

CHARTING THE FUTURE



Half Yearly Report
December 31, 2013



CORPORATE INFORMATION

Board of Directors

Mr. Muhammad Siddique Memon
Chairman/CEO

Capt. S. Akhlaq Hussain Abidi
Member

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

Member

Capt. S. Kamal A. Mahmoodi
Member

Capt. Anwar Shah
Member

Mr. Khowaja Obaid Imran Ilyas
Member

Mr. Shabbir Ahmed
Member

Audit Committee of the Board

Mr. Khowaja Obaid Imran Ilyas
Chairman

Capt. S. Akhlaq Hussain Abidi
Member

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

Member

Chief Financial Officer

Mr. Imtiaz C. Agboatwala

Company Secretary

Ms. Zainab Suleman

Acting Chief Internal Auditor

Mr. Baber Jamal Zubairi

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 Registrar

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

Bankers

Bank Al-Falah Limited
Bank Al-Habib Limited
Bank Al-Habib, Bahrain
Bank Alfalah, Bahrain
Barclays Bank Pakistan PLC
Faysal Bank Limited
Habib Bank Limited
NIB Bank Limited
National Bank of Pakistan
National Bank of Pakistan, Hong Kong
National Bank of Pakistan, Tokyo
Samba Bank Limited
Soneri Bank Limited
Standard Chartered Bank Limited Pakistan
United Bank Limited, London



**PAKISTAN NATIONAL SHIPPING CORPORATION
DIRECTORS' REPORT
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013**

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, 2013. 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, 2013 were Rs. 3,845m (including Rs. 1,918m from PNSC), making a total of Rs. 7,787m (including Rs. 4,140m from PNSC) for the half-year under review as against Rs. 5,000 m for the half-year ended December 31, 2012, showing an increase of 55.7%.

Profit after tax for the half year ended 31 December 2013 was Rs. 733m as against Rs. 816m last year resulting in Earnings per share for the Group at Rs. 5.55 against Rs. 6.18 in the last period.

FUTURE PROSPECTS

Taking advantage of the potential in the Oil Shipment business and Dry cargo freight rates, PNSC is poised for capacity expansion. We see freight rates consolidating in 2014 and are working on initiatives to enter into joint ventures in sea transportation.

Muhammad Siddique Memon
P.A.S
Chairman and Chief Executive

Karachi, February 26, 2014



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, 2013, the related condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement and notes to the accounts for the six-month period then ended (here-in-after referred to as the 'interim financial information'). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures included in the condensed interim profit and loss account for the quarters ended December 31, 2013 and 2012 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2013.

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 interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

A. F. Ferguson & Co.
Chartered Accountants
Karachi: February 26, 2014

Engagement partner: Khurshid Hasan

Ernst & Young Ford Rhodes Sidat
Hyder
Chartered Accountants
Karachi: February 26, 2014

Engagement partner: Pervez Muslim





**PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2013**

	Note	(Unaudited) December 31, 2013 ------(Rupees in '000)-----	(Audited) June 30, 2013
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,564,028	1,535,411
Intangible asset	5	-	-
Investment properties		1,080,596	1,080,596
Long-term investments in:			
- Related parties (subsidiaries and an associate)		25,189,063	25,189,063
- Listed companies and an other entity		44,427	38,211
		25,233,490	25,227,274
Long-term loans and advances		58	58
Deferred taxation - net		73,385	80,552
		27,951,557	27,923,891
CURRENT ASSETS			
Stores and spares		67,482	100,381
Trade debts	6	1,186,611	771,219
Agents' and owners' balances		12,524	8,991
Loans and advances		73,744	67,544
Deposits and short-term prepayments		25,567	37,126
Interest / mark-up accrued on bank deposits and investments		19,158	19,836
Other receivables	7	406,253	35,450
Incomplete voyages		62,024	50,242
Taxation - net		311,644	252,591
Short-term investments	8	1,927,900	1,995,450
Cash and bank balances		1,957,926	1,778,997
		6,050,833	5,117,827
TOTAL ASSETS		34,002,390	33,041,718
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
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		5,720,036	5,633,268
		7,040,670	6,953,902
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX		769,140	776,064
NON-CURRENT LIABILITIES			
Long-term financing	9	5,214,321	5,873,286
Deferred liabilities		586,684	566,574
		5,801,005	6,439,860
CURRENT LIABILITIES			
Trade and other payables	10	18,975,011	17,441,585
Provision against damage claims		20,054	22,338
Current portion of long-term financing	9	1,316,882	1,316,882
Accrued mark-up on long-term financing		79,628	91,087
		20,391,575	18,871,892
TOTAL EQUITY AND LIABILITIES		34,002,390	33,041,718
CONTINGENCIES AND COMMITMENT	11		

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Muhammad Siddique Memon
P.A.S
Chairman & Chief Executive

Capt. S. Akhlaq Hussain Abidi
Director



PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2013 (UNAUDITED)

