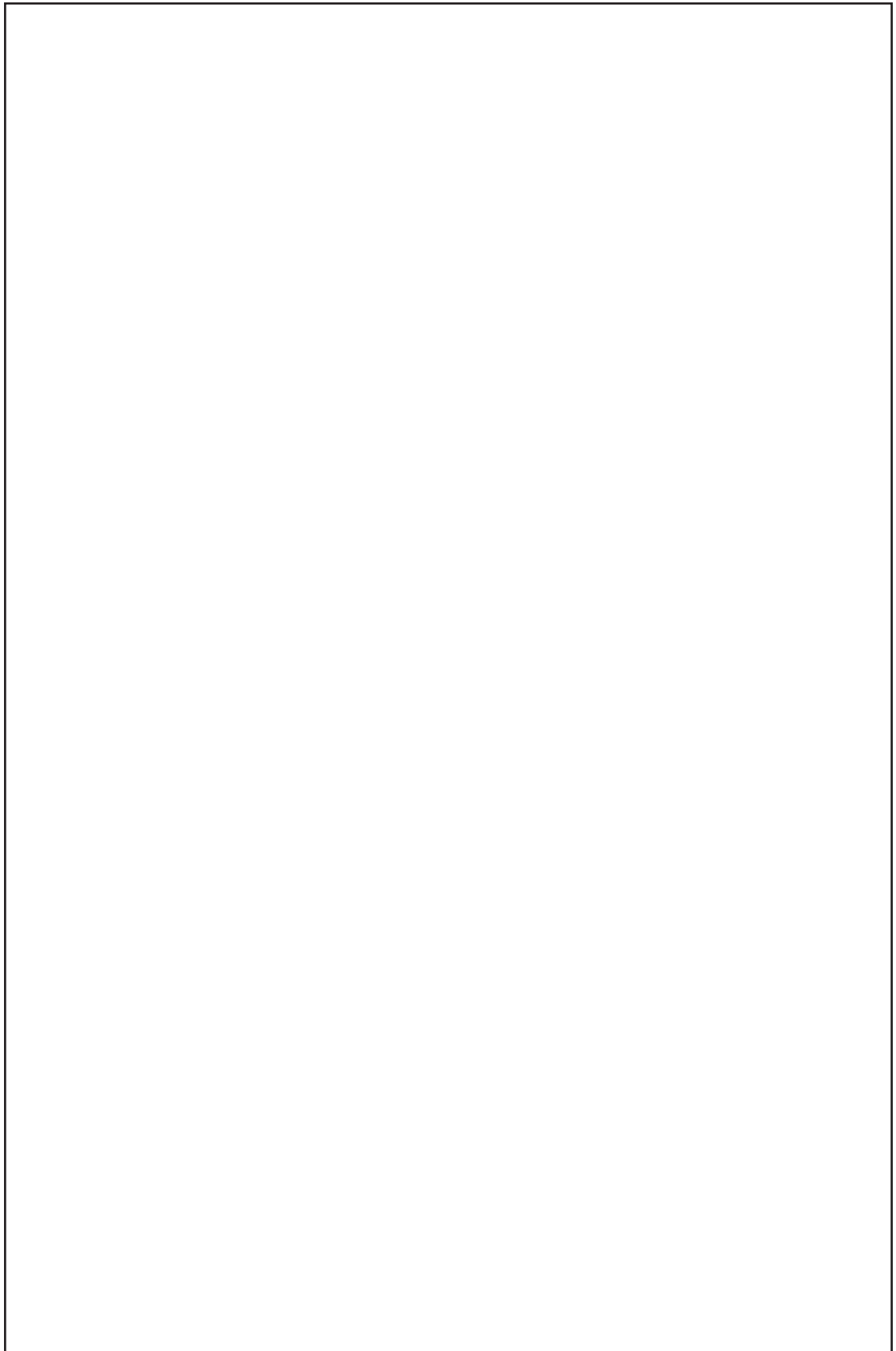

Pakistan National Shipping Corporation



**Un-Audited Report
For The First Quarter Ended
September 30, 2013**





CORPORATE INFORMATION

Board of Directors

Mr. Muhammad Siddique Memon

Chairman/CEO

Capt. S. Akhlaq Hussain Abidi

Member

Vice Admiral (R.) Muhammad 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.) Muhammad 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 &
Co.,

