



TOWARDS NEW  
**HORIZONS**

HALF YEARLY REPORT  
DECEMBER 31, 2014





## CORPORATE INFORMATION

### Board of Directors

1. Mr. Muhammad Siddique Memon	Chairman
2. Mr. Haq Nawaz	Member
3. Mr. M. Anwar Malik	Member
4. Ms. Ava A. Cowasjee	Member
5. Mr. Akbar Adil	Member
6. Mr. Khowaja Obaid Imran Ilyas	Member
7. Capt. Syed Anwar Shah	Member

### Audit Committee

1. Mr. Khowaja Obaid Imran Ilyas	Chairman
2. Capt. Anwar Shah	Member
3. Mr. Akbar Adil	Member

### Human Resource and Remuneration Committee

1. Capt. Anwar Shah	Chairman
2. Ms. Ava A. Cowasjee	Member
3. Mr. Akbar Adil	Member

### Commercial Committee

1. Mr. Akbar Adil	Chairman
2. Ms. Ava A. Cowasjee	Member
3. Capt. Anwar Shah	Member

### Chief Financial Officer

Mr. Imtiaz C. Agboatwala

### Company Secretary

Ms. Zainab Suleman

### Chief Internal Auditor

Mr. Babar 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

1. A. F. Ferguson & Co., Chartered Accountants
2. 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  
Habib Bank Limited  
Habib Bank Limited, New York  
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  
United Bank Limited, London  
Meezan Bank Limited  
Sindh Bank Limited



**PAKISTAN NATIONAL SHIPPING CORPORATION  
DIRECTORS' REPORT  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2014**

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, 2014. 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, 2014 were Rs 3,811 m (including Rs 1,857 m from PNSC), making a total of Rs 7,787 m (including Rs 4,160 m from PNSC) for the half-year under review.

Revenues were similar to same period last year. Dry Bulk Freight market is low and is a challenge to the global shipping industry. However, with better oil transportation, (both crude and products), we were able to maintain last year's levels.

Profit after tax for the half year ended 31 December 2014 was Rs 793 m as against Rs 733 m last year. Earnings Per Share for the Group was Rs 6.00 against Rs 5.55 in the last period.

**FUTURE PROSPECTS**

To cater higher oil transportation requirements, PNSC acquired an AFRAMAX Oil Tanker (MT Shalamar) in Nov/Dec'2014 and is successfully deployed on the Arabian Gulf - Pakistan route. The process of acquiring another AFRAMAX Oil Tanker is underway and expected to be completed by 30th June 2015.

**MUHAMMAD SIDDIQUE MEMON**

**P.A.S.**

**CHAIRMAN AND CHIEF EXECUTIVE**

Karachi : February 26, 2015



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

**ERNST & YOUNG FORD RHODES SIDAT HYDER**  
CHARTERED ACCOUNTANTS  
*a member firm of the PwC network*  
PROGRESSIVE PLAZA  
BEAUMONT ROAD  
KARACHI

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

### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of Pakistan National Shipping Corporation as at December 31, 2014, 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, 2014 and 2013 have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2014.

### **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, 2015

**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants  
Karachi: February 26, 2015

Engagement partner: Khurshid Hasan

Engagement partner: Riaz A. Rehman Chamdia





# **PAKISTAN NATIONAL SHIPPING CORPORATION** **CONDENSED INTERIM BALANCE SHEET** **AS AT DECEMBER 31, 2014**

	Note	(Unaudited) December 31, 2014	(Audited) June 30, 2014
(Rupees in '000)			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	1,601,012	1,642,894
Intangible asset	6	-	-
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 other entity		49,112	53,669
		25,238,176	25,242,732
Long-term loans and advances			
- Related party (subsidiary)	7	3,402,698	-
- Others - due from employees		58	58
		3,402,756	58
Deferred taxation - net		105,156	90,777
		31,427,696	28,057,057
<b>CURRENT ASSETS</b>			
Stores and spares		12,685	11,402
Trade debts	8	1,898,216	1,987,993
Agents' and owners' balances		9,995	124,824
Loans and advances		51,189	58,564
Trade deposits and short-term prepayments		86,760	45,604
Interest / mark-up accrued on bank deposits and investments		38,245	34,539
Other receivables	9	350,673	239,755
Incomplete voyages		8,343	5,992
Taxation - net		796,101	737,000
Short-term investments	10	2,352,025	2,294,880
Cash and bank balances		1,488,184	1,842,531
		7,092,416	7,383,084
		38,520,112	35,440,141
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Share capital</b>			
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
<b>Reserves</b>			
		6,095,238	6,314,151
		7,415,872	7,634,785
<b>SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX</b>		761,226	768,248
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing	11	6,612,315	4,568,861
Deferred liabilities		659,502	617,483
		7,271,817	5,186,344
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	21,216,529	20,423,394
Provision against damage claims		33,634	31,973
Current portion of long-term financing	11	1,702,054	1,316,882
Accrued mark-up on long-term financing		118,980	78,515
		23,071,197	21,850,764
		38,520,112	35,440,141
<b>TOTAL EQUITY AND LIABILITIES</b>			
<b>CONTINGENCIES AND COMMITMENT</b>			
	13		

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Muhammad Siddique Memon  
Chairman & Chief Executive


Khowaja Obaid Imran Ilyas  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION**  
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT FOR THE QUARTER**  
**AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2014 (UNAUDITED)**