	Quarter ended December 31, 2013	Quarter ended December 31, 2012	Six months period ended December 31, 2013	Six months period ended December 31, 2012
------(Rupees in '000)-----				
REVENUES				
Chartering revenues	1,877,996	717,752	4,062,906	1,521,739
Services fees	77,065	68,094	145,880	136,816
Rental income	40,027	33,783	76,765	57,724
	<u>1,995,088</u>	<u>819,629</u>	<u>4,285,551</u>	<u>1,716,279</u>
EXPENDITURE				
Fleet expenses - direct	(1,634,208)	(433,466)	(3,293,694)	(857,479)
- indirect	(7,930)	(8,315)	(14,838)	(15,046)
Vessel management expenses	(91,164)	(133,689)	(177,260)	(244,737)
Real estate expenses	(21,408)	(16,569)	(38,999)	(30,362)
	<u>(1,754,710)</u>	<u>(592,039)</u>	<u>(3,524,791)</u>	<u>(1,147,624)</u>
GROSS PROFIT	<u>240,378</u>	<u>227,590</u>	<u>760,760</u>	<u>568,655</u>
Administrative and general expenses	(84,482)	(44,759)	(168,157)	(83,069)
Other income	281,825	268,104	520,428	348,155
Other operating expenses	(35,309)	(37,795)	(111,997)	(76,038)
	<u>162,034</u>	<u>185,550</u>	<u>240,274</u>	<u>189,048</u>
OPERATING PROFIT	<u>402,412</u>	<u>413,140</u>	<u>1,001,034</u>	<u>757,703</u>
Finance costs	(73,256)	(114,019)	(673,319)	(391,377)
PROFIT BEFORE TAXATION	<u>329,156</u>	<u>299,121</u>	<u>327,715</u>	<u>366,326</u>
Taxation	(80,207)	(205,223)	(112,645)	(261,690)
PROFIT AFTER TAXATION	<u>248,949</u>	<u>93,898</u>	<u>215,070</u>	<u>104,636</u>
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME	<u>248,949</u>	<u>93,898</u>	<u>215,070</u>	<u>104,636</u>
------(Rupees)-----				
EARNINGS PER SHARE -				
Basic and Diluted	<u>1.89</u>	<u>0.71</u>	<u>1.63</u>	<u>0.79</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Muhammad Siddique Memon
P.A.S
Chairman & Chief Executive

Capt. S. Akhlaq Hussain Abidi
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013 (UNAUDITED)**

	Issued, subscribed and paid-up share capital	Capital reserve	Revenue Reserves Actuarial losses	Unappropriated profit	Total
	----- (Rupees in '000) -----				
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 fixed assets realised through incremental depreciation charged during the current period on related assets - net of tax recognised directly in equity	-	-	-	3,313	3,313
Balance as at December 31, 2012	<u>1,320,634</u>	<u>126,843</u>	<u>(154,433)</u>	<u>5,176,585</u>	<u>6,469,629</u>
Balance as at July 1, 2013	1,320,634	126,843	(228,743)	5,735,168	6,953,902
Final cash dividend for the year ended June 30, 2013 (Re 1 per ordinary share of Rs 10 each)	-	-	-	(132,063)	(132,063)
Total comprehensive income for the six months period ended December 31, 2013	-	-	-	215,070	215,070
Surplus on revaluation of fixed assets realised through incremental depreciation charged during the current period on related assets - net of tax recognised directly in equity	-	-	-	3,761	3,761
Balance as at December 31, 2013	<u>1,320,634</u>	<u>126,843</u>	<u>(228,743)</u>	<u>5,821,936</u>	<u>7,040,670</u>

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Muhammad Siddique Memon
P.A.S
Chairman & Chief Executive

Capt. S. Akhlaq Hussain Abidi
Director



PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013 (UNAUDITED)

	Note	Six months period ended December 31, 2013	Six months period ended December 31, 2012
------(Rupees in '000)-----			
Cash flows from operating activities			
Cash generated from operations	12	1,909,902	1,295,631
Employees' gratuity paid		(6,109)	(50,699)
Employees' compensated absences paid		(35,305)	(22,006)
Post retirement medical benefits paid		(11,883)	(6,324)
Long-term loans and advances		-	31
Finance costs paid		(416,015)	(518,452)
(Receipts) / payments under cross currency and interest rate swap - net		(448,492)	3,974
Damage claims paid		-	(451)
Taxes paid		(167,694)	(107,809)
Net cash generated from operating activities		824,404	593,895
Cash flows from investing activities			
Capital expenditure		(53,077)	(16,485)
Proceeds from disposal of property, plant and equipment		-	611
Long-term loans and advances - related parties		-	(1,336,115)
Purchase of short-term investments		(1,222,320)	(397,090)
Interest / mark-up received		129,087	129,871
Dividends received from subsidiary companies		-	219
Net cash used in investing activities		(1,146,310)	(1,618,989)
Cash flows from financing activities			
Long-term financing (repaid) / obtained - net		(658,965)	874,491
Dividend paid		(130,070)	(9)
Net cash (used in) / generated from financing activities		(789,035)	874,482
Net decrease in cash and cash equivalents		(1,110,941)	(150,612)
Cash and cash equivalents at the beginning of period		3,774,447	3,265,502
Cash and cash equivalents at the end of the period	13	2,663,506	3,114,890

The annexed notes 1 to 16 form an integral part of these condensed interim financial statements.