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

JS Bank Limited

NIB Bank Limited

National Bank of Pakistan

National Bank of Pakistan, Hong Kong

National Bank of Pakistan, Tokyo

Samba Bank Limited

Silk Bank Limited

Soneri Bank Limited

Standard Chartered Bank Limited Pakistan

UniCredit Bank, Italy

United Bank Limited, London



**PAKISTAN NATIONAL SHIPPING CORPORATION
DIRECTORS' REPORT
FOR THE FIRST QUARTER ENDED SEPTEMBER 30, 2013**

The Directors of Pakistan National Shipping Corporation (PNSC) are pleased to present the un-audited financial statements for the first quarter ended September 30, 2013.

OVERVIEW

The PNSC Group achieved a turnover of Rs. 3,942 million (including Rs. 2,290 million from PNSC) as compared to Rs. 2,546 million (including Rs. 897 million from PNSC) for the similar period last year showing an increase of 55%. The additional revenue was on account of higher crude oil and product shipments through own and chartered vessels. The Gross Profit for the period ended September 30, 2013 was Rs. 929 million as against Rs. 884 million for the same period last year. A Net After Tax Profit of Rs. 268 million was achieved during this period with an EPS of Rs. 2.03

FUTURE PROSPECTS

With freight rates showing slight improvement, 2014 appears to be a year of consolidation. With its expansion plan well in place, PNSC is expected to further increase its share in maritime activities, globally and locally. PNSC is also working on initiatives to form Joint Ventures with interested parties where PNSC can play its role as transporter.

MUHAMMAD SIDDIQUE MEMON
CHAIRMAN P.A.S.

Karachi; October 29, 2013



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
AS AT SEPTEMBER 30, 2013**

	Note	(Unaudited) September 30, 2013 ------(Rupees in '000)-----	(Audited) June 30, 2013
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	23,100,810	23,210,977
Investment properties		1,080,596	1,080,596
Long-term investments in listed companies and an other entity		33,844	38,211
Long-term loans		58	58
Long-term deposits		90	90
Deferred tax		80,552	80,552
		24,295,950	24,410,484
CURRENT ASSETS			
Stores and spares		802,709	734,392
Trade debts	5	1,436,494	1,177,691
Agents' and owners' balances		7,002	8,991
Loans and advances		76,785	67,544
Deposits and short-term prepayments		26,736	37,575
Interest / mark-up accrued		39,876	19,899
Other receivables		194,884	167,978
Incomplete voyages		100,880	99,180
Insurance claims		2,156	169,440
Taxation - net		300,210	276,206
Short-term investments		1,929,900	1,995,450
Cash and bank balances		1,841,042	1,788,301
		6,758,674	6,542,647
TOTAL ASSETS		31,054,624	30,953,131
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY			
Share capital		1,320,634	1,320,634
Reserves		19,395,440	19,124,419
		20,716,074	20,445,053
NON-CONTROLLING INTEREST			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		2,200	2,132
		20,718,274	20,447,185
SURPLUS ON REVALUATION OF FIXED ASSETS			
- Owners of the holding company		775,250	778,365
- Non-controlling interest		524	524
		775,774	778,889
NON-CURRENT LIABILITIES			
Long term financing	6	5,547,014	5,873,286
Deferred liabilities		571,793	566,574
Advance Rent		-	-
		6,118,807	6,439,860
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	7	2,016,159	1,854,311
Provision against damage claims		22,338	22,338
Current maturity of long-term financing	6	1,316,883	1,316,882
Accrued mark-up on long-term financing		83,327	91,087
Taxation - net		3,062	2,579
		3,441,769	3,287,197
TOTAL EQUITY AND LIABILITIES		31,054,624	30,953,131
CONTINGENCIES AND COMMITMENTS			
	8		

