SAILING TOWARDS SUCCESS

Pakistan National Shipping Corporation

HALF YEARLY REPORT
DECEMBER 31, 2015

CORPORATE INFORMATION

Board of Directors

1. Mr. Arif Elahi	Chairman
2. Mr. M. Anwar Malik	Member
3. Mr. Haque Nawaz	Member
4. Ms. Ava A. Cowasjee	Member
5. Mr. Akbar Adil	Member
6. Mr. Khowaja Obaid Imran Ilyas	Member
7. Capt. Anwar Shah	Member

Audit Committee

1. Mr. Khowaja Obaid Imran Ilyas	Chairman
2. Capt. Anwar Shah	Member
3. Mr. Akbar Adil	Member
4. Ms. Zainab Suleman	Secretary

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. Capt. Anwar Shah	Member
3. Ms. Ava A. Cowasjee	Member

Chief Financial Officer

Syed Jarar Haider Kazmi

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, 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 Alfalah Limited
Bank Alfalah, Bahrain
Bank Al-Habib Bahrain
Faysal Bank Limited
Habib Bank Limited
Habib Bank Limited New York
JS Bank Limited
Meezan Bank Ltd
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
UniCredit Bank, Italy
United Bank Limited, London

PAKISTAN NATIONAL SHIPPING CORPORATION
DIRECTORS' REPORT
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2015

The Directors of Pakistan National Shipping Corporation (PNSC) are pleased to present the Financial Statements of PNSC Group for the six months period ended December 31, 2015. In accordance with the statutory requirements, the external auditors have carried out a limited review of financial statements of PNSC.

OVERVIEW

After Tax Profit of Rs 810 million has been achieved during this period against Rs 793 million in the same period last year, Earnings Per Share for the Group increased to Rs 6.14 from Rs 6.00 in the corresponding last period. Despite the pressure faced by global shipping industry due to drastic reduction in Bulk freight rates internationally, PNSC achieved better results by focusing on more profitable ventures besides retaining its repute as one of the major contributors to sea borne trade in Pakistan. However, applying the best possible combination of foreign charter and our own fleet, PNSC made a substantial growth in the area of slot and own vessel oil business thereby maintaining its turnover at competitive level. Direct operating expenses also reduced to Rs 5,030 million (including Rs 2,703 million from PNSC) from Rs 6,446 million (including Rs 3,878 million from PNSC), thereby resulting in Gross Profit Rs 1,824 million as against Rs 1,341 million for the same period last year. PNSC also took the initiative of swapping an expensive loan acquired in 2010 at three months Kibor + 2.2%, and achieved a milestone with significant reduction of three months Kibor + 0.4% that will result in substantial reduction in Finance Costs.

FUTURE PROSPECTS

The Liquid Cargo freight market continues to be steady and to cater the requirements PNSC plans to add more Oil tanker vessels in its fleet. The Dry Bulk Market is however weak and we strive to keep vessels deployed at best available rates which will adversely affect on our profits.

PNSC while exploring new opportunities like Oil Storage facilities, both shore and floating, will soon venture into Ferry Service by the end of current financial year.

ARIF ELAHI P.A.S.
CHAIRMAN

Karachi : February 25, 2016

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 UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying unconsolidated condensed interim balance sheet of Pakistan National Shipping Corporation (the Corporation) as at December 31, 2015,and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of changes in equity and unconsolidated condensed interim cash flow statement together with the notes forming part thereof for the six-month period then ended (here-in-after referred to as the 'unconsolidated condensed interim financial information'). Management is responsible for the preparation and presentation of this unconsolidated condensed 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 unconsolidated condensed interim financial information based on our review.

The figures included in the unconsolidated condensed interim profit and loss account for the quarters ended December 31, 2015 and 2014 and the notes forming part thereof have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2015.

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 unconsolidated condensed interim financial information as of and for the six months period ended December 31, 2015 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