	Quarter ended December 31, 2014	Quarter ended December 31, 2013	Six months period ended December 31, 2014	Six months period ended December 31, 2013
------(Rupees in '000)-----				
<b>REVENUES</b>				
Chartering revenues	1,818,674	1,877,996	4,084,594	4,062,906
Services fees	78,080	77,065	145,041	145,880
Rental income	38,831	40,027	74,920	76,765
	<u>1,935,585</u>	<u>1,995,088</u>	<u>4,304,555</u>	<u>4,285,551</u>
<b>EXPENDITURE</b>				
Fleet expenses - direct	(1,527,220)	(1,532,821)	(3,610,276)	(3,192,307)
Fleet expenses - indirect	(5,844)	(7,930)	(12,056)	(14,838)
Vessel management expenses	(118,096)	(91,164)	(209,961)	(177,260)
Real estate expenses	(12,903)	(21,408)	(34,554)	(38,999)
	<u>(1,664,063)</u>	<u>(1,653,323)</u>	<u>(3,866,847)</u>	<u>(3,423,404)</u>
<b>GROSS PROFIT</b>	<u>271,522</u>	<u>341,765</u>	<u>437,708</u>	<u>862,147</u>
Administrative and general expenses	(139,896)	(84,482)	(267,668)	(168,157)
Other income	315,558	636,329	470,172	874,932
Other operating expenses	(213,696)	(491,200)	(293,776)	(567,888)
	<u>(38,034)</u>	<u>60,647</u>	<u>(91,272)</u>	<u>138,887</u>
<b>OPERATING PROFIT</b>	<u>233,488</u>	<u>402,412</u>	<u>346,436</u>	<u>1,001,034</u>
Finance costs	(39,249)	(73,256)	(309,020)	(673,319)
<b>PROFIT BEFORE TAXATION</b>	<u>194,239</u>	<u>329,156</u>	<u>37,416</u>	<u>327,715</u>
Taxation	(10,712)	(80,207)	(61,616)	(112,645)
<b>PROFIT / (LOSS) AFTER TAXATION</b>	<u>183,527</u>	<u>248,949</u>	<u>(24,200)</u>	<u>215,070</u>
Other comprehensive income	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME / (LOSS)</b>	<u>183,527</u>	<u>248,949</u>	<u>(24,200)</u>	<u>215,070</u>
------(Rupees)-----				
<b>EARNINGS / (LOSS) PER SHARE -</b>				
Basic and Diluted	<u>1.39</u>	<u>1.89</u>	<u>(0.18)</u>	<u>1.63</u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

  
Muhammad Siddique Memon  
Chairman & Chief Executive

  
Khowaja Obaid Imran Ilyas  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION**  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2014 (UNAUDITED)**

			Revenue Reserves		
	Issued, subscribed and fully paid-up share capital	Capital reserve	Remeasurement of post retirement benefits obligation - net of tax	Un - appropriated profit	Total
	----- (Rupees in '000) -----				
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 property, plant and equipment realised during the period on account of incremental depreciation charged	-	-	-	3,761	3,761
Total income credited to equity				86,768	87,768
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>
Balance as at July 1, 2014	1,320,634	126,843	(226,522)	6,413,830	7,634,785
Final cash dividend for the year ended June 30, 2014 (Rs 1.5 per ordinary share of Rs 10 each)	-	-	-	(198,095)	(198,095)
Total comprehensive loss for the six months period ended December 31, 2014	-	-	-	(24,200)	(24,200)
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	3,382	3,382
Total income credited to equity				(218,913)	(218,913)
Balance as at December 31, 2014	<u>1,320,634</u>	<u>126,843</u>	<u>(226,522)</u>	<u>6,194,917</u>	<u>7,415,872</u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

  
Muhammad Siddique Memon  
Chairman & Chief Executive

  
Khawaja Obaid Imran Ilyas  
Director






**PAKISTAN NATIONAL SHIPPING CORPORATION**  
**CONDENSED INTERIM CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2014 (UNAUDITED)**

	Note	Six months period ended December 31, 2014	Six months period ended December 31, 2013
(Rupees in '000)			
<b>Cash flows from operating activities</b>			
Cash generated from operations	14	1,228,484	1,909,902
Employees' gratuity paid		(5,425)	(6,109)
Employees' compensated absences paid		(29,499)	(35,305)
Post retirement medical benefits paid		(8,488)	(11,883)
Finance costs paid		(370,486)	(416,015)
Receipts / (payments) under cross currency and interest rate swap - net		63,320	(448,492)
Taxes paid		(138,736)	(167,694)
Net cash generated from operating activities		739,170	824,404
<b>Cash flows from investing activities</b>			
Capital expenditure		(27,385)	(53,077)
Long-term loans and advances - related parties		(3,402,698)	-
Disposal of short-term investments		296,990	(1,222,320)
Interest / mark-up received		156,395	129,087
Net cash used in investing activities		(2,976,698)	(1,146,310)
<b>Cash flows from financing activities</b>			
Long-term financing obtained / (repaid) - net		2,428,626	(658,965)
Dividend paid		(191,310)	(130,070)
Net cash generated / (used in) from financing activities		2,237,316	(789,035)
Net decrease in cash and cash equivalents		(212)	(1,110,941)
Cash and cash equivalents at the beginning of period		2,639,971	3,774,447
Cash and cash equivalents at the end of the period	15	2,639,759	2,663,506

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

  
Muhammad Siddique Memon  
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 SIX MONTHS PERIOD ENDED DECEMBER 31, 2014 (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. BASIS OF PREPARATION**

- 2.1 These condensed interim financial statements of the Corporation for the six months period ended December 31, 2014 have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan for interim financial reporting which comprise of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. These interim financial statements should be read in conjunction with the financial statements for the year ended June 30, 2014 as they provide an update of previously reported information.
- 2.2 These condensed interim financial statements comprise of the condensed interim balance sheet as at December 31, 2014 and the condensed interim profit and loss account, the condensed interim statement of changes in equity, the condensed interim cash flow statement and notes thereto for the six months period then ended 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, 2014 which has neither been reviewed nor audited.
- 2.3 The comparative balance sheet presented in these condensed interim financial statements as at June 30, 2014 has been extracted from the annual audited financial statements of the Corporation for the year ended June 30, 2014 whereas the comparative condensed interim profit and loss account, condensed interim statement of changes in equity and condensed interim cash flow statement for the six months period ended December 31, 2013 have been extracted from the condensed interim financial statements of the Corporation for the six months period then ended, which were subjected to a review but not audited. The comparative condensed interim profit and loss account for the quarter ended December 31, 2013 included in these condensed interim financial statements was neither subjected to a review nor audited.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 3.1 The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are same as those applied in the preparation of the financial statements for the year ended June 30, 2014.



### 3.1.1 **New standards, amendments to approved accounting standards and new interpretations which became effective during the six months period ended December 31, 2014:**

There were certain new standards, amendments to the approved accounting standards and a new interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the period but are considered not to be relevant or have any significant effect on the Corporation's operations and are, therefore, not disclosed in these financial statements.

