,693)
			(401,097)	(504,163)

	(Unaudited) December 31, 2012	December 31, 2012
	(Rupees in '000)	

10. CASH AND CASH EQUIVALENTS

Short-term investments	1,097,270	675,100
Cash and bank balances	2,025,900	1,548,001
	3,123,170	2,223,101

11. TRANSACTIONS WITH RELATED PARTIES

The Group 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 Group with related parties during the period are given below:

Name and particulars	Relationship with the Group	(Unaudited) Six months period ended December 31, 2012	Six months period ended December 31, 2011
		(Rupees in '000)	
Contribution to provident fund	Associate	**3,126**	5,496
Directors' fee	Associate	**345**	200
Key management personnel compensation		**14,357**	14,653

11.1 In addition, the Group 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.

12. DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue on February 20, 2013 by the Board of Directors of the Holding Company.

Chairman & Chief Executive **Director**

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