A. F. Ferguson & Co.
Chartered Accountants
Karachi: February 25, 2016

Engagement partner: Khurshid Hasan

Ernst & Young Ford Rhodes Sidat Hyder

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Karachi: February 25, 2016

Engagement partner: Riaz A. Rehman Chamdia

PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2015

	Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**2,094,407**	2,102,085
Intangible asset	6	**-**	-
Investment properties		**1,767,473**	1,767,473
Long-term investments in:			
- Related parties (subsidiaries and an associate)		**25,189,063**	25,189,063
- Listed companies and an other entity		**43,917**	53,434
		25,232,980	25,242,497
Long-term loans and advances	7	**3,402,756**	3,402,756
Deferred taxation		**98,254**	97,669
		32,595,870	32,612,480
CURRENT ASSETS			
Stores and spares		**15,572**	13,148
Trade debts	8	**2,110,006**	1,821,692
Agents' and owners' balances		**32,209**	18,065
Loans and advances		**84,612**	102,561
Trade deposits and short-term prepayments		**46,492**	51,326
Interest / mark-up accrued on bank deposits and investments		**43,115**	37,445
Other receivables	9	**94,824**	153,072
Incomplete voyages		**32,666**	-
Taxation - net		**993,225**	1,015,291
Short-term investments	10	**2,421,465**	1,954,375
Cash and bank balances		**1,782,285**	2,808,371
		7,656,471	7,975,346
TOTAL ASSETS		**40,252,341**	40,587,826
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised (200,000,000 Ordinary shares of Rs 10 each)		**2,000,000**	2,000,000
Issued, subscribed and fully paid-up		**1,320,634**	1,320,634
Reserves		**6,397,345**	6,898,954
		7,717,979	8,219,588
Surplus on revaluation of property, plant and equipment - net of tax		**1,114,149**	1,128,307
NON-CURRENT LIABILITIES			
Long-term financing - secured	11	**4,739,970**	5,748,035
Deferred liabilities		**769,555**	851,561
		5,509,525	6,599,596
CURRENT LIABILITIES			
Trade and other payables	12	**24,618,602**	22,808,212
Provision against damage claims		**26,624**	20,223
Incomplete voyages		**-**	27,148
Current portion of long-term financing	11	**1,210,172**	1,702,054
Accrued mark-up on long-term financing		**55,290**	82,698
		25,910,688	24,640,335
TOTAL EQUITY AND LIABILITIES		**40,252,341**	40,587,826
CONTINGENCIES AND COMMITMENTS	13		

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

Arif Elahi P.A.S.
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, 2015 (UNAUDITED)

	Quarter ended December 31, 2015	Quarter ended December 31, 2014	Six months period ended December 31, 2015	Six months period ended December 31, 2014
	(Rupees in '000)			
REVENUES				
Chartering revenues	**1,884,220**	1,818,674	**2,928,569**	4,084,594
Services fees	**78,067**	78,080	**153,736**	145,041
Rental income	**40,742**	38,831	**82,339**	74,920
	2,003,029	1,935,585	**3,164,644**	4,304,555
EXPENDITURE				
Fleet expenses - direct	**(1,231,520)**	(1,527,220)	**(2,383,739)**	(3,610,276)
- indirect	**(7,857)**	(5,844)	**(12,843)**	(12,056)
Vessel management expenses	**(132,934)**	(118,096)	**(246,398)**	(209,961)
Real estate expenses	**(29,404)**	(14,966)	**(59,796)**	(45,538)
	(1,401,715)	(1,666,126)	**(2,702,776)**	(3,877,831)
GROSS PROFIT	**601,314**	269,459	**461,868**	426,724
Administrative and general expenses	**(119,293)**	(137,833)	**(211,986)**	(256,684)
Other income	**207,954**	315,558	**323,113**	470,172
Other expenses	**(304,328)**	(213,696)	**(423,756)**	(293,776)
	(215,667)	(35,971)	**(312,629)**	(80,288)
OPERATING PROFIT	**385,647**	233,488	**149,239**	346,436
Finance costs	**(127,158)**	(39,249)	**(348,863)**	(309,020)
PROFIT / (LOSS) BEFORE TAXATION	**258,489**	194,239	**(199,624)**	37,416
Taxation	**(75,477)**	(10,712)	**(109,517)**	(61,616)
PROFIT / (LOSS) AFTER TAXATION	**183,012**	183,527	**(309,141)**	(24,200)
Other comprehensive income	**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME	**183,012**	183,527	**(309,141)**	(24,200)
	(Rupees)			
EARNINGS / (LOSS) PER SHARE - Basic and Diluted	**1.39**	1.39	**(2.34)**	(0.18)

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

Arif Elahi P.A.S.
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, 2015 (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, 2014	1,320,634	126,843	(226,522)	6,413,830	7,634,785
Final cash dividend for the year ended June 30, 2014 (Re 1.5 per ordinary share of Rs 10 each)	-	-	-	(198,095)	(198,095)
Total comprehensive income 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
Balance as at December 31, 2014	1,320,634	126,843	(226,522)	6,194,917	7,415,872
Balance as at July 1, 2015	1,320,634	126,843	(342,905)	7,115,016	8,219,588
Final cash dividend for the year ended June 30, 2015 (Rs 1.5 per ordinary share of Rs 10 each)	-	-	-	(198,095)	(198,095)
Total comprehensive income for the six months period ended December 31, 2015	-	-	-	(309,141)	(309,141)
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	5,627	5,627
Balance as at December 31, 2015	1,320,634	126,843	(342,905)	6,613,407	7,717,979

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

Arif Elahi P.A.S.
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2015 (UNAUDITED)