Muhammad Siddique Memon
P.A.S
Chairman & Chief Executive

Capt. S. Akhlaq Hussain Abidi
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2013 (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 Honorable Supreme Court of Pakistan.

- 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, 2013 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, 2013 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, 2013 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, 2013 which is not subjected to review.

The comparative balance sheet, presented in these condensed interim financial statements, as at June 30, 2013 has been extracted from the audited financial statements of the Corporation for the year ended June 30, 2013 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, 2012 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, 2013.

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, 2013.

- 3.1.1** Standards, amendments and interpretations effective for the periods beginning from July 1, 2013:

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, 2013 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, 2014 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, 2013 and 2012 would have been as follows:

	(Unaudited)	
	Six months period ended December 31, 2013	Six months period ended December 31, 2012
	----- (Rupees in '000) -----	
Staff costs of the Corporation for the period would have been higher by	105,160	61,245
Profit after taxation would have been lower by	105,160	61,245
Earnings per share would have been lower by	Rs. 0.80	Rs. 0.46
Retained earnings would have been lower by	665,155	519,602
Reserves would have been higher by	665,155	519,602



	Note	(Unaudited) December 31, 2013 ------(Rupees in '000)-----	(Audited) June 30, 2013
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	1,199,902	1,220,151
Capital work-in-progress (CWIP)	4.2	364,126	315,260
		1,564,028	1,535,411

		(Unaudited) Six months period ended December 31, 2013 ------(Rupees in '000)-----	Six months period ended December 31, 2012
4.1	Additions to fixed assets (including transfers from CWIP) during the period mainly include:		
	Buildings on leasehold land	2,282	49
	Office machines and appliances	329	533
	Workshop machinery and equipment	85	-
	Computer equipment	1,515	79
		4,211	661

4.2 During the period, additions to capital work-in-progress mainly include expenditure incurred for parking plaza and mosque at PNSC building, aggregating to Rs 25.487 million.

5. INTANGIBLE ASSET

This represents cost of Rs. 16.503 million of software "Ship Management Expert System" (SES). SES was being amortised over the useful life of five years and had been fully amortised during the year ended June 30, 2009, however, it is still in active use.

	Note	(Unaudited) December 31, 2013 ------(Rupees in '000)-----	(Audited) June 30, 2013
6. TRADE DEBTS			
Unsecured			
- Considered good	6.1	1,186,611	771,219
- Considered doubtful		18,161	18,265
		1,204,772	789,484
Less: Provision for impairment	6.2	18,161	18,265
		1,186,611	771,219

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

	(Unaudited) December 31, 2013 ------(Rupees in '000)-----	(Audited) June 30, 2013
Upto 1 month	466,876	581,226
1 to 6 months	537,232	128,412
More than 6 months	182,503	61,581
	1,186,611	771,219



- 6.2 As at December 31, 2013, trade debts of Rs 18.161 million (June 30, 2013: Rs 18.265 million) were impaired and provided for. These balances were outstanding for more than three years.

	Note	(Unaudited) December 31, 2013	(Audited) June 30, 2013
------(Rupees in '000)-----			
7. OTHER RECEIVABLES			
Rent receivable:			
- considered good		21,730	13,792
- considered doubtful		4,211	4,211
		25,941	18,003
Less: Provision for impairment of rent receivable		4,211	4,211
		21,730	13,792
Derivative instruments	7.1	338,853	-
Others:			
- considered good		45,670	21,658
- considered doubtful		12,659	12,659
		58,329	34,317
Less: Provision for impairment of other receivables		12,659	12,659
		45,670	21,658
		406,253	35,450

- 7.1 The Corporation has entered into a cross currency interest rate swap of Rs 9,995.300 million in respect of its borrowing (note 9). Under the terms of the cross currency swap arrangement, the Corporation is required to pay LIBOR plus 3.75% to the arranging bank on the borrowing denominated in USD (USD notional) for the purpose of cross currency swap, and receive KIBOR plus 2.20% from the arranging bank. Further, the Corporation shall pay / receive any exchange loss / gain on the USD notional outstanding at each quarter end. Further, the Corporation had 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 171.618 million (favourable) (June 30, 2013: Rs 140.098 million (unfavourable)) and Rs 18.353 million (June 30, 2013: Rs 30.667 million) (favourable) to the Corporation as of the balance sheet date which has been increased by the net interest receivable and exchange loss aggregating Rs 148.882 million (June 30, 2013: receivable Rs 4.194 million) as at December 31, 2013.

On September 26, 2013, the Corporation has early terminated one of its cross currency swap contract having a notional amount aggregating Rs 1,244.880 million. Accordingly, Corporation made payment to the arranging bank in respect of unwinding cost amounting to Rs 35.041 million.

8. SHORT-TERM INVESTMENTS

	(Unaudited) December 31, 2013	(Audited) June 30, 2013
------(Rupees in '000)-----		
Term deposits with banks, having maturity of:		
- more than six months	300,000	-
- three to six months	922,320	-
- three months or less	705,580	1,995,450
	1,927,900	1,995,450

- 8.1 The mark-up on term deposits denominated in local currency ranges between 9.25% to 10.35% (June 30, 2013: 8.9% to 12%) per annum, whereas mark-up on term deposits denominated in foreign currency ranges between 1.3% to 2% (June 30, 2013: 1.5% to 2.95%) per annum.