### 3.1.2 **New standards, amendments to approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the Corporation:**

There are certain amendments to the approved accounting standards that are mandatory for accounting periods beginning after January 1, 2015, but are considered not to be relevant or have any significant effect on the Corporation's operations and are, therefore, not disclosed in these 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, 2014 and 2013 would have been as follows:

	(Unaudited)	
	Six months period ended December 31, 2014	Six months period ended December 31, 2013
	(Rupees in '000)	
Staff costs of the Corporation for the period would have been higher by	272,295	105,160
Profit after taxation would have been lower by	272,295	105,160
Earnings per share would have been lower by	2.07	0.80
Retained earnings would have been lower by	903,437	665,155
Reserves would have been higher by	903,437	665,155



#### 4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised prospectively commencing from the period of revision.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended June 30, 2014.

The Corporation's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2014.

	Note	(Unaudited) December 31, 2014	(Audited) June 30, 2014
		(Rupees in '000)	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1 & 5.2	1,165,479	1,188,414
Capital work-in-progress (CWIP)	5.3	435,533	454,480
		<u>1,601,012</u>	<u>1,642,894</u>

		(Unaudited) Six months period ended December 31, 2014	Six months period ended December 31, 2013
		(Rupees in '000)	
5.1	Additions to fixed assets (including transfers from CWIP) during the current period mainly include:		
	Buildings on leasehold land	2,009	2,282
	Office machines and appliances	8	329
	Workshop machinery and equipment	433	85
	Computer equipment	3,456	1,515
		<u>5,906</u>	<u>4,211</u>
5.2	Depreciation charge for the period	<u>21,977</u>	<u>24,460</u>

5.3 During the current period, additions to CWIP mainly include expenditure incurred for parking plaza and mosque at PNSC building, aggregating to Rs 7.948 million.

#### 6. 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, 2014 (Rupees in '000)	(Audited) June 30, 2014
<b>7. LONG-TERM LOANS AND ADVANCES</b>			
Related party (subsidiary)	7.1	<u>3,402,698</u>	<u>-</u>
7.1 This represents amount paid by the Corporation, as an advance against future issue of share capital to its wholly owned subsidiary, Shalamar Shipping (Private) Limited, for purchase of vessel.			
	Note	(Unaudited) December 31, 2014 (Rupees in '000)	(Audited) June 30, 2014
<b>8. TRADE DEBTS</b>			
<b>Unsecured</b>			
- Considered good	8.1	1,898,216	1,987,993
- Considered doubtful		<u>17,280</u>	<u>17,280</u>
		1,915,496	2,005,273
Less: Provision for impairment	8.2	<u>17,280</u>	<u>17,280</u>
		<u>1,898,216</u>	<u>1,987,993</u>
8.1 The ageing analysis of these trade debts that are past due but not impaired is as follows:			
		(Unaudited) December 31, 2014 (Rupees in '000)	(Audited) June 30, 2014
Upto 1 month		279,951	787,061
1 to 6 months		635,518	744,299
More than 6 months		<u>982,747</u>	<u>456,633</u>
		<u>1,898,216</u>	<u>1,987,993</u>
8.2 As at December 31, 2014, trade debts of Rs 17.280 million (June 30, 2014: Rs 17.280 million) were impaired and provided for. These balances were outstanding for more than three years.			
	Note	(Unaudited) December 31, 2014 (Rupees in '000)	(Audited) June 30, 2014
<b>9. OTHER RECEIVABLES</b>			
<b>Rent receivable:</b>			
- considered good		14,355	10,282
- considered doubtful		<u>3,801</u>	<u>3,801</u>
		18,156	14,083
Less: Provision for impairment of rent receivable		<u>3,801</u>	<u>3,801</u>
		14,355	10,282
Derivative cross currency interest rate swap	9.1	260,035	147,209



Note	(Unaudited) December 31, 2014	(Audited) June 30, 2014
(Rupees in '000)		
<b>Others:</b>		
- considered good	76,283	82,264
- considered doubtful	12,659	12,659
	88,942	94,923
Less: Provision for impairment of other receivables	12,659	12,659
	76,283	82,264
	<u>350,673</u>	<u>239,755</u>

- 9.1 The Corporation has entered into a cross currency interest rate swap of Rs 9,995.300 million in respect of its borrowing (note 11). 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 164.194 million (favourable) (June 30, 2014: Rs 86.851 million (favourable)) and Rs 10.888 million (favourable) (June 30, 2014: Rs 14.015 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 38.611 million (June 30, 2014: receivable Rs 46.343 million) as at December 31, 2014.

#### 10. SHORT-TERM INVESTMENTS

	(Unaudited) December 31, 2014	(Audited) June 30, 2014
(Rupees in '000)		
Term deposits with banks, having maturity of:		
- three to six months	1,200,450	1,497,440
- three months or less	1,151,575	797,440
	<u>2,352,025</u>	<u>2,294,880</u>

- 10.1 The mark-up on term deposits denominated in local currency ranges between 9.72% to 10.50% (June 30, 2014: 10% to 10.50%) per annum, whereas mark-up on term deposits denominated in foreign currency ranges between 2% to 2.05% (June 30, 2014: 2%) per annum.

	Note	(Unaudited) December 31, 2014 (Rupees in '000)	(Audited) June 30, 2014
<b>11. LONG-TERM FINANCING</b>			
Financing under Syndicated term finance agreement	11.1 & 11.2	6,626,770	5,142,882
Less: Current maturity shown under current liabilities		<u>1,407,455</u>	<u>1,150,674</u>
		<u>5,219,315</u>	<u>3,992,208</u>
Term Finance Certificates	11.1	<u>660,474</u>	<u>742,861</u>
Less: Current maturity shown under current liabilities		<u>166,208</u>	<u>166,208</u>
		<u>494,266</u>	<u>576,653</u>
Musharika Agreement	11.2	<u>1,027,125</u>	<u>-</u>
Less: Current maturity shown under current liabilities		<u>128,391</u>	<u>-</u>
		<u>898,734</u>	<u>-</u>
		<u>6,612,315</u>	<u>4,568,861</u>



- 11.1 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, 2014, the Corporation has drawn Rs 8,733.757 million (June 30, 2014: Rs 8,733.757 million) and Rs 1,261.543 million (June 30, 2014: 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, which has been fully amortised.