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

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

Khowaja Obaid Imran Ilyas
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (UNAUDITED)**

	Note	Quarter ended September 30, 2013	Quarter ended September 30, 2012
------(Rupees in '000)-----			
REVENUES			
Income from shipping business		3,905,148	2,522,046
Rental income		36,950	23,991
		3,942,098	2,546,037
EXPENDITURES			
Fleet expenses - direct		2,987,208	1,641,208
- indirect		8,125	6,799
Real estate expenses		17,591	13,793
		3,012,924	1,661,800
GROSS PROFIT		929,174	884,237
Administrative and general expenses		181,577	155,945
Other operating expenses		130,430	40,479
Other operating income		(240,143)	(111,916)
		71,864	84,508
OPERATING PROFIT		857,310	799,729
Finance costs		547,886	277,832
PROFIT BEFORE TAXATION		309,424	521,897
Taxation		40,926	65,804
PROFIT AFTER TAXATION		268,498	456,093
Other comprehensive income			
TOTAL COMPREHENSIVE INCOME		268,498	456,093
Attributable to:			
Equity holders of the Group		268,430	455,830
Non-controlling interest		68	263
		268,498	456,093
------(Rupees)-----			
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP - BASIC & DILUTED		2.03	3.45

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

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

Khawaja Obaid Imran Ilyas
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (UNAUDITED)**

	Issued, subscribed and paid-up share Capital	Capital Reserves	Revenue reserve			Non- controlling interest	Total
			General Reserves	Actuarial losses	Unappropri- ated profit		
----- (Rupees in '000) -----							
Balance at July 01, 2012	1,320,634	131,344	129,307	(154,431)	17,164,273	1,823	18,592,950
Total comprehensive income for the first quarter ended September 30, 2012	-	-	-	-	455,830	263	456,093
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	-	-	-	-	1,890	-	1,890
Total income credited to equity					457,720	263	457,983
Balance as at September 30, 2012	<u>1,320,634</u>	<u>131,344</u>	<u>129,307</u>	<u>(154,431)</u>	<u>17,621,993</u>	<u>2,086</u>	<u>19,050,933</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 first quarter ended September 30, 2013	-	-	-	-	268,430	68	268,738
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets during the period recognised directly in equity - net of tax	-	-	-	-	2,591	-	2,591
Total income credited to equity					271,021	68	271,329
Balance as at September 30, 2013	<u>1,320,634</u>	<u>131,344</u>	<u>129,307</u>	<u>(228,743)</u>	<u>19,363,532</u>	<u>2,200</u>	<u>20,718,274</u>

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

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

Khawaja Obaid Imran Ilyas
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT
FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (UNAUDITED)**

	Quarter ended September 30, 2013	Quarter ended September 30, 2012
Note	----- (Rupees in '000) -----	
Cash flows from operating activities		
Cash generated from operations	9 1,084,161	379,866
Employees' gratuity paid	(5,183)	(404)
Employees' compensated absences paid	(21,901)	(15,213)
Post retirement medical benefits paid	(3,840)	(2,400)
Long-term loans and advances	-	46
Finance costs paid	(218,267)	(83,442)
Payments under cross currency interest rate swap	(335,801)	(51,956)
Taxes paid	(64,447)	(92,345)
	434,722	134,152
Cash flows from investing activities		
Fixed capital expenditure	(166,635)	(1,403,404)
Interest / mark-up received	45,379	67,735
Net cash used in investing activities	(121,256)	(1,335,669)
Cash flows from financing activities		
Long-term financing - net	(326,271)	1,196,865
Dividends paid	(3)	(8)
Net cash (used in) / generated from financing activities	(326,274)	1,196,857
Net decrease in cash and cash equivalents	(12,808)	(4,660)
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	10 3,770,943	3,263,121

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

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

Khowaja Obaid Imran Ilyas
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL
STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 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 first quarter ended September 30, 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 September 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 first quarter ended September 30, 2012. These condensed interim consolidated financial statements also include the condensed interim consolidated profit and loss account for the quarter ended September 30, 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 first quarter ended September 30, 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, 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, 2013 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.