9. LONG-TERM FINANCING

	Note	(Unaudited) December 31, 2013 ------(Rupees in '000)-----	(Audited) June 30, 2013
Financing under Syndicated term finance agreement	9.1	5,706,877	6,282,672
Current maturity shown under current liabilities		(1,150,674) 4,556,203	(1,150,674) 5,131,998
Term Finance Certificates	9.1	824,326	907,496
Current maturity shown under current liabilities		(166,208) 658,118 5,214,321	(166,208) 741,288 5,873,286

- 9.1** 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, with the remaining amount of Rs 1,300 million in the form of Term Finance Certificates (TFCs), having a face value of Rs 5,000 each by way of private placement.

The financing carries mark-up at the rate of KIBOR+2.20%. The loan along with the mark-up is repayable on a quarterly basis with the last repayment date on 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 December 31, 2013, the Corporation has drawn Rs 8,733.757 million (June 30, 2013: Rs 8,733.757 million) and Rs 1,261.543 million (June 30, 2013: Rs 1,261.543 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, 2013: Rs 103.507 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.

10. TRADE AND OTHER PAYABLES

	Note	(Unaudited) December 31, 2013 ------(Rupees in '000)-----	(Audited) June 30, 2013
Creditors		36,547	141,510
Current account balances with subsidiary companies		17,431,681	16,189,570
Agents' and owners' balances		523,543	434,047
Accrued liabilities		624,797	240,633
Deposits	10.1	49,342	38,133
Derivative instruments	7.1	-	105,237
Unclaimed dividends		30,072	28,079
Advance from customers		135,405	136,678
Other liabilities			
- amounts retained from contractors		22,269	22,918
- others		121,355	104,780
		143,624	127,698
		18,975,011	17,441,585

- 10.1** These deposits include interest free deposit on containers, deposits from suppliers and tenants and are repayable on demand or on completion of specific contracts.



11. CONTINGENCIES AND COMMITMENTS

Contingencies

- 11.1** There has been no material change in the status of contingencies reported in the financial statements of the Corporation for the year ended June 30, 2013, except for the contingent liability in respect of claims not acknowledged as debts by the Corporation, which as at December 31, 2013 aggregated to Rs 212.815 million (June 30, 2013: Rs 313.873 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo and damages to cargo. These include Rs 2.346 million (June 30, 2013: Rs 5.429 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 192.760 million (June 30, 2013: Rs 152.058 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 20.055 million (June 30, 2013: Rs 22.338 million) against the aforementioned claims in these condensed interim financial statements.

	(Unaudited) December 31, 2013	(Audited) June 30, 2013
	------(Rupees in '000)-----	
Commitment		
11.2 Commitment for capital expenditure	<u>292,058</u>	<u>285,589</u>

	(Unaudited) Six months period ended December 31, 2013	Six months period ended December 31, 2012
	------(Rupees in '000)-----	
Note		

12. CASH GENERATED FROM OPERATIONS

Profit before taxation	327,715	366,326
Adjustments for non-cash charges and other items:		
Depreciation	24,460	24,417
Profit on disposal of fixed assets	-	(604)
Provision for employees' gratuity	18,402	25,995
Provision for employees' compensated absences	41,640	37,263
Provision for post retirement medical benefits	12,498	9,556
Provision reversed against claims for damages	(3,985)	(3,458)
Provision made against claims for damages	1,701	1,307
Interest / mark-up income	(128,409)	(130,288)
Interest / mark-up expense	404,556	510,928
Loss / (gain) on cross currency interest rate swap	616	(258,193)
Loss / (gain) on interest rate swap	3,786	(30,585)
(Gain) / loss on revaluation of investments	(6,216)	73
Long term advance rent earned	-	(11,349)
Working capital changes	12.1 <u>1,213,138</u>	<u>754,243</u>
	<u>1,909,902</u>	<u>1,295,631</u>



(Unaudited)
Six months Six months
period ended period ended
December 31, December 31,
2013 2012
------(Rupees in '000)-----

12.1 WORKING CAPITAL CHANGES

(Increase) / decrease in current assets:

Stores and spares	22,157	(29,180)
Trade debts	(415,392)	(215,517)
Agents' and owners' balances	(3,533)	(1,605)
Loans and advances	(6,200)	(21,791)
Deposits and prepayments	11,559	74
Other receivables	(31,950)	(11,264)
Incomplete voyages	(11,782)	10,998
Insurance claims	-	47
	(435,141)	(268,238)

Increase in current liabilities:

Trade and other payables	1,648,279	1,022,481
	<u>1,213,138</u>	<u>754,243</u>

(Unaudited) (Audited)
December 31, June 30,
2013 2013
------(Rupees in '000)-----

13. CASH AND CASH EQUIVALENTS

Short-term investments	8	705,580	1,091,270
Cash and bank balances		1,957,926	2,023,620
		<u>2,663,506</u>	<u>3,114,890</u>

14. 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, 2013	Six months period ended December 31, 2012
		----- (Rupees in '000) -----	
Service fee charged to subsidiary companies	Subsidiary	145,880	136,816
Rental expense of Pakistan Co-operative Ship Stores (Private) Limited	Subsidiary	300	268
Delivery of stores and spares to subsidiary companies	Subsidiary	10,742	7,740
Retirement benefits costs charged to subsidiaries	Subsidiary	867	3,112
Contribution to provident fund		4,768	4,215
Directors' fee		600	345
Key management personnel compensation		15,533	14,357
Advance against future issue of shares to Multan Shipping (Private) Limited	Subsidiary	-	1,336,115

14.1 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.