	Note	Six months period ended December 31, 2015	Six months period ended December 31, 2014
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	14	**1,542,085**	1,228,484
Employees' gratuity paid		**(115,999)**	(5,425)
Employees' compensated absences paid		**(65,569)**	(29,499)
Post retirement medical benefits paid		**(18,110)**	(8,488)
Finance costs paid		**(318,399)**	(370,486)
(Payments) / receipts under cross currency and interest rate swap - net		**(25,559)**	63,320
Taxes paid		**(96,567)**	(138,736)
Net cash generated from operating activities		**901,882**	739,170
Cash flows from investing activities			
Purchase of property, plant and equipment		**(35,171)**	(27,385)
Proceeds from disposal of property, plant and equipment		**8,297**	-
Long-term loans and advances - related parties		**-**	(3,402,698)
Dividend received		**461**	-
Short term investments (made) / redeemed		**(317,090)**	296,990
Interest / mark-up received		**99,250**	156,395
Net cash used in investing activities		**(244,253)**	(2,976,698)
Cash flows from financing activities			
Long-term financing paid		**(4,807,938)**	-
Long-term financing obtained		**3,300,000**	2,428,626
Dividend paid		**(25,777)**	(191,310)
Net cash (used in) / generated from financing activities		**(1,533,715)**	2,237,316
Net decrease in cash and cash equivalents		**(876,086)**	(212)
Cash and cash equivalents at the beginning of period		**3,308,371**	2,639,971
Cash and cash equivalents at the end of the period	15	**2,432,285**	2,639,759

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

Arif Elahi 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 SIX MONTHS PERIOD ENDED DECEMBER 31, 2015 (UNAUDITED)

1. GENERAL INFORMATION

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 Karachi and Lahore Stock Exchange, effective from January 11, 2016, all the stock exchanges in Pakistan have been integrated to form Pakistan Stock Exchange. The Corporation's registered office is situated at PNSC Building, Moulvi Tamizuddin Khan Road, Karachi.

1.2 These unconsolidated 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 unconsolidated condensed interim financial statements of the Corporation for the six months period ended December 31, 2015 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 unconsolidated condensed interim financial statements should be read in conjunction with the financial statements for the year ended June 30, 2015 as they provide an update of previously reported information.

2.2 These unconsolidated condensed interim financial statements comprise of the unconsolidated condensed interim balance sheet as at December 31, 2015 and the unconsolidated condensed interim profit and loss account, the unconsolidated condensed interim statement of changes in equity, the unconsolidated 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 unconsolidated condensed interim financial statements also include the unconsolidated condensed interim profit and loss account for the quarter ended December 31, 2015 which has neither been reviewed nor audited.

2.3 The comparative balance sheet presented in these unconsolidated condensed interim financial statements as at June 30, 2015 has been extracted from the annual audited financial statements of the Corporation for the year ended June 30, 2015 whereas the comparative unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of changes in equity and unconsolidated condensed interim cash flow statement for the six months period ended December 31, 2014 have been extracted from the unconsolidated 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 unconsolidated condensed interim profit and loss account for the quarter ended December 31, 2014 included in these unconsolidated 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 unconsolidated condensed interim financial statements are same as those applied in the preparation of the financial statements for the year ended June 30, 2015.

3.1.1 **New standards, amendments to approved accounting standards and new interpretations which became effective during the six months period ended December 31, 2015:**

Following standards, ammendments to standards and interpretations have been published and are mandatory for accounting periods beginning on or after July 1, 2015 and are considered to be relevant to the Corporation's operations.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Corporation. The standard provides additional guidance to assist in determination of control where this is difficult to assess. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Standard has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. However, the aforesaid revision in the control framework has no impact on the Corporation's unconsolidated condensed interim financial statements.

IFRS 12 'Disclosure of interest in Other entities' combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. However, the aforesaid revision in the control framework has no impact on the Corporation's unconsolidated condensed interim financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across IFRSs. The requirement does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard affects the determination of fair value and its related disclosures, however, the aforesaid revision in the control framework has no significant impact on the Corporation's unconsolidated condensed interim financial statements.

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2015 are considered not to be relevant or to have any significant effect on the Corporation's financials reporting and operations.

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 and new interpretations issued by IFRIC which will be effective after January 1, 2016 but are considered not to be relevant or are expected to have any significant effect on the Corporation's operations and are, therefore not disclosed in these financial statements.

3.2 Benazir Employees' Stock Option Scheme (BESOS)

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (the Scheme) 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, 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.

During the year ended June 30, 2015, the shares have not been transferred to the respective Trust Fund under the Scheme as the matter is pending with the Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatisation (Privatisation Commission). The Scheme is being revamped by GoP and all claims and disbursements to the employees are kept in abeyance.

Had the exemption not been granted, the retained earnings would have been lower by Rs 631.142 million (June 30, 2015: Rs 631.142 million) and reserves would have been higher by Rs 631.142 million (June 30, 2015: Rs 631.142 million) based on the independent actuarial valuations conducted as on June 30, 2014 .

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of unconsolidated 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 unconsolidated 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, 2015.

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, 2015.

	Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
		----------(Rupees in '000)	---------
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1 & 5.2	**1,764,208**	1,625,364
Capital work-in-progress (CWIP)		**330,199**	476,721
		2,094,407	2,102,085

	(Unaudited) Six months period ended December 31, 2015	Six months period ended December 31, 2014
	----------(Rupees in '000)	---------
5.1 **Additions to operating fixed assets (including transfers from CWIP) during the period:**		
Buildings on leasehold land	**138,423**	2,009
Vehicles	**30,204**	-
Furniture and fixtures	**160**	-
Office machines and appliances	**222**	8
Workshop machinery and equipment	**166**	433
Computer equipment	**3,103**	3,456
	172,278	5,906
5.2 Depreciation charge for the period	**32,583**	21,977

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.

7. LONG-TERM LOANS AND ADVANCES

This includes amount paid by the Corporation, as an advance against future issue of share capital to a wholly owned subsidiary, Shalamar Shipping (Private) Limited.

	Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
		----------(Rupees in '000) ---------	
8. TRADE DEBTS			
Unsecured			
- Considered good	8.1	**2,110,006**	1,821,692
- Considered doubtful		**20,978**	18,007
		2,130,984	1,839,699
Less: Provision for doubtful debts	8.2	**20,978**	18,007
		2,110,006	1,821,692

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

	(Unaudited) December 31, 2015	(Audited) June 30, 2015
	----------(Rupees in '000) ---------	
Upto 1 month	**245,224**	284,154
1 to 6 months	**377,567**	294,660
More than 6 months	**1,487,215**	1,242,878
	2,110,006	1,821,692

8.2 **Provision for doubtful debts**

Balance at the beginning	**18,007**	17,280
Provision made during the period	**2,971**	727
Balance at the end	**20,978**	18,007

As at December 31, 2015, trade debts of Rs 20.978 million (June 30, 2015: Rs 18.007 million) were impaired and provided for. These balances were outstanding for more than three years.

9. OTHER RECEIVABLES

	Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
		----------(Rupees in '000) ---------	
Rent receivable:			
- considered good		**14,095**	11,203
- considered doubtful		**3,801**	3,801
		17,896	15,004
Less: Provision for impairment of rent receivable		**3,801**	3,801
		14,095	11,203
Derivative cross currency interest rate swap	9.1 & 9.2	**-**	62,991
Others:			
- considered good		**80,729**	78,878
- considered doubtful		**10,832**	10,832
		91,561	89,710
Less: Provision for impairment		**10,832**	10,832
		80,729	78,878
		94,824	153,072

9.1 The Corporation had entered into a cross currency interest rate swap of Rs 9,995.300 million in respect of its borrowing from Standard Chartered Bank (SCB). Under the terms of the cross currency swap arrangement, the Corporation was required to pay LIBOR plus 3.75% to the SCB on the borrowing denominated in USD (USD notional) for the purpose of cross currency swap, and receive KIBOR plus 2.20% from the SCB. Further, the Corporation was also required to 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 received a fixed interest of 13% per annum, whereas the Corporation had to pay 3 months KIBOR for each quarter. On November 23, 2015, the above derivative arrangements with SCB extinguished due to completion of its tenure.

9.2 The net fair value of cross currency interest rate swap and interest rate swap as determined by the bank were Rs Nil (June 30, 2015: Rs 30.048 million) (favourable) and Rs Nil (June 30, 2015: Rs. 9.022 million) (favourable) respectively to the Corporation as of the balance sheet date. Therefore, net interest receivable and exchange gain / (loss) has been settled to Nil (June 30, 2015: receivable Rs 23.920 million) as at December 31, 2015. All these arrangements have been settled during the current period.

10. SHORT-TERM INVESTMENTS

	(Unaudited) December 31, 2015	(Audited) June 30, 2015
	----------(Rupees in '000) ---------	
Term deposits with banks, having maturity of:		
- more than six months but less than twelve months	**300,000**	300,000
- three to six months	**1,471,465**	1,154,375
- three months or less	**650,000**	500,000
	2,421,465	1,954,375

10.1 The mark-up on term deposits denominated in local currency ranges between 6.70% to 7.20% (June 30, 2015: 8.1% to 8.80%) per annum, whereas mark-up on term deposits denominated in foreign currency ranges between 2.10% to 2.20% (June 30, 2015: 2.05% to 2.10%) per annum.

	Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
		----------(Rupees in '000) ---------	
11. LONG-TERM FINANCING - secured			
Financing under Syndicated term finance agreement	11.1 & 11.2	**1,774,618**	5,918,572
Less: Current maturity shown under current liabilities		**256,781**	1,407,455
		1,517,837	4,511,117
Term Finance Certificates		-	580,030
Less: Current maturity shown under current liabilities		-	166,208
		-	413,822
Musharika Arrangement	11.1 & 11.2	**4,175,524**	951,487
Less: Current maturity shown under current liabilities		**953,391**	128,391
		3,222,133	823,096
		4,739,970	5,748,035

11.1 During the year ended June 30, 2015, the Corporation obtained a financing facility of Rs 4,500 million from NIB Bank limited. 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 Corporation has drawn Rs 2,054.250 million and Rs 1,027.125 million 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 was expensed out at the time of drawdown.