Note	(Unaudited) September 30, 2013	(Audited) June 30, 2013
	------(Rupees in '000)-----	

4. PROPERTY, PLANT AND EQUIPMENT

- Operating fixed assets	4.1	22,752,625	22,895,717
- Capital work-in-progress		348,185	315,260
		<u>23,100,810</u>	<u>23,210,977</u>



(Unaudited)
Quarter ended Quarter ended
September 30, Septmeber 30,
2013 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	-	52
Office machines and appliances	77	-
Computer equipment	579	50
Spares capitalised	23,354	397
Class renewal and dry docking	91,394	-
Equipment on board	328	-
Total	<u>115,732</u>	<u>1,344,768</u>

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

5. TRADE DEBTS

- considered good	5.1	1,436,494	1,177,691
- considered doubtful		252,814	252,814
		1,689,308	1,430,505
Less: provision for impairment	5.2	252,814	252,814
		<u>1,436,494</u>	<u>1,177,691</u>

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

Upto 1 month		900,822	762,813
1 month to 6 months		419,667	266,028
More than 6 months		116,005	148,850
		<u>1,436,494</u>	<u>1,177,691</u>

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

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

Upto three years		71,259	89,247
Three to five years		102,778	103,392
Five years and over		78,777	60,175
		<u>252,814</u>	<u>252,814</u>



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

6. LONG-TERM FINANCING

Financing under syndicate term finance agreement	6.1	5,997,579	6,282,672
Current maturity shown under current liabilities		1,150,674	1,150,674
		4,846,905	5,131,998
Term Finance Certificates	6.1	866,317	907,496
Current maturity shown under current liabilities		166,208	166,208
		700,109	741,288
		5,547,014	5,873,286

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 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 June 30, 2013, the Holding Company has drawn Rs 8,733.757 million (June 30, 2012: Rs 7,438.806 million) and Rs 1,261.543 million (June 30, 2012: Rs 1,074.494 million) from syndicated term finance and TFCs' respectively. The Holding Company has also paid loan arrangement fee amounting to Rs 106.662 million out of which Rs 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.

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

7. TRADE AND OTHER PAYABLES

Creditors		112,167	286,024
Agents' and owners' balances		677,241	434,047
Accrued liabilities		586,946	665,087
Deposits	7.1	47,039	38,133
Derivative instruments		90,801	105,237
Sales tax payable		170	186
Bills payable		151,761	33,142
Unclaimed dividends		28,076	28,079
Advance from customers		135,405	136,678
Other liabilities			
- amounts retained from contractors		21,780	22,918
- others		164,773	104,780
		186,553	127,698
		2,016,159	1,854,311



- 7.1 These deposits are interest free and are repayable on demand or on completion of specific contracts.
- 7.2 The Holding Company has entered into a cross currency interest rate swap of Rs 9,995.300 million in respect of its borrowing (note 6). Under the terms of the cross currency swap arrangement, the Holding Company is required to pay LIBOR plus 3.75% to the arranging bank on the borrowing denominated in USD (USD notional) for the purpose of cross currency swap, and receive KIBOR plus 2.20% from the arranging bank. Further, the Holding Company shall pay / receive any exchange loss / gain on the USD notional outstanding at each quarter end. Further, the Holding Company had also entered into an interest rate swap. Under the terms of the interest rate swap the Holding Company receives a fixed interest of 13% per annum, whereas the Holding Company 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 99.313 million (June 2013: Rs 140.098 million) (favourable) and Rs 3,920 million (June 2013: Rs 30.667 million) (favourable) to the Holding Company as of the balance sheet date which has been increased by the net interest receivable and exchange loss aggregating Rs 84.603 million (June 2013: Payable Rs 4.194 million) as at September 30, 2013.

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, 2013, except for the contingent liability in respect of claims not admitted by the Corporation as at June 30, 2013 aggregated to Rs 214.651 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 6.006 million (June 30, 2013: Rs 5.429 million) approximately in respect of insurance claims which, if accepted, will be borne by the Holding company as the P&I Club, Oceanus Mutual Underwriting Association (Bermuda) Limited has gone into liquidation. Out of the remaining claims, a sum of Rs 191.193 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 Holding company. As a matter of prudence, the management has made a total provision of Rs 22.338 million (June 30, 2013: Rs 22.338 million) against the aforementioned claims in these financial statements.