- 11.2 During the period ended December 31, 2014, the Corporation obtained a financing facility of Rs 4,500 million. The financing was obtained in the form of syndicated term finance loan of Rs 3,000 million, with the remaining amount of Rs 1,500 million through a musharika agreement.

The financing carries mark-up at the rate of KIBOR+1.60%. The loan along with the mark-up is repayable on a quarterly basis with the last repayment date on November 6, 2022. The facility is secured by a first mortgage charge over certain vessels owned by its subsidiary companies.

During the period ended December 31, 2014, the Corporation has drawn Rs 2,054.250 million (June 30, 2014: Rs Nil) and Rs 1,027.125 million (June 30, 2014: Rs Nil) from syndicated term finance and musharika respectively. The Corporation has also paid loan arrangement fee amounting to Rs 45 million which was included fully in the amortised cost of the long term financing, whereas an amount of Rs 315,000 (June 30, 2014: Nil) is expensed out at the time of drawdown.

## 12. TRADE AND OTHER PAYABLES

	Note	(Unaudited) December 31, 2014	(Audited) June 30, 2014
		(Rupees in '000)	
Creditors		23,927	37,149
Current account balances with subsidiary companies		19,719,068	18,628,307
Agents' and owners' balances		548,868	804,063
Accrued liabilities		597,011	630,121
Deposits	12.1	42,463	42,212
Unclaimed dividends		36,701	29,916
Advance from customers		88,294	128,305
Other liabilities			
- amounts retained from contractors		26,688	23,695
- others		133,509	99,626
		160,197	123,321
		<b>21,216,529</b>	<b>20,423,394</b>

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

## 13. CONTINGENCIES AND COMMITMENTS

### Contingencies

- 13.1 There are no major changes in the status of contingencies and commitments as reported in the annual unconsolidated financial statements for the year ended June 30, 2014 except for those mentioned below.



13.2 The contingent liability in respect of claims not acknowledged as debts by the Corporation, which as at December 31, 2014 aggregated to Rs 249.107 million (June 30, 2014: Rs 368.244 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo and damages to cargo. These include Rs 2.260 million (June 30, 2014: Rs 2.225 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 215.473 million (June 30, 2014: Rs 273.186 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 33.634 million (June 30, 2014: Rs 31.973 million) against the aforementioned claims in these condensed interim financial statements.

13.3 During the year ended June 30, 2014, the Deputy Commissioner Inland Revenue (DCIR) has issued assessment orders under section 161 of the ITO, 2001 in respect of tax years 2008 to 2013. According to the orders, the DCIR has held that the Corporation was required to withhold tax under section 152 (2) of the Ordinance while making payments to non-resident shipping Companies, and the failure to deduct tax at source renders it personally liable to pay tax along with default surcharge on the unpaid amount of tax, under section 205 of the ITO, 2001. By virtue of above orders a total tax demand of Rs 2,695.502 million was raised by the tax authorities. The Corporation had filed an appeal against the said order with the Commissioner of Income Tax (Appeals) - CIT(A). During the six months period ended December 31, 2014 the CIT(A) has maintained the decision of DCIR and has given the decision in favour of the tax authorities. The Corporation has filed an appeal against the said decision of CIT(A) before the Income tax Appellate Tribunal (ITAT) on which hearing has been concluded and the order of ITAT is awaited.

Further during the six months period ended December 31, 2014 the DCIR has issued show cause notice u/s 161 of ITO, 2001 in respect of Tax year 2014 raising tax demand of Rs 1,324.077 million. The Corporation took up the matter to the High Court where the Honourable High Court has suspended the show cause notice till further notice.

13.4 During the year ended June 30, 2013, the Officer Inland Revenue (OIR) has issued assessment orders under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax years 2012. According to the orders, the OIR has made certain additions and determined additional tax demand of Rs 107.449 million. OIR has disallowed a portion of administrative expenses by attributing the same to the subsidiary companies and further disallowed financial expenses incurred by the Corporation on the contention that the same is equity specific and hence being capital in nature. The Corporation has paid Rs 65 million under protest and had filed an appeal with the CIT(A).

During the six months ended December 31, 2014, the CIT(A) in his order has upheld certain additions and has given decisions in favour of the Corporation on certain matters, and has worked out tax demand of Rs 42.449 million. The Corporation has filed an appeal with ITAT against the aforementioned disallowances which at present is pending for hearing. The management of the Corporation is confident that the subject matter in respect of tax year 2012 will eventually be decided in favour of the Corporation.

(Unaudited)	(Audited)
December 31,	June 30,
2014	2014
(Rupees in '000)	

#### Commitment

13.5	Commitment for capital expenditure	121,726	193,057
13.6	Outstanding letter of credit	<u>5,126</u>	<u>5,126</u>



**14. CASH GENERATED FROM OPERATIONS**

Note	(Unaudited)	
	Six months period ended December 31, 2014	Six months period ended December 31, 2013
(Rupees in '000)		
Profit before taxation	37,416	327,715
Adjustments for non-cash charges and other items:		
Depreciation	21,977	24,460
Provision for employees' gratuity	26,652	18,402
Provision for employees' compensated absences	44,022	41,640
Provision for post retirement medical benefits	15,359	12,498
Provision reversed against claims for damages	(14,593)	(3,985)
Provision made against claims for damages	16,254	1,701
Interest / mark-up income	(160,101)	(128,409)
Interest / mark-up expense	410,951	404,556
(Gain) / loss on cross currency interest rate swap	(101,930)	616
(Gain) / loss on interest rate swap	(74,216)	3,786
Loss / (gain) on revaluation of investments	4,557	(6,216)
Working capital changes	14.1 1,002,136	1,213,138
	<u>1,228,484</u>	<u>1,909,902</u>