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 one of the vessels owned by the subsidiary companies of the Corporation.

11.2 On November 23, 2015, the Corporation repaid the outstanding syndicated term finance facility balance of SCB amounting to Rs 3,254 million bearing mark-up of 3 month KIBOR + 2.2%. The repayment was financed with a new musharika facility obtained from FBL amounting to Rs 3,300 million bearing mark-up of 3 month KIBOR + 0.40%. The loan along with the mark-up is repayable on a quarterly basis with the first installment payable on February 23, 2016 while last repayment date is November 23, 2019. The facility is secured by first mortgage charge over two vessels owned by the subsidiary companies of the Corporation. The Corporation has also paid loan arrangement fee amounting to Rs 12.540 million which was included fully in the amortised cost of the long term financing, whereas an amount of Rs 3.300 million was expensed out at the time of agreement.

		Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
			----------(Rupees in '000) ---------	
12.	**TRADE AND OTHER PAYABLES**			
	Creditors		**42,367**	56,414
	Current account balances with subsidiary companies		**22,434,618**	20,934,423
	Agents' and owners' balances		**267,622**	396,500
	Accrued liabilities		**1,368,902**	1,091,748
	Deposits	12.1	**41,787**	38,187
	Unclaimed dividends		**205,381**	33,063
	Advance from customers		**75,170**	110,899
	Other liabilities			
	- amounts retained from contractors		**27,713**	27,411
	- others		**155,042**	119,567
			182,755	146,978
			24,618,602	22,808,212

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 as disclosed in the annual unconsolidated financial statements for the year ended June 30, 2015 except for note 25.11 thereto, as fully explained below:

13.2 During the year ended June 30, 2014, the Corporation received assessment orders from the taxation authorities in respect of tax years 2008-2013. The taxation officer has held that the Corporation is liable to deduct withholding tax under section 152(2) of the Income tax Ordinance, 2001 (ITO), while making payments to the non-resident shipping companies and in the event of default to do so the Corporation becomes personally liable to pay tax under section 161 along with default surcharge under section 205 of the Ordinance. By virtue of above orders a cumulative tax demand was raised by the taxation authorities amounting to Rs 2,695.496 million. The Corporation filed an appeal with the Commissioner of Income Tax (Appeals) who maintained the orders passed by the Deputy Commissioner Inland Revenue and consequently an appeal was filed before the Appellate Tribunal Inland Revenue (ATIR). The ATIR, in the appellate order, has held that the payments made by the Corporation to the non-resident shipping companies are in the nature of "Royalty" and the rate of tax withholding applicable on such payments would be 15 per cent. Accordingly, the tax demand originally raised was reduced to Rs. 1,659.485 million. The Corporation lodged rectification applications in respect of the orders passed by ATIR, However, during the current period ended December 31, 2015, the said rectification applications have been rejected. Without prejudice to the rectification applications, the Corporation has also filed a petition before the Honourable Sindh High Court in respect of the said orders passed by ATIR seeking protection from any adverse action. The Honourable Sindh High Court has granted an interim order restraining FBR from taking any coercive action, the said interim order is still operative. Further, the aforementioned cases are still pending with the Honourable Sindh High Court.

13.3 Further, during the six months period ended December 31, 2014, the Corporation received show cause notice under the aforementioned sections in respect of tax year 2014, proposing to hold the Corporation liable to pay withholding tax not deducted from payments to non-resident ship owners aggregating Rs 1,324.077 million. The Corporation took up the matter to the Honourable Sindh High Court where the said show cause notice was suspended till further notice.

		(Unaudited) December 31, 2015	(Audited) June 30, 2015
		---------(Rupees in '000) --------	
	Commitments		
13.4	Commitments for capital expenditure	**75,131**	86,023
13.5	Outstanding letters of guarantee	**5,126**	5,126

		Note	(Unaudited) Six months period ended December 31, 2015	Six months period ended December 31, 2014
			---------(Rupees in '000) --------	
14.	**CASH GENERATED FROM OPERATIONS**			
	(Loss) / profit before taxation		**(199,624)**	37,416
	Adjustments for non-cash charges and other items:			
	Depreciation		**32,583**	21,977
	Gain on disposal of operating fixed assets		**(8,297)**	-
	Provision for employees' gratuity		**40,512**	26,652
	Provision for employees' compensated absences		**62,859**	44,022
	Provision for post retirement medical benefits		**12,767**	15,359
	Provision reversed against claims for damages		**(453)**	(14,593)
	Provision made against claims for damages		**6,853**	16,254
	Provision for doubtful debts		**2,971**	-
	Interest / mark-up income		**(104,920)**	(160,101)
	Interest / mark-up expense		**298,982**	410,951
	Loss / (gain) on cross currency interest rate swap derivative		**49,480**	(101,930)
	Loss / (gain) on interest rate swap derivative		**39,070**	(74,216)
	Dividend income		**(461)**	-
	Loss on revaluation of investments		**9,517**	4,557
	Working capital changes	14.1	**1,300,246**	1,002,136
			1,542,085	1,228,484
14.1	**WORKING CAPITAL CHANGES**			
	(Increase) / decrease in current assets:			
	Stores and spares		**(2,424)**	(1,283)
	Trade debts		**(291,285)**	89,777
	Agents' and owners' balances		**(14,144)**	114,829
	Loans and advances		**17,949**	7,375
	Trade deposits and short-term prepayments		**4,834**	(41,156)
	Other receivables		**(4,743)**	1,908
	Incomplete voyages		**(59,814)**	(2,351)
			(349,627)	169,099
	Increase in current liabilities:			
	Trade and other payables		**1,649,873**	833,037
			1,300,246	1,002,136
15.	**CASH AND CASH EQUIVALENTS**			
	Short-term investments	10	**650,000**	1,151,575
	Cash and bank balances		**1,782,285**	1,488,184
			2,432,285	2,639,759