	(Unaudited) September 30, 2013	(Audited) June 30, 2013
Note	2013	2013
	------(Rupees in '000)-----	
8.2 Outstanding letters of guarantee	<u>5,126</u>	<u>5,126</u>
8.3 Commitment for capital expenditure	<u>252,666</u>	<u>285,589</u>



(Unaudited)
Quarter ended Quarter ended
September 30, Septmeber 30,
2013 2012
 Note -----(Rupees in '000)-----

9. CASH GENERATED FROM OPERATIONS

Profit before taxation	309,424	521,897
Adjustments for non-cash charges and other items:		
Depreciation	275,718	257,068
Provision for employees' gratuity	9,471	13,824
Provision for employees' compensated absences	6,349	19,142
Provision for post retirement medical benefits	20,884	4,997
Interest / mark-up income	(65,356)	(68,471)
Interest / mark-up expense	210,507	251,425
(Loss) / Gain on cross currency interest rate swap	336,973	(145,945)
Gain on interest rate swap	(103,232)	
Unwinding of Cross currency interest rate swap	87,624	
Loss on revaluation of investments	4,367	991
Provision against claims for damages -net	-	(451)
Working capital changes	9.1 (8,568)	(474,611)
	<u>1,084,161</u>	<u>379,866</u>

9.1 WORKING CAPITAL CHANGES

(Increase) / decrease in current assets:

Stores and spares	(68,317)	6,079
Trade debts	(258,803)	(354,398)
Agents' and owners' balances	1,989	(3,164)
Loans and advances	(9,241)	(26,981)
Deposits and prepayments	10,839	331
Other receivables	(26,906)	(39,793)
Incomplete voyages	(1,700)	103,406
Insurance claims	167,284	12,933
	(184,855)	(301,587)

Increase / (Decrease) in current liabilities:

Trade and other payables	176,287	(173,024)
	<u>(8,568)</u>	<u>(474,611)</u>

(Unaudited)
September 30, September 30,
 Note **2013** 2012
 -----(Rupees in '000)-----

10. CASH AND CASH EQUIVALENTS

Short-term investments	1,929,900	1,295,580
Cash and bank balances	1,841,042	1,967,541
	<u>3,770,942</u>	<u>3,263,121</u>



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)	
		Quarter ended September 30, 2013	Quarter ended September 30, 2012
------(Rupees in '000)-----			
Contribution to provident fund	Associate	3,018	2,473
Directors' fee	Associate	240	180
Key management personnel compensation		6,173	7,098

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. GENERAL

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

13. DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue on October 29, 2013 by the Board of Directors of the Holding Company.