15. GENERAL

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

16. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 26, 2014 by the Board of Directors of the Corporation.

Muhammad Siddique Memon
P.A.S
Chairman & Chief Executive

Capt. S. Akhlaq Hussain Abidi
Director

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

**UNAUDITED
INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS PERIOD ENDED
DECEMBER 31, 2013**



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2013**

	Note	(Unaudited) December 31, 2013	Audited June 30, 2013
ASSETS			
NON-CURRENT ASSETS			
----- (Rupees in '000) -----			
Property, plant and equipment	4	22,983,311	23,210,977
Investment properties		1,080,596	1,080,596
Long-term investments in listed companies and an other entity		44,427	38,211
Long-term loans		58	58
Long-term deposits		90	90
Deferred tax		73,385	80,552
		<u>24,181,867</u>	<u>24,410,484</u>
CURRENT ASSETS			
Stores and spares		717,500	734,392
Trade debts	5	1,638,124	1,177,691
Agents' and owners' balances		12,522	8,991
Loans and advances		73,742	67,544
Deposits and short-term prepayments		26,016	37,575
Interest / mark-up accrued		19,244	19,899
Other receivables	6	470,437	167,978
Incomplete voyages		53,290	99,180
Insurance claims		4,496	169,440
Taxation - net		294,697	276,206
Short-term investments	7	1,927,900	1,995,450
Cash and bank balances		1,967,561	1,788,301
		<u>7,205,529</u>	<u>6,542,647</u>
TOTAL ASSETS		<u>31,387,396</u>	<u>30,953,131</u>
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY			
Share capital		1,320,634	1,320,634
Reserves		19,729,329	19,124,419
		<u>21,049,963</u>	<u>20,445,053</u>
NON-CONTROLLING INTEREST			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		<u>2,278</u>	<u>2,132</u>
		<u>21,052,241</u>	<u>20,447,185</u>
SURPLUS ON REVALUATION OF FIXED ASSETS			
- Owners of the holding company		770,917	778,365
- Non-controlling interest		524	524
		<u>771,441</u>	<u>778,889</u>
NON-CURRENT LIABILITIES			
Long term financing	8	5,214,321	5,873,286
Deferred liabilities		586,685	566,574
Advance Rent		-	-
		<u>5,801,006</u>	<u>6,439,860</u>
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	9	2,313,328	1,854,311
Provision against damage claims		20,054	22,338
Current maturity of long-term financing	8	1,316,882	1,316,882
Incomplete Voyages		28,685	-
Accrued mark-up on long-term financing		79,628	91,087
Taxation - net		4,131	2,579
		<u>3,762,708</u>	<u>3,287,197</u>
TOTAL EQUITY AND LIABILITIES		<u>31,387,396</u>	<u>30,953,131</u>
CONTINGENCIES AND COMMITMENTS			
	10		

The annexed notes 1 to 15 form an integral part of these condensed interim consolidated financial statements.

Muhammad Siddique Memon
P.A.S
Chairman & Chief Executive

Capt. S. Akhlaq Hussain Abidi
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2013 (UNAUDITED)**

	Quarter ended December 31, 2013	Quarter ended December 31, 2012	Six Months Period Ended December 31, 2013	Six Months Period Ended December 31, 2012
------(Rupees in '000)-----				
REVENUES				
Income from shipping business	3,804,731	2,420,104	7,709,879	4,942,150
Rental income	40,250	34,008	77,200	57,999
	<u>3,844,981</u>	<u>2,454,112</u>	<u>7,787,079</u>	<u>5,000,149</u>
EXPENDITURES				
Fleet expenses - direct	(3,237,088)	(1,738,514)	(6,224,296)	(3,379,722)
- indirect	(13,125)	(9,731)	(21,250)	(16,530)
Real estate expenses	(21,411)	(16,569)	(39,002)	(30,362)
	<u>(3,271,624)</u>	<u>(1,764,814)</u>	<u>(6,284,548)</u>	<u>(3,426,614)</u>
GROSS PROFIT	<u>573,357</u>	<u>689,298</u>	<u>1,502,531</u>	<u>1,573,535</u>
Administrative and general expenses	(183,623)	(184,688)	(365,200)	(340,633)
Other operating expenses	(36,485)	(39,859)	(114,332)	(80,338)
Other operating income	316,555	272,615	556,698	384,531
	<u>96,447</u>	<u>48,068</u>	<u>77,166</u>	<u>(36,440)</u>
OPERATING PROFIT	<u>669,804</u>	<u>737,366</u>	<u>1,579,697</u>	<u>1,537,095</u>
Finance costs	(73,877)	(114,528)	(674,346)	(392,360)
PROFIT BEFORE TAXATION	<u>595,927</u>	<u>622,838</u>	<u>905,351</u>	<u>1,144,735</u>
Taxation	(131,067)	(263,161)	(171,993)	(328,965)
PROFIT AFTER TAXATION	<u>464,860</u>	<u>359,677</u>	<u>733,358</u>	<u>815,770</u>
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME	<u>464,860</u>	<u>359,677</u>	<u>733,358</u>	<u>815,770</u>
Attributable to:				
Equity holders of the Group	464,783	359,821	733,213	815,651
Non-controlling interest	77	(144)	145	119
	<u>464,860</u>	<u>359,677</u>	<u>733,358</u>	<u>815,770</u>
------(Rupees)-----				
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP - BASIC & DILUTED	<u>3.52</u>	<u>2.72</u>	<u>5.55</u>	<u>6.18</u>