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 unconsolidated 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 Corporation with related parties during the period are given below:

Name and particulars	Relationship with the Corporation	(Unaudited) Six months period ended December 31, 2015	Six months period ended December 31, 2014
		---------(Rupees in '000)---------	
Service fee charged to subsidiary companies	Subsidiary	**153,736**	145,041
Rental expense of Pakistan Co-operative Ship Stores (Private) Limited	Subsidiary	**357**	271
Delivery of stores and spares to subsidiary companies	Subsidiary	**16,933**	9,761
Retirement benefits costs charged to subsidiaries	Subsidiary	**1,534**	1,979
Contribution to provident fund		**5,562**	4,585
Directors' fee		**525**	875
Key management personnel compensation		**23,558**	21,805
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 with the subsidiary companies.

17. CORRESPONDING FIGURES

For better presentation the following reclassifications in the corresponding figures have been made in the unconsolidated condensed interim financial statements:

From	To	Quarter ended December 31, 2014	Six months period ended December 31, 2014
		---------(Rupees in '000)---------	
Administrative and general expenses	Real estate expenses	2,063	10,984

From	To	June 30, 2015 (Rupees in '000)
Loans and advances	Long-term loans and advances	3,402,698

18. GENERAL

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

19. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorised for issue on February 25, 2016 by the Board of Directors of the Corporation.

Arif Elahi P.A.S.
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION

&

IT'S SUBSIDIARY COMPANIES

(PNSC GROUP)

UN-AUDITED

CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENT

FOR THE SIX MONTHS PERIOD ENDED

DECEMBER 31, 2015

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONDENSED INTERIM CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2015

	Note	Unaudited December 31 2015	Audited June 30 2015
		--------(Rupees in '000)---------	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**24,691,632**	25,178,610
Investment properties		**1,767,473**	1,767,473
Long-term investments in listed companies and an other entity		**43,917**	53,434
Long-term loans and advances		**58**	58
Long-term deposits		**90**	90
Deferred taxation		**98,254**	97,669
		26,601,424	27,097,334
CURRENT ASSETS			
Stores and spares		**669,250**	624,542
Trade debts	5	**2,536,558**	2,263,510
Agents' and owners' balances		**32,207**	18,065
Loans and advances		**84,611**	102,562
Trade deposits and short-term prepayments		**56,019**	54,754
Interest / mark-up accrued on bank deposits and investments		**44,315**	38,271
Other receivables	6	**170,604**	277,309
Incomplete voyages		**55,651**	-
Insurance claims		**34,699**	393
Taxation - net		**1,003,578**	1,019,637
Short-term investments	7	**2,428,465**	1,961,375
Cash and bank balances		**1,786,195**	2,812,430
		8,902,152	9,172,848
TOTAL ASSETS		**35,503,576**	36,270,182
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY			
Share capital		**1,320,634**	1,320,634
Reserves		**23,559,611**	22,952,012
		24,880,245	24,272,646
NON-CONTROLLING INTEREST		**3,156**	2,961
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		**24,883,401**	24,275,607
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX		**1,116,974**	1,131,132
NON-CURRENT LIABILITIES			
Long term financing - secured	8	**4,739,970**	5,748,035
Deferred liabilities		**769,555**	851,561
		5,509,525	6,599,596
CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	9	**2,701,590**	2,440,420
Provision against damage claims		**26,624**	20,223
Current portion of long term financing	8	**1,210,172**	1,702,054
Incomplete Voyages		**-**	18,452
Accrued mark-up on long-term financing		**55,290**	82,698
		3,993,676	4,263,847
TOTAL EQUITY AND LIABILITES		**35,503,576**	36,270,182
CONTINGENCIES AND COMMITMENTS	10		

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

Arif Elahi 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 SIX MONTHS PERIOD ENDED DECEMBER 31, 2015 (UNAUDITED)