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

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION

**UNAUDITED
INTERIM FINANCIAL STATEMENTS**

**FOR THE FIRST QUARTER ENDED
SEPTEMBER 30, 2013**



**PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2013**

		(Unaudited) September 30, 2013	(Audited) June 30, 2013
	Note	------(Rupees in '000)-----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	1,556,680	1,535,411
Investment properties		1,080,596	1,080,596
Long-term investments in: Related parties (subsidiaries and an associate)		25,189,064	25,189,063
Listed companies and an entity		33,844	38,211
		25,222,908	25,227,274
Long-term loans		58	58
Deferred tax		80,552	80,552
		27,940,794	27,923,891
CURRENT ASSETS			
Stores and spares		118,371	100,381
Trade debts	5	918,884	771,219
Agents' and owners' balances		7,002	8,991
Loans and advances		76,785	67,544
Deposits and short-term prepayments		26,288	37,126
Interest / mark-up accrued		39,813	19,836
Other receivables		58,938	35,450
Incomplete voyages		218,499	50,242
Taxation - net		277,728	252,591
Short-term investments		1,929,900	1,995,450
Cash and bank balances		1,831,629	1,778,997
		5,503,837	5,117,827
TOTAL ASSETS		33,444,631	33,041,718
EQUITY AND LIABILITIES			
Share Capital:			
Authorised (200,000,000 Ordinary shares of 10 each)		2,000,000	2,000,000
Issued, subscribed and paid-up capital		1,320,634	1,320,634
Reserves		5,601,980	5,633,268
		6,922,614	6,953,902
SURPLUS ON REVALUATION OF FIXED ASSETS		773,473	776,064
NON-CURRENT LIABILITIES			
Long-term financing	6	5,547,014	5,873,286
Deferred liabilities		571,793	566,574
		6,118,807	6,439,860
CURRENT LIABILITIES			
Trade and other payables	7	18,207,190	17,441,585
Provision against damage claims		22,338	22,338
Current maturity of long-term financing	6	1,316,882	1,316,882
Accrued mark-up on long-term financing		83,327	91,087
Taxation - net		-	-
		19,629,737	18,871,892
TOTAL EQUITY AND LIABILITIES		33,444,631	33,041,718
CONTINGENCIES AND COMMITMENTS			
	8		

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

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

Khowaja Obaid Imran Ilyas
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (UNAUDITED)**

	Quarter ended September 30, 2013	Quarter ended September 30, 2012
Note	----- (Rupees in '000) -----	
REVENUE		
Chartering revenue	2,184,910	803,987
Services fee	68,815	68,722
Rental income	36,738	23,941
	2,290,463	896,650
EXPENDITURE		
Fleet expenses - direct	1,659,486	424,013
- indirect	6,908	6,731
Vessel management expenses	86,096	111,048
Real estate expenses	17,591	13,793
	1,770,081	555,585
	520,382	341,065
GROSS PROFIT		
Administrative and general expenses	83,675	38,310
Other operating expenses	129,271	38,243
Other operating income	(238,603)	(80,051)
	(25,657)	(3,498)
OPERATING PROFIT	546,039	344,563
Finance costs	547,480	277,358
(LOSS) / PROFIT BEFORE TAXATION	(1,441)	67,205
Taxation	32,438	56,467
(LOSS) / PROFIT AFTER TAXATION	(33,879)	10,738
Other comprehensive income	-	-
TOTAL COMPREHENSIVE (LOSS) / INCOME	(33,879)	10,738
	----- (Rupees) -----	
(LOSS) / EARNINGS PER SHARE - Basic and Diluted	(0.26)	0.08

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

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

Khowaja Obaid Imran Ilyas
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (UNAUDITED)**

	Issued, subscribed and paid-up share capital	Capital Reserve	Revenue Reserves		Total
			Actuarial losses	Unappropriated profit	
(Rupees in '000)					
Balance at July 01, 2012	1,320,634	126,843	(154,433)	5,134,668	6,427,712
Total comprehensive income for the first quarter ended September 30, 2012	-	-	-	10,738	10,738
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	-	-	-	1,890	1,890
Total income debited to equity				12,628	12,628
Balance as at September 30, 2012	<u>1,320,634</u>	<u>126,843</u>	<u>(154,433)</u>	<u>5,147,296</u>	<u>6,440,340</u>
Balance at July 01, 2013	1,320,634	126,843	(228,743)	5,735,168	6,953,902
Total comprehensive income for the first quarter ended September 30, 2013	-	-	-	(33,879)	(33,879)
Surplus on revaluation of property, plant and equipment realised through incremental depreciation charged on related assets during the period recognised directly in equity - net of tax	-	-	-	2,591	2,591
Total loss credited to equity				(31,288)	(31,288)
Balance as at September 30, 2013	<u>1,320,634</u>	<u>126,843</u>	<u>(228,743)</u>	<u>5,703,880</u>	<u>6,922,614</u>

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

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

Khawaja Obaid Imran Ilyas
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE QUARTER ENDED SEPTEMBER 30, 2013 (UNAUDITED)**