**14.1 WORKING CAPITAL CHANGES**

Note	(Unaudited)	
	Six months period ended December 31, 2014	Six months period ended December 31, 2013
(Rupees in '000)		
(Increase) / decrease in current assets:		
Stores and spares	(1,283)	22,157
Trade debts	89,777	(415,392)
Agents' and owners' balances	114,829	(3,533)
Loans and advances	7,375	(6,200)
Trade deposits and short-term prepayments	(41,156)	11,559
Other receivables	1,908	(31,950)
Incomplete voyages	(2,351)	(11,782)
	169,099	(435,141)
Increase in current liabilities:		
Trade and other payables	833,037	1,648,279
	<u>1,002,136</u>	<u>1,213,138</u>

**15. CASH AND CASH EQUIVALENTS**

Note	(Unaudited)	
	December 31, 2014	December 31, 2013
(Rupees in '000)		
Short-term investments	10 1,151,575	705,580
Cash and bank balances	1,488,184	1,957,926
	<u>2,639,759</u>	<u>2,663,506</u>



## 16. 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. Balances with related parties have been disclosed in the related notes to these interim condensed financial statements. 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, 2014	Six months period ended December 31, 2013
		(Rupees in '000)	
Service fee charged to subsidiary companies	Subsidiary	145,041	145,880
Rental expense of Pakistan Co-operative Ship Stores (Private) Limited	Subsidiary	271	300
Delivery of stores and spares to subsidiary companies	Subsidiary	9,761	10,742
Retirement benefits costs charged to subsidiaries	Subsidiary	1,979	867
Contribution to provident fund		4,585	4,768
Directors' fee		875	600
Key management personnel compensation		21,313	15,533
Advance against future issue of shares to Shalamar Shipping (Private) Limited	Subsidiary	3,402,698	-

- 16.1 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.

## 17. CORRESPONDING FIGURES

For better presentation the following reclassifications in the corresponding figures have been made in the condensed interim profit and loss account:

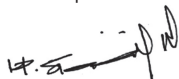
From	To	Six months period ended December 31, 2013 (Rupees in '000)
Direct fleet expenses	Other Operating Expenses	455,891
Direct fleet expenses	Other Income	354,504

## 18. GENERAL

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

## 19. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 26, 2015 by the Board of Directors of the Corporation.

  
Muhammad Siddique Memon  
Chairman & Chief Executive

  
Khawaja Obaid Imran Ilyas  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION  
&  
IT'S SUBSIDIARY COMPANIES  
(PNSC GROUP)**

**UN-AUDITED  
INTERIM FINANCIAL STATEMENT**


**FOR THE SIX MONTHS PERIOD ENDED  
DECEMBER 31, 2014**



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES**  
**CONDENSED INTERIM CONSOLIDATED BALANCE SHEET**  
**AS AT DECEMBER 31, 2014**

	Note	(Unaudited) December 31, 2014	Audited June 30 2014
------(Rupees in '000)-----			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	25,202,533	22,567,568
Investment properties		1,080,596	1,080,596
Long-term investments in listed companies and an other entity		49,112	53,669
Long-term loans		58	58
Long-term deposits		90	90
Deferred tax		105,156	90,777
		<b>26,437,545</b>	<b>23,792,758</b>
<b>CURRENT ASSETS</b>			
Stores and spares		575,131	637,847
Trade debts	5	2,642,878	2,439,569
Agents' and owners' balances		9,995	124,824
Loans and advances		50,999	58,564
Trade deposits and short-term prepayments		88,908	47,664
Interest / mark-up accrued		38,715	35,009
Other receivables	6	471,923	343,625
Incomplete voyages		55,532	-
Insurance claims		57,643	7,032
Taxation - net		807,117	749,726
Short-term investments	7	2,352,025	2,294,880
Cash and bank balances		1,498,979	1,852,441
		<b>8,649,845</b>	<b>8,591,181</b>
<b>TOTAL ASSETS</b>		<b>35,087,390</b>	<b>32,383,939</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY</b>			
Share capital		1,320,634	1,320,634
Reserves		21,741,848	21,144,018
		<b>23,062,482</b>	<b>22,464,652</b>
<b>NON-CONTROLLING INTEREST</b>			
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>		<b>2,858</b>	<b>2,515</b>
		<b>23,065,340</b>	<b>22,467,167</b>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>			
- Owners of the holding company		763,527	770,549
- Non-controlling interest		524	524
		<b>764,051</b>	<b>771,073</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	8	6,612,315	4,568,861
Deferred liabilities		659,502	617,483
		<b>7,271,817</b>	<b>5,186,344</b>
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Trade and other payables	9	2,131,514	2,520,301
Provision against damage claims		33,634	31,973
Current maturity of long-term financing	8	1,702,054	1,316,882
Incomplete Voyages		-	11,684
Accrued mark-up on long-term financing		118,980	78,515
		<b>3,986,182</b>	<b>3,959,355</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>35,087,390</b>	<b>32,383,939</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	10		

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

  
Muhammad Siddique Memon  
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 AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2014 (UNAUDITED)**

	Quarter ended December 31, 2014	Quarter ended December 31, 2013	Six months period ended December 31, 2014	Six months period ended December 31, 2013
<b>REVENUES</b>				
Income from shipping business	3,772,308	3,804,731	7,712,247	7,709,879
Rental income	39,072	40,250	75,350	77,200
	<u>3,811,380</u>	<u>3,844,981</u>	<u>7,787,597</u>	<u>7,787,079</u>
<b>EXPENDITURES</b>				
Fleet expenses - direct	(3,007,485)	(3,135,701)	(6,388,015)	(6,122,909)
Fleet expenses - indirect	(6,076)	(13,125)	(12,860)	(21,250)
Real estate expenses	(12,903)	(21,411)	(34,554)	(39,002)
	<u>(3,026,464)</u>	<u>(3,170,237)</u>	<u>(6,435,429)</u>	<u>(6,183,161)</u>
<b>GROSS PROFIT</b>	<u>784,916</u>	<u>674,744</u>	<u>1,352,168</u>	<u>1,603,918</u>
Administrative and general expenses	(271,883)	(183,623)	(504,626)	(365,200)
Other operating expenses	(215,474)	(492,376)	(297,331)	(570,223)
Other income	366,824	671,059	631,877	911,202
	<u>(120,533)</u>	<u>(4,940)</u>	<u>(170,080)</u>	<u>(24,221)</u>
<b>OPERATING PROFIT</b>	<u>664,383</u>	<u>669,804</u>	<u>1,182,088</u>	<u>1,579,697</u>
Finance costs	(39,970)	(73,877)	(310,493)	(674,346)
<b>PROFIT BEFORE TAXATION</b>	<u>624,413</u>	<u>595,927</u>	<u>871,595</u>	<u>905,351</u>
Taxation	(18,674)	(131,067)	(78,709)	(171,993)
<b>PROFIT AFTER TAXATION</b>	<u>605,739</u>	<u>464,860</u>	<u>792,886</u>	<u>733,358</u>
Other comprehensive income	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>605,739</u>	<u>464,860</u>	<u>792,886</u>	<u>733,358</u>
<b>Attributable to:</b>				
Equity holders of the Group	605,456	464,783	792,543	733,213
Non-controlling interest	283	77	343	145
	<u>605,739</u>	<u>464,860</u>	<u>792,886</u>	<u>733,358</u>
<b>EARNINGS PER SHARE FOR PROFIT</b> <b>ATTRIBUTABLE TO EQUITY HOLDERS</b> <b>OF THE GROUP - BASIC &amp; DILUTED</b>	<u>4.59</u>	<u>3.52</u>	<u>6.00</u>	<u>5.55</u>