The annexed notes 1 to 15 form an integral part of these condensed interim consolidated financial statements.

Muhammad Siddique Memon
P.A.S
Chairman & Chief Executive

Capt. S. Akhlaq Hussain Abidi
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013 (UNAUDITED)**

	Issued, subscribed and paid-up share capital	Capital Reserves	Revenue Reserves			Non- controlling interest	Total
			General Reserves	Actuarial losses	Unappro- priated profit		
------(Rupees in '000)-----							
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 ended December 31, 2012	-	-	-	-	815,651	119	815,770
Final cash dividend for the year ended June 30, 2012 (Re 0.5 per ordinary share of Rs. 10 each)	-	-	-	-	(66,032)	-	(66,032)
Share issue costs incurred on rights issue							-
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	<u>1,320,634</u>	<u>131,344</u>	<u>129,307</u>	<u>(154,433)</u>	<u>17,917,387</u>	<u>1,942</u>	<u>19,346,181</u>
Balance at July 01, 2013	1,320,634	131,344	129,307	(228,743)	19,092,511	2,132	20,447,185
Total comprehensive income for the six months ended December 31, 2013	-	-	-	-	733,213	145	733,598
Final cash dividend for the year ended June 30, 2013 (Re. 1 per ordinary share of Rs. 10 each)	-	-	-	-	(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	-	-	-		3,761	-	3,761
Total income credited to equity					604,911	145	605,296
Balance as at December 31, 2013	<u>1,320,634</u>	<u>131,344</u>	<u>129,307</u>	<u>(228,743)</u>	<u>19,697,422</u>	<u>2,277</u>	<u>21,052,241</u>

The annexed notes 1 to 15 form an integral part of these condensed interim consolidated financial statements.

Muhammad Siddique Memon
P.A.S
Chairman & Chief Executive

Capt. S. Akhlaq Hussain Abidi
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2013 (UNAUDITED)**

	Note	Six months period ended December 31, 2013 ------(Rupees in '000)-----	Six months period ended December 31, 2012
Cash flows from operating activities			
Cash generated from operations	11	2,198,053	1,414,997
Employees' gratuity paid		(6,109)	(50,699)
Employees' compensated absences paid		(35,305)	(22,006)
Post retirement medical benefits paid		(11,883)	(6,324)
Long-term loans and advances		-	30
Finance costs paid		(415,769)	(518,452)
Payments under cross currency interest rate swap		(448,490)	3,973
Damage claim paid		-	(451)
Taxes paid		(162,221)	(137,097)
Net cash generated from operating activities		1,118,276	683,971
Cash flows from investing activities			
Fixed capital expenditure		(346,883)	(1,437,524)
Proceeds from disposal of property, plant and equipment		-	1,396
Purchase of short-term investments		(1,222,320)	(397,090)
Interest / mark-up received		129,091	129,934
Dividends received		262	219
Net cash used in investing activities		(1,439,850)	(1,703,065)
Cash flows from financing activities			
Long-term financing - net		(658,965)	874,492
Dividends paid		(130,071)	(9)
Net cash (used in) / generated from financing activities		(789,036)	874,483
Net decrease in cash and cash equivalents		(1,110,610)	(144,611)
Cash and cash equivalents at the beginning of period		3,783,751	3,267,781
Cash and cash equivalents at the end of the period	12	<u>2,673,141</u>	<u>3,123,170</u>

The annexed notes 1 to 15 form an integral part of these condensed interim consolidated financial statements.

Muhammad Siddique Memon
P.A.S
Chairman & Chief Executive

Capt. S. Akhlaq Hussain Abidi
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENT
FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2013 (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% (June 30, 2013: 73%) of the share capital of Pakistan Co-operative Ship Stores (Private) Limited and 100% (June 30, 2013: 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, Islamabad 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, 2013 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, 2013 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, 2013.

The comparative balance sheet, presented in these condensed interim consolidated financial statements, as at June 30, 2013 has been extracted from the audited consolidated financial statements of the Group for the year ended June 30, 2013 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, 2012.

These condensed interim consolidated 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, 2013.

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, 2013.