	Quarter ended September 30, 2013	Quarter ended September 30, 2012
Note	----- (Rupees in '000) -----	
Cash flows from operating activities		
Cash generated from operations	9 950,485	(1,023,505)
Employees' gratuity paid	(5,183)	(422)
Employees' compensated absences paid	(21,901)	(13,858)
Post retirement medical benefits paid	(3,840)	(2,181)
Long-term loans and advances	-	46
Finance costs paid	(218,267)	(83,442)
Payments under cross currency interest rate swap	(335,801)	(51,956)
Taxes paid	(57,575)	(89,342)
	<hr/> 307,918	<hr/> (1,264,660)
Cash flows from investing activities		
Fixed capital expenditure	(39,940)	(10,529)
Interest / mark-up received	45,379	67,672
Net cash generated from investing activities	5,439	57,143
Cash flows from financing activities		
Long-term financing - net	(326,272)	1,196,864
Dividends paid	(3)	(8)
Net cash (used in) / generated from financing activities	(326,275)	1,196,856
Net decrease in cash and cash equivalents	<hr/> (12,918)	<hr/> (10,661)
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	10 <u>3,761,529</u>	<u>3,254,841</u>

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

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

Khowaja Obaid Imran Ilyas
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 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 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 first quarter ended September 30, 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 September 30, 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 first quarter ended September 30, 2012. These condensed interim financial statements also include the condensed interim profit and loss account for the quarter ended September 30, 2013.

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 first quarter ended September 30, 2012.

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, 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, 2013 but are considered not to be relevant or do not have any significant effect to the Corporation's operations and are therefore not mentioned in these financial statements.

	Note	(Unaudited) September 30, 2013	(Audited) June 30, 2013
------(Rupees in '000)-----			
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	1,208,495	1,220,151
Capital work-in-progress		348,185	315,260
		<u>1,556,680</u>	<u>1,535,411</u>

	Note	(Unaudited) Quarter ended September 30, 2013	(Audited) Quarter ended September 30, 2012
------(Rupees in '000)-----			
4.1 Additions to fixed assets (including transfers from CWIP) during the period mainly include:			
Buildings on leasehold land		-	52
Office machines and appliances		77	-
Equipment on board		60	-
Computer equipment		465	50
		<u>602</u>	<u>102</u>

	Note	(Unaudited) September 30, 2013	(Audited) June 30, 2013
------(Rupees in '000)-----			
5. TRADE DEBTS			
Considered good	5.1	918,884	771,219
Considered doubtful		18,265	18,265
		<u>937,149</u>	<u>789,484</u>
Provision for impairment	5.2	(18,265)	(18,265)
		<u>918,884</u>	<u>771,219</u>

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

Upto 1 month		551,540	581,226
1 month to 6 months		289,842	128,412
More than 6 months		77,502	61,581
		<u>918,884</u>	<u>771,219</u>

5.2 As at September 30, 2013, trade debts of Rs 18.265 million (June 30, 2013: Rs 18.265 million) were impaired and provided for. These receivable balances have been outstanding for more than three years.



	Note	(Unaudited) September 30, 2013 ------(Rupees in '000)-----	(Audited) June 30, 2013
6. LONG-TERM FINANCING			
Financing under Syndicate term finance agreement	6.1	5,997,579	6,282,672
Current maturity shown under current liabilities		<u>1,150,674</u>	1,150,674
		4,846,905	5,131,998
Term Finance Certificates	6.1	866,317	907,496
Current maturity shown under current liabilities		<u>166,208</u>	166,208
		<u>700,109</u>	741,288
		<u>5,547,014</u>	5,873,286

6.1 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 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 a quarterly basis and the last repayment date is November 23, 2018. The facility is secured by a first mortgage charge over certain vessels owned by its subsidiary companies, all present and future receivables of the Corporation from three major customers and its investment properties.

As at June 30, 2013, 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.