----- (Rupees in '000) -----

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

  
Muhammad Siddique Memon  
Chairman & Chief Executive

  
Khawaja Obaid Imran Ilyas  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES  
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2014 (UNAUDITED)**

	Issued, subscribed and paid- up share capital	Capital Reserves	Revenue reserve			Non- controlling interest	Total
General Reserves			Actuarial losses	Unappro- priated profit			
----- (Rupees in '000) -----							
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	733,358
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 during the period on account of incremental depreciation charged	-	-	-		3,761	-	3,761
Total income credited to equity					604,911	145	605,056
Balance as at December 31, 2013	1,320,634	131,344	129,307	(228,743)	19,697,422	2,277	21,052,241
Balance at July 01, 2014	1,320,634	131,344	129,307	(226,522)	21,109,889	2,515	22,467,167
Total comprehensive income for the six months ended December 31, 2014	-	-	-	-	792,543	343	792,886
Final cash dividend for the year ended June 30, 2014 (Re 1.5 per ordinary share of Rs. 10 each)	-	-	-	-	(198,095)	-	(198,095)
Transaction costs							-
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-		3,382	-	3,382
Total income credited to equity					597,830	343	598,173
Balance as at December 31, 2014	1,320,634	131,344	129,307	(226,522)	21,707,719	2,858	23,065,340

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

  
Muhammad Siddique Memon  
Chairman & Chief Executive


  
Khowaja Obaid Imran Ilyas  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES**  
**CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2014 (UNAUDITED)**

		Six Months December 31, 2014	Six Months December 31, 2013
	Note		
		----- (Rupees in '000) -----	
<b>Cash flows from operating activities</b>			
Cash generated from operations	11	866,207	2,198,053
Employees' gratuity paid		(5,425)	(6,109)
Employees' compensated absences paid		(29,499)	(35,305)
Post retirement medical benefits paid		(8,488)	(11,883)
Finance costs paid		(371,958)	(415,769)
Receipts / (payments) under cross currency and interest rate swap - net		63,320	(448,490)
Taxes paid		(150,479)	(162,221)
Net cash generated from operating activities		363,678	1,118,276
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(3,549,460)	(346,883)
Proceeds from disposal of property, plant and equipment		495,029	-
Disposal / (Purchase) of short term investments		296,990	(1,222,320)
Interest / mark-up received		157,120	129,091
Dividends received		-	262
Net cash used in investing activities		(2,600,321)	(1,439,850)
<b>Cash flows from financing activities</b>			
Long-term financing - net		2,428,626	(658,965)
Dividends paid		(191,310)	(130,071)
Net cash generated / (used in) from financing activities		2,237,316	(789,036)
Net increase in cash and cash equivalents		673	(1,110,610)
Cash and cash equivalents at the beginning of period		2,649,881	3,783,751
Cash and cash equivalents at the end of the period	12	2,650,554	2,673,141

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

  
 Muhammad Siddique Memon  
 Chairman & Chief Executive

  
 Khawaja Obaid Imran Ilyas  
 Director



# PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES NOTES TO AND FORMING PART OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2014 (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, 2014: 73%) of the share capital of Pakistan Co-operative Ship Stores (Private) Limited and 100% (June 30, 2014: 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, Khairpur Shipping (Private) Limited, Islamabad Shipping (Private) Limited, Sargodha Shipping (Private) Limited, Kaghan Shipping (Private) Limited and Makran Shipping (Private) Limited which currently do not own any vessel / tanker.

## 2 BASIS OF PREPARATION

These condensed interim consolidated financial statements of the Group for the six months period ended December 31, 2014 have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan for interim financial reporting which comprise of the International Accounting Standard 34 - 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed. These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended June 30, 2014 as they provide an update of previously reported information.





These condensed interim consolidated financial statements comprise of the condensed interim consolidated balance sheet as at December 31, 2014 and the condensed interim consolidated profit and loss account, the condensed interim consolidated statement of changes in equity, the condensed interim consolidated cash flow statement and notes thereto for the six months period then ended. These condensed interim consolidated financial statements also include the condensed interim consolidated profit and loss account for the quarter ended December 31, 2014.

The comparative balance sheet presented in these condensed interim consolidated financial statements as at June 30, 2014 has been extracted from the annual audited consolidated financial statements of the Group for the year ended June 30, 2014 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 for the six months period ended December 31, 2013 have been extracted from the condensed interim consolidated financial statements of the Group for the six months period then ended.

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, 2014.

### **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, 2014.

#### **3.1.2 New standards, amendments to approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the Group:**

There are certain amendments to the approved accounting standards and new interpretations issued by IFRIC which will be effective after July 1, 2014 but are considered not to be relevant or are expected to have any significant effect on the Group's operations and are, therefore, not disclosed in these consolidated financial statements.

#### **SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT**

The preparation of condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Revision to accounting estimates are recognised prospectively commencing from the period of revision.

In preparing these condensed interim consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended June 30, 2014.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended June 30, 2014.