	Quarter ended December 31, 2015	Quarter ended December 31, 2014	Six months period ended December 31, 2015	Six months period ended December 31, 2014
	---------- (Rupees in '000) ----------			
REVENUES				
Income from shipping business	**3,835,918**	3,772,308	**6,771,986**	7,712,247
Rental income	**40,935**	39,072	**82,699**	75,350
	3,876,853	3,811,380	**6,854,685**	7,787,597
EXPENDITURES				
Fleet expenses - direct	**(2,544,501)**	(3,007,485)	**(4,954,093)**	(6,388,015)
- indirect	**(11,187)**	(6,076)	**(16,373)**	(12,860)
Real estate expenses	**(29,405)**	(14,965)	**(59,797)**	(45,537)
	(2,585,093)	(3,028,526)	**(5,030,263)**	(6,446,412)
GROSS PROFIT	**1,291,760**	782,854	**1,824,422**	1,341,185
Administrative and general expenses	**(264,096)**	(269,821)	**(481,941)**	(493,643)
Other income	**(312,974)**	(215,474)	**(437,939)**	(297,331)
Other expenses	**249,090**	366,824	**385,422**	631,877
	(327,980)	(118,471)	**(534,458)**	(159,097)
OPERATING PROFIT	**963,780**	664,383	**1,289,964**	1,182,088
Finance costs	**(128,045)**	(39,970)	**(350,596)**	(310,493)
PROFIT BEFORE TAXATION	**835,735**	624,413	**939,368**	871,595
Taxation	**(85,241)**	(18,674)	**(128,994)**	(78,709)
PROFIT AFTER TAXATION	**750,494**	605,739	**810,374**	792,886
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME	**750,494**	605,739	**810,374**	792,886
Attributable to:				
Equity holders of the Holding Company	**750,429**	605,456	**810,179**	792,543
Non-controlling interest	**65**	283	**195**	343
	750,494	605,739	**810,374**	792,886
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP - BASIC & DILUTED	**5.68**	4.59	**6.14**	6.00

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

Arif Elahi P.A.S.
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2015 (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, 2014	1,320,634	131,344	129,307	(226,522)	21,109,889	2,515	22,467,167
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 income for the six months ended December 31, 2014	-	-	-	-	792,543	343	792,886
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
Balance as at December 31, 2014	**1,320,634**	**131,344**	**129,307**	**(226,522)**	**21,707,719**	**2,858**	**23,065,340**
Balance at July 01, 2015	1,320,634	131,344	129,307	(342,905)	23,034,266	2,961	24,275,607
Final cash dividend for the year ended June 30, 2015 (Rs 1.5 per ordinary share of Rs. 10 each)	-	-	-	-	(198,095)	-	(198,095)
Total comprehensive income for the six months ended December 31, 2015	-	-	-	-	810,179	195	810,374
Transaction cost incurred for issue of further share capital of subsidiary	-	-	-	-	(10,112)	-	(10,112)
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	5,627	-	5,627
Balance as at December 31, 2015	**1,320,634**	**131,344**	**129,307**	**(342,905)**	**23,641,865**	**3,156**	**24,883,401**

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

Arif Elahi P.A.S.
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, 2015 (UNAUDITED)

	Note	Six Months period ended December 31, 2015	Six Months period ended December 31, 2014
		----------(Rupees in '000)---------	
Cash flows from operating activities			
Cash generated from operations	11	**1,660,012**	866,207
Employees' gratuity paid		**(115,999)**	(5,425)
Employees' compensated absences paid		**(65,569)**	(29,499)
Post retirement medical benefits paid		**(18,110)**	(8,488)
Finance costs paid		**(318,399)**	(371,958)
(Payments) / Receipts under cross currency and interest rate swap - net		**(25,559)**	63,320
Taxes paid		**(122,050)**	(150,479)
Net cash generated from operating activities		**994,326**	363,678
Cash flows from investing activities			
Purchase of property, plant and equipment		**(117,652)**	(3,549,460)
Proceeds from disposal of property, plant and equipment		**8,297**	495,029
Short term investments (made) / redeemed		**(317,090)**	296,990
Interest / mark-up received		**99,250**	157,120
Dividends received		**461**	-
Net cash used in investing activities		**(326,734)**	(2,600,321)
Cash flows from financing activities			
Long-term financing (repaid)		**(4,807,938)**	-
Long-term financing obtained		**3,300,000**	2,428,626
Transaction costs paid for issue of further share capital		**(10,112)**	-
Dividends paid		**(25,777)**	(191,310)
Net cash in (used in) / generated from financing activities		**(1,543,827)**	2,237,316
Net decreased in cash and cash equivalents		**(876,235)**	673
Cash and cash equivalents at the beginning of period		**3,312,430**	2,649,881
Cash and cash equivalents at the end of the period	12	**2,436,195**	2,650,554

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

Arif Elahi 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 HALF YEAR ENDED DECEMBER 31, 2015 (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% (2014: 73%) of the share capital of Pakistan Co-operative Ship Stores (Private) Limited and 100% (2013: 100%) of the share capital of the remaining eighteen subsidiary companies. All the wholly owned subsidiaries 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, Kaghan 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 BASIS OF PREPARATION

2.1 These condensed interim consolidated financial statements of the Group for the six months period ended December 31, 2015 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, 2015 as they provide an update of previously reported information.