7. TRADE AND OTHER PAYABLES

	Note	(Unaudited) September 30, 2013 ------(Rupees in '000)-----	(Audited) June 30, 2013
Creditors		25,110	141,510
Current account balances with subsidiary companies		16,840,109	16,189,570
Agents' and owners' balances		677,241	434,047
Accrued liabilities		216,526	240,633
Deposits	7.1	47,039	38,133
Derivative instruments	7.2	90,801	105,237
Unclaimed dividends		28,076	28,079
Advance from customers		135,405	136,678
Other liabilities			
amounts retained from contractors		<u>21,780</u>	22,918
others		<u>125,103</u>	104,780
		<u>146,883</u>	127,698
		<u>18,207,190</u>	17,441,585



- 7.1 These deposits are interest free and are repayable on demand or on completion of specific contracts.
- 7.2 The Corporation has entered into a cross currency interest rate swap of Rs 9,995.300 million in respect of its borrowing (note 6). 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 99.313 million (June 2013: Rs 140.098 million) (favourable) and Rs 3,920 million (June 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 84.603 million (June 2013: Payable Rs 4.194 million) as at September 30, 2013.

8. CONTINGENCIES AND COMMITMENTS

Contingencies

- 8.1 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 admitted by the Corporation as at June 30, 2013 aggregated to Rs 214.651 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 6.006 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 191.193 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 22.338 million (June 30, 2013: Rs 22.338 million) against the aforementioned claims in these financial statements.

	(Unaudited) September 30, 2013	(Audited) June 30, 2013
Note	2013	2013
	----- (Rupees in '000) -----	

Commitments

- | | | |
|---|----------------|----------------|
| 8.2 Outstanding letters of guarantee | <u>5,126</u> | <u>5,126</u> |
| 8.3 Commitments for capital expenditure | <u>252,666</u> | <u>285,589</u> |



(Unaudited)
Quarter ended Quarter ended
September 30, September 30,
2013 2012
 -----(Rupees in '000)-----

9. CASH GENERATED FROM OPERATIONS

(loss) / profit before taxation	(1,441)	67,205
Adjustments for non-cash charges and other items:		
Depreciation	18,543	16,458
Provision for employees' gratuity	9,201	12,998
Provision for employees' compensated absences	6,249	18,632
Provision for post retirement medical benefits	20,820	4,778
Interest / mark-up income	(65,356)	(68,471)
Interest / mark-up expense	210,507	251,425
(Loss) / Gain on cross currency interest rate swap	336,973	(145,945)
Gain on interest rate swap	(103,232)	-
Unwinding of Cross currency interest rate swap	87,624	-
Loss on revaluation of investments	4,367	991
Provision against claims for damages -net	-	(451)
Working capital changes	9.1 426,230	(1,181,125)
	950,485	(1,023,505)

9.1 WORKING CAPITAL CHANGES

(Increase) / decrease in current assets:		
Stores and spares	(17,990)	363
Trade debts	(147,665)	(215,404)
Agents' and owners' balances	1,989	(3,164)
Loans and advances	(9,241)	(26,981)
Deposits and prepayments	10,838	7,961
Other receivables	(23,488)	(632,061)
Incomplete voyages	(168,257)	42,843
Insurance claims	-	47
	(353,814)	(826,396)
Decrease in current liabilities:		
Trade and other payables	780,044	(354,729)
	426,230	(1,181,125)

(Unaudited)
September 30, September 30,
2013 2012
 -----(Rupees in '000)-----

10. CASH AND CASH EQUIVALENTS

Short-term investments	1,929,900	1,289,580
Cash and bank balances	1,831,629	1,965,261
	3,761,529	3,254,841



11. 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 Group	(Unaudited)	
		Quarter ended September 30, 2013	Quarter ended September 30, 2012
------(Rupees in '000)-----			
Service fee charged to subsidiary companies	Subsidiary	68,815	68,722
Rental expense of Pakistan Co-operative Ship Stores (Private) Limited	Subsidiary	134	134
Delivery of stores and spares to subsidiary companies	Subsidiary	5,904	3,193
Retirement benefit costs charged to subsidiaries	Subsidiary	433	1,555
Contribution to provident fund		3,018	2,473
Directors' fee		240	180
Key management personnel compensation		6,173	7,098

11.1 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.

12. GENERAL

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

13. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 29, 2013 by the Board of Directors of the Corporation.

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

Khowaja Obaid Imran Ilyas
Director