		(Unaudited) December 31, 2014	(Audited) June 30, 2014
	Note	(Rupees in '000)	
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
- Operating fixed assets	4.1	24,519,235	21,894,357
- Major spare parts and stand-by equipment		247,764	218,731
- Capital work-in-progress		435,534	454,480
		<u>25,202,533</u>	<u>22,567,568</u>
<b>4.1 Additions to fixed assets (including transfers from CWIP) during the period mainly include:</b>			
Vessels		3,416,241	-
Buildings on lease hold land		2,009	2,282
Office machines and appliances		8	329
Computer equipment		264	1,835
Spares capitalised		29,488	26,580
Class renewal and dry docking		133,731	223,469
Workshop machinery and equipment		433	85
Equipment on board		453	647
Total		<u>3,582,627</u>	<u>255,227</u>
<b>4.2 Details of fixed assets disposed off during the period:</b>			
Net book value of assets disposed off		<u>389,065</u>	<u>-</u>
		(Unaudited) December 31, 2014	(Audited) June 30, 2014
	Note	(Rupees in '000)	
<b>5. TRADE DEBTS - unsecured</b>			
- considered good	5.1	2,642,878	2,439,569
- considered doubtful		242,749	242,749
		2,885,627	2,682,318
Less: provision for impairment	5.2	242,749	242,749
		<u>2,642,878</u>	<u>2,439,569</u>
<b>5.1 The ageing analysis of unimpaired trade debts is as follows:</b>			
Upto 1 month		714,372	1,031,717
1 month to 6 months		841,931	933,226
More than 6 months		1,086,575	474,626
		<u>2,642,878</u>	<u>2,439,569</u>
<b>5.2 As at September 30, 2014, trade debts of Rs 242.749 million (June 30, 2014: Rs 242.749 million) were impaired and provided for.</b>			



## 6. OTHER RECEIVABLES

### Rent receivable:

- considered good
- considered doubtful

Less: Provision for impairment of rent receivable

	(Unaudited) December 31, 2014	(Audited) June 30, 2014
	(Rupees in '000)	
	14,355	10,335
	3,802	3,801
	18,157	14,136
	3,802	3,801
	14,355	10,335

Amount held by lawyer in respect of a guarantee provided to the court

4,953 4,952

### Derivative instruments

6.1 260,035 147,209

### Others:

- considered good
- considered doubtful

Less: Provision for impairment of other receivables

	192,580	181,129
	12,659	12,659
	205,239	193,788
	12,659	12,659
	192,580	181,129
	471,923	343,625

- 6.1 The Holding Company has entered into a cross currency interest rate swap of Rs 9,995.300 million in respect of its borrowing (note 11). 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 164.194 million (favourable) (June 30, 2014: Rs 86.851 million (favourable)) and Rs 10.888 million (favourable) (June 30, 2014: Rs 14.015 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 38.611 million (June 30, 2014: receivable Rs 46.343 million) as at December 31, 2014.

## 7. SHORT-TERM INVESTMENTS

Term deposits with banks, having maturity of:

- three to six months
- three months or less

	(Unaudited) March 31, 2014	(Audited) June 30, 2013
	(Rupees in '000)	
	1,200,450	1,497,440
	1,151,575	797,440
	2,352,025	2,294,880

The mark-up on term deposits denominated in local currency ranges between 9.72% to 10.50% (June 30, 2014: 10% to 10.50%) per annum, whereas mark-up on term deposits denominated in foreign currency ranges between 2% to 2.05% (June 30, 2014: 2%) per annum.



## 8. LONG-TERM FINANCING

	Note	(Unaudited) December 31, 2014	(Audited) June 30, 2014
(Rupees in '000)			
Financing under syndicate term finance agreement	8.1	6,626,770	5,142,882
Current maturity shown under current liabilities		(1,407,455)	(1,150,674)
		5,219,315	3,992,208
Term Finance Certificates	8.1	660,474	742,861
Current maturity shown under current liabilities		(166,208)	(166,208)
		494,266	576,653
Musharika Agreement	8.2	1,027,125	-
Less: Current maturity shown under current liabilities		(128,391)	-
		898,734	-
		<u>6,612,315</u>	<u>4,568,861</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, 2014, the Group has drawn Rs 8,733.757 million (June 30, 2014: Rs 8,733.757 million) and Rs 1,261.543 million (June 30, 2014: Rs 1,261.543 million) from syndicated term finance and TFCs' respectively. The Group has also paid loan arrangement fee amounting to Rs 106.662 million, which has been fully amortised.

- 8.2** During the period ended December 31, 2014, the Group obtained a financing facility of Rs 4,500 million. The financing was obtained in the form of syndicated term finance loan of Rs 3,000 million, with the remaining amount of Rs 1,500 million through a musharika agreement.

The financing carries mark-up at the rate of KIBOR+1.60%. The loan along with the mark-up is repayable on a quarterly basis with the last repayment date on November 6, 2022. The facility is secured by a first mortgage charge over certain vessels owned by Group.

During the period ended December 31, 2014, the Group has drawn Rs 2,054.250 million (June 30, 2014: Rs Nil) and Rs 1,027.125 million (June 30, 2014: Rs Nil) from syndicated term finance and musharika respectively. The Group has also paid loan arrangement fee amounting to Rs 45 million which was included fully in the amortised cost of the long term financing, whereas an amount of Rs 315,000 (June 30, 2014: Nil) is expensed out at the time of drawdown.



		(Unaudited) December 31, 2014	(Audited) June 30, 2014
	Note	(Rupees in '000)	
<b>9. TRADE AND OTHER PAYABLES</b>			
Creditors		74,361	102,188
Current account balances with subsidiary companies			
Agents' and owners' balances		548,868	804,063
Accrued liabilities		951,026	1,262,344
Deposits	9.1	42,463	68,614
Sales tax payable		4,020	186
Bills payable		191,526	1,364
Unclaimed dividends		36,701	29,916
Advance from customers		88,294	128,305
Other liabilities			
- amounts retained from contractors		26,688	23,695
- others		167,567	99,626
		194,255	123,321
		2,131,514	2,520,301

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 are no major changes in the status of contingencies and commitments as reported in the annual consolidated financial statements for the year ended June 30, 2014 except for those mentioned below.