3.1.1 Standards, amendments and interpretations effective for the periods beginning from July 1, 2013:

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, 2013 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 amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any significant effect to the Group's operations and are therefore not mentioned in these 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, 2013 and 2012 would have been as follows:

		Six months period ended December 31, 2013	Six months period ended December 31, 2012
		------(Rupees in '000)-----	
Staff costs of the Group for the period would have been higher by		105,160	61,245
Profit after taxation would have been lower by		105,160	61,245
Earnings per share would have been lower by		Rs. 0.80	Rs. 0.46
Retained earnings would have been lower by		665,155	519,602
Reserves would have been higher by		665,155	519,602
	Note	(Unaudited) December 31, 2013	(Audited) June 30, 2013
4. PROPERTY, PLANT AND EQUIPMENT			
- Operating fixed assets	4.1	22,619,186	22,895,717
- Capital work-in-progress	4.3	364,125	315,260
		<u>22,983,311</u>	<u>23,210,977</u>
		Six months period ended December 31, 2013	Six months period ended December 31, 2012
		------(Rupees in '000)-----	
4.1 Additions to fixed assets (including transfers from CWIP) during the period mainly include:			
Vessels		-	1,344,269
Buildings on lease hold land		2,282	49
Office machines and appliances		329	533
Computer equipment		1,835	69
Spares capitalised		26,580	25,774
Class renewal and dry docking		223,469	47,527
Workshop machinery and equipment		85	-
Equipment on board		647	2,363
		<u>255,227</u>	<u>1,420,584</u>
4.2 Details of fixed assets disposed off during the period:			
Net book value of assets disposed off		-	7



- 4.3 During the period, additions to capital work-in-progress mainly include expenditure incurred for parking plaza and mosque at PNSC building, aggregating to Rs 25.487 million.

5. TRADE DEBTS

	Note	(Unaudited) December 31, 2013 ------(Rupees in '000)-----	(Audited) June 30, 2013
- considered good			
- considered doubtful	5.1	1,638,124	1,177,691
		<u>252,630</u>	<u>252,814</u>
Less: provision for impairment		<u>1,890,754</u>	<u>1,430,505</u>
	5.2	<u>252,630</u>	<u>252,814</u>
5.1 The ageing analysis of unimpaired trade debts is as follows:		<u>1,638,124</u>	<u>1,177,691</u>
Upto 1 month			
1 month to 6 months		821,859	762,813
More than 6 months		597,047	266,028
		<u>219,218</u>	<u>148,850</u>
		<u>1,638,124</u>	<u>1,177,691</u>

- 5.2 As at December 31, 2013, trade debts of Rs 252.630 million (June 30, 2013: Rs 252.814 million) were impaired and provided for. The ageing of these receivables is as follows:

	Note	(Unaudited) December 31, 2013 ------(Rupees in '000)-----	(Audited) June 30, 2013
Upto three years			
Three to five years		71,259	89,247
Five years and over		102,778	103,392
		<u>78,593</u>	<u>60,175</u>
		<u>252,630</u>	<u>252,814</u>

6. OTHER RECEIVABLES

Rent receivable:

- considered good
- considered doubtful

Less: Provision for impairment of rent receivable

Derivative instruments

Others:

- considered good
- considered doubtful

Less: Provision for impairment of other receivables

	21,730	13,792
	<u>4,211</u>	<u>4,211</u>
	<u>25,941</u>	<u>18,003</u>
	<u>4,211</u>	<u>4,211</u>
	<u>21,730</u>	<u>13,792</u>
6.1	<u>338,853</u>	-
	<u>127,373</u>	<u>21,658</u>
	<u>12,659</u>	<u>12,659</u>
	<u>140,032</u>	<u>34,317</u>
	<u>12,659</u>	<u>12,659</u>
	<u>127,373</u>	<u>21,658</u>
	<u>470,437</u>	<u>25,869</u>



- 6.1 The Group has entered into a cross currency interest rate swap of Rs 9,995.300 million in respect of its borrowing (note 8). Under the terms of the cross currency swap arrangement, the Group is required to pay LIBOR plus 3.75% to the arranging bank on the borrowing denominated in USD (USD notional) for the purpose of cross currency swap, and receive KIBOR plus 2.20% from the arranging bank. Further, the Group shall pay / receive any exchange loss / gain on the USD notional outstanding at each quarter end. Further, the Group had 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 171.618 million (favourable) (June 30, 2013: Rs 140.098 million (unfavourable)) and Rs 18.353 million (June 30, 2013: Rs 30.667 million) (favourable) to the Group as of the balance sheet date which has been increased by the net interest receivable and exchange loss aggregating Rs 148.882 million (June 30, 2013: receivable Rs 4.194 million) as at December 31, 2013.

On September 26, 2013, the Group has early terminated one of its cross currency swap contract having a notional amount aggregating Rs 1,244.880 million. Accordingly, Group made payment to the arranging bank in respect of unwinding cost amounting to Rs 35.041 million.

7. SHORT-TERM INVESTMENTS	(Unaudited) December 31, 2013	(Audited) June 30, 2013
	------(Rupees in '000)-----	
Term deposits with banks, having maturity of:		
- more than six months	300,000	-
- three to six months	922,320	-
- three months or less	705,580	1,995,450
	<u>1,927,900</u>	<u>1,995,450</u>

- 7.1 The mark-up on term deposits denominated in local currency ranges between 9.25% to 10.35% (June 30, 2013: 8.9% to 12%) per annum, whereas mark-up on term deposits denominated in foreign currency ranges between 1.3% to 2% (June 30, 2013: 1.5% to 2.95%) per annum.