10.2. The contingent liability in respect of claims not acknowledged as debts by the Group, which as at December 31, 2014 aggregated to Rs 249.107 million (June 30, 2014: Rs 368.244 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo and damages to cargo. These include Rs 2.260 million (June 30, 2014: Rs 2.225 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 215.473 million (June 30, 2014: Rs 273.186 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 33.634 million (June 30, 2014: Rs 31.973 million) against the aforementioned claims in these condensed interim financial statements.

10.3. During the year ended June 30, 2014, the Deputy Commissioner Inland Revenue (DCIR) has issued assessment orders under section 161 of the ITO, 2001 in respect of tax years 2008 to 2013. According to the orders, the DCIR has held that the Group was required to withhold tax under section 152 (2) of the Ordinance while making payments to non-resident shipping Companies, and the failure to deduct tax at source renders it personally liable to pay tax along with default surcharge on the unpaid amount of tax, under section 205 of the ITO, 2001. By virtue of above orders a total tax demand of Rs 2,695.502 million was raised by the tax authorities. The Group had filed an appeal against the said order with the Commissioner of Income Tax (Appeals) - CIT(A). During the six months period ended December 31, 2014 the CIT(A) has maintained the decision of DCIR and has given the decision in favour of the tax authorities. The Group has filed an appeal against the said decision of CIT(A) before the Income tax Appellate Tribunal (ITAT) on which hearing has been concluded and the order of ITAT is awaited.

Further during the six months period ended December 31, 2014 the DCIR has issued show cause notice u/s 161 of ITO, 2001 in respect of Tax year 2014 raising tax demand of Rs 1,324.077 million. The Group took up the matter to the High Court where the Honourable High Court has suspended the show cause notice till further notice.



- 10.4** During the year ended June 30, 2013, the Officer Inland Revenue (OIR) has issued assessment orders under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax years 2012. According to the orders, the OIR has made certain additions and determined additional tax demand of Rs 107.449 million. OIR has disallowed a portion of administrative expenses by attributing the same to the subsidiary companies and further disallowed financial expenses incurred by the Group on the contention that the same is equity specific and hence being capital in nature. The Group has paid Rs 65 million under protest and had filed an appeal with the CIT(A).

During the six months ended December 31, 2014, the CIT(A) in his order has upheld certain additions and has given decisions in favour of the Group on certain matters, and has worked out tax demand of Rs 42.449 million. The Group has filed an appeal with ITAT against the aforementioned disallowances which at present is pending for hearing. The management of the Group is confident that the subject matter in respect of tax year 2012 will eventually be decided in favour of the Group.

	(Unaudited) December 31, 2014	(Audited) June 30, 2014
	(Rupees in '000)	
<b>10.5</b> Outstanding letters of guarantee	<b>5,126</b>	5,126
<b>10.6</b> Commitment for capital expenditure	<b>121,726</b>	193,057

	(Unaudited) Six Months December 31, 2014	(Unaudited) Six Months December 31, 2013
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<b>11. CASH GENERATED FROM OPERATIONS</b>	Note	(Rupees in '000)	
Profit before taxation		<b>871,595</b>	905,351
Adjustments for non-cash charges and other items:			
Depreciation		<b>508,993</b>	563,443
Profit on disposal of property, plant and equipment		<b>(107,432)</b>	-
Provision for employees' gratuity		<b>27,566</b>	500
Provision for employees' compensated absences		<b>44,752</b>	18,941
Provision for post retirement medical benefits		<b>15,694</b>	41,840
Dividend income			(262)
Interest / mark-up income		<b>(160,826)</b>	(128,436)
Interest / mark-up expense		<b>412,423</b>	404,310
Loss on cross currency interest rate swap		<b>(101,930)</b>	616
Gain on interest rate swap		<b>(74,216)</b>	3,786
(Gain) / Loss on revaluation of investments		<b>4,557</b>	(6,216)
Provision reversed against claims for damages		<b>(14,593)</b>	(3,985)
Provision made against claims for damages		<b>16,254</b>	1,701
Working capital changes	11.1	<b>(576,630)</b>	396,464
		<b>866,207</b>	2,198,053



### 11.1 WORKING CAPITAL CHANGES

(Increase) / decrease in current assets:

	(Unaudited) Six Months December 31, 2014	(Unaudited) Six Months December 31, 2013
Stores and spares	62,716	16,892
Trade debts	(203,309)	(460,433)
Agents' and owners' balances	114,829	(3,531)
Loans and advances	7,565	(6,198)
Deposits and prepayments	(41,244)	11,559
Other receivables	(15,472)	36,394
Incomplete voyages	(55,532)	74,575
Insurance claims	(50,611)	164,944
	(181,058)	(165,798)

Increase / (Decrease) in current liabilities:

Trade and other payables	(395,572)	562,262
	<u>(576,630)</u>	<u>396,464</u>

### 12. CASH AND CASH EQUIVALENTS

Short-term investments having maturity

	Note	(Unaudited) December 31, 2014	December 31, 2013
of three months or less	7	1,151,575	705,580
Cash and bank balances		<u>1,498,979</u>	<u>1,967,561</u>
		<u>2,650,554</u>	<u>2,673,141</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. Balances with related parties have been disclosed in the relevant notes to these condensed interim financial statements. 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:

(Unaudited)

Name and particulars	Relationship with the Group	Six Months December 31, 2014	Six Months December 31, 2013
		(Rupees in '000)	
Contribution to provident fund	Associate	4,585	4,768
Directors' fee	Associate	875	600
Key management personnel compensation		21,313	15,533



- 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. CORRESPONDING FIGURES**

For better presentation the following reclassifications in the corresponding figures have been made in the condensed interim profit and loss account:


		Six months period ended December 31, 2013 (Rupees in '000)
From	To	
Direct fleet expenses	Other operating expenses	455,891
Direct fleet expenses	Other income	354,504

**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 consolidated financial statements were authorised for issue on February 26, 2015 by the Board of Directors of the Holding Company.

  
Muhammad Siddique Memon  
Chairman & Chief Executive

  
Khowaja Obaid Imran Ilyas  
Director





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