8. LONG-TERM FINANCING	Note	(Unaudited) December 31, 2013	(Audited) June 30, 2013
		------(Rupees in '000)-----	
Financing under syndicate term finance agreement	8.1	5,706,877	6,282,672
Current maturity shown under current liabilities		(1,150,674)	(1,150,674)
		<u>4,556,203</u>	<u>5,131,998</u>
Term Finance Certificates	8.1	824,326	907,496
Current maturity shown under current liabilities		(166,208)	(166,208)
		<u>658,118</u>	<u>741,288</u>
		<u>5,214,321</u>	<u>5,873,286</u>

- 8.1 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 Certificates (TFCs) with a 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, 2013, the Holding company has drawn Rs 8,733.757 million (June 30, 2013: Rs 8,733.757 million) and Rs 1,261.543 million (June 30, 2013: Rs 1,261.543 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, 2013: Rs 103.507 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, 2013	(Audited) June 30, 2013
		------(Rupees in '000)-----	
9. TRADE AND OTHER PAYABLES			
Creditors		99,842	286,024
Agents' and owners' balances		523,543	434,047
Accrued liabilities		1,048,066	665,087
Deposits	9.1	75,738	38,133
Derivative instruments		-	105,237
Sales tax payable		(23)	186
Bills payable		220,809	33,142
Unclaimed dividends		30,071	28,079
Advance from customers		135,405	136,678
Other liabilities			
- amounts retained from contractors		22,269	22,918
- others		157,608	104,780
		179,877	127,698
		2,313,328	1,854,311

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

10. CONTINGENCIES AND COMMITMENTS

10.1 There has been no material change in the status of contingencies reported in the financial statements of the Group for the year ended June 30, 2013, except for the contingent liability in respect of claims not acknowledged as debts by the Group, which as at December 31, 2013 aggregated to Rs 212.815 million (June 30, 2013: Rs 313.873 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo and damages to cargo. These include Rs 2.346 million (June 30, 2013: Rs 5.429 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 192.760 million (June 30, 2013: Rs 152.058 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 20.055 million (June 30, 2013: Rs 22.338 million) against the aforementioned claims in these condensed interim financial statements.

	(Unaudited) December 31, 2013	(Audited) June 30, 2013
	------(Rupees in '000)-----	
10.3 Commitment for capital expenditure	292,058	285,589



	(Unaudited) Six months period ended December 31, 2013	(Unaudited) Six months period ended December 31, 2012
	------(Rupees in '000)-----	
11. CASH GENERATED FROM OPERATIONS		
Profit before taxation	905,351	1,144,735
Adjustments for non-cash charges and other items:		
Depreciation	563,443	503,231
Profit on disposal of property, plant and equipment		(1,389)
Provision for employees' gratuity	500	27,648
Provision for employees' compensated absences	18,941	38,284
Provision for post retirement medical benefits	41,840	9,994
Dividend income	(262)	(219)
Interest / mark-up income	(128,436)	(130,288)
Interest / mark-up expense	404,310	510,928
(Loss) / Gain on cross currency interest rate swap	616	(258,193)
Gain on interest rate swap	3,786	(30,585)
(Gain) / Loss on revaluation of investments	(6,216)	73
Provision reversed against claims for damages	(3,985)	(3,458)
Provision made against claims for damages	1,701	1,307
Exchange loss	-	4,026
Working capital changes	396,464	(401,097)
	<u>2,198,053</u>	<u>1,414,997</u>
11.1 WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets:		
Stores and spares	16,892	(120,785)
Trade debts	(460,433)	(472,425)
Agents' and owners' balances	(3,531)	(1,607)
Loans and advances	(6,198)	(21,787)
Deposits and prepayments	11,559	702
Other receivables	36,394	(76,999)
Incomplete voyages	74,575	22,180
Insurance claims	164,944	17,393
Increase / (Decrease) in current liabilities:	(165,798)	(653,328)
Trade and other payables	562,262	252,231
	<u>396,464</u>	<u>(401,097)</u>
12. CASH AND CASH EQUIVALENTS	December 31, 2013	December 31, 2012
	------(Rupees in '000)-----	
Short-term investments	705,580	1,097,270
Cash and bank balances	1,967,561	2,025,900
	<u>2,673,141</u>	<u>3,123,170</u>
13. 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	Six months Period December 31, 2013	Six months Period December 31, 2012
------(Rupees in '000)-----			
Contribution to provident fund	Associate	4,768	3,126
Directors' fee	Associate	600	345
Key management personnel compensation		15,533	14,357

13.1 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.

14. GENERAL

Figures have been rounded off to the nearest thousand of rupees unless otherwise stated.

15. DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue on February 26, 2014 by the Board of Directors of the Holding Company.

Muhammad Siddique Memon
P.A.S
Chairman & Chief Executive

Capt. S. Akhlaq Hussain Abidi
Director



P.N.S.C Building Moulvi Tamizuddin Khan Road,
P.O.Box No.5350, Karachi-Pakistan.
Phone: (92-21) 99203980-99 (20 Lines)
Fax: (92-21) 99203974, 35636658
Email: communication@pns.com.pk
www.pns.com.pk