2.2. These condensed interim consolidated financial statements comprise of the condensed interim consolidated balance sheet as at December 31, 2015 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, 2015.

The comparative balance sheet presented in these condensed interim consolidated financial statements as at June 30, 2015 has been extracted from the annual audited consolidated financial statements of the Group for the year ended June 30, 2015 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, 2014 have been extracted from the condensed interim consolidated financial statements of the Group for the six months period then ended. The comparative condensed interim consolidated profit and loss account for the quarter ended December 31, 2014 included in these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Company's annual consolidated financial statements for the year ended June 30, 2015.

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, 2015.

3.1.1 New standards, amendments to approved accounting standards and new interpretations which became effective during the six months period ended December 31, 2015:

Following standards, ammendments to standards and interpretations have been published and are mandatory for accounting periods beginning on or after July 1, 2015 and are considered to be relevent to the Group's operations.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent Holding Company. The standard provides additional guidance to assist in determination of control where this is difficult to assess. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Standard has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. However, the aforesaid revision in the control framework has no impact on the Group condensed interim consolidated financial statements.

IFRS 12 'Disclosure of interest in Other entities' combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. However, the aforesaid revision in the control framework has no impact on the Group's condensed interim consolidated financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirement for use across IFRSs. The requirement does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The standard affects the determination of fair value and its related disclosures, however, the aforesaid revision in the control framework has no significant impact on the Group condensed consolidated interim financial statements.

Other new standards,amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2015 are considered not to be relevent or to have any significant effect on the Group's financials reporting and operations.

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 effecive after January 1, 2016 but are considered not to be relevent 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, 2015.

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, 2015.

		Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
			----------(Rupees in '000)----------	
4.	**PROPERTY, PLANT AND EQUIPMENT**			
	- Operating fixed assets	4.1	**24,108,978**	24,480,366
	- Major spare parts and stand-by equipment		**252,454**	221,523
	- Capital work-in-progress		**330,200**	476,721
			24,691,632	25,178,610

		(Unaudited)	
		Six months period ended December 31, 2015	Six months period ended December 31, 2014
		----------(Rupees in '000)----------	
4.1	Additions to fixed assets (including transfers from CWIP) during the period mainly include:		
	Vessels	**-**	3,416,241
	Buildings on lease hold land	**138,423**	2,009
	Office machines and appliances	**222**	8
	Furniture and fixtures	**160**	-
	Vehicles	**30,204**	-
	Computer equipment	**3,410**	264
	Spares capitalised	**31,158**	29,488
	Class renewal and dry docking	**45,721**	133,731
	Workshop machinery and equipment	**166**	433
	Equipment on board	**916**	453
	Total	**250,380**	3,582,627
4.2	Details of fixed assets disposed off during the period:		
	Net book value of assets disposed off	**27**	375,543

		Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
			----------(Rupees in '000)----------	
5.	**TRADE DEBTS**			
	unsecured			
	- considered good	5.1	**2,536,558**	2,263,470
	- considered doubtful		**237,440**	232,503
			2,773,998	2,495,973
	Less: provision for impairment	5.2	**237,440**	232,463
			2,536,558	2,263,510

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

Upto 1 month	**514,494**	482,820
1 month to 6 months	**499,389**	470,338
More than 6 months	**1,522,675**	1,310,312
	2,536,558	2,263,470

5.2 As at December 31, 2015, trade debts of Rs 7.440 million (June 30, 2015: Rs 232.463 million) were impaired and provided for.

		Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
			----------(Rupees in '000)----------	
6.	**OTHER RECEIVABLES**			
	Rent receivable:			
	- considered good		**14,097**	11,322
	- considered doubtful		**3,801**	3,801
			17,898	15,123
	Less: Provision for impairment of rent receivable		**3,801**	3,801
			14,097	11,322
	Amount held by lawyer in respect of a guarantee provided to the court		**4,953**	4,952
	Derivative cross currency interest rate swap	6.1 & 6.2	**-**	62,991
	Others:			
	- considered good		**151,554**	198,044
	- considered doubtful		**10,832**	10,832
			162,386	208,876
	Less: Provision for impairment		**10,832**	10,832
			151,554	198,044
			170,604	277,309

6.1 The Holding Company had entered into a cross currency interest rate swap of Rs 9,995.300 million in respect of its borrowing from Standard Chartered Bank (SCB). Under the terms of the cross currency swap arrangement, the Holding Company was required to pay LIBOR plus 3.75% to the SCB on the borrowing denominated in USD (USD notional) for the purpose of cross currency swap, and receive KIBOR plus 2.20% from the SCB. Further, the Holding Company was also required to pay / receive any exchange loss / gain on the USD notional outstanding at each quarter end. The Holding Company had also entered into an interest rate swap. Under the terms of the interest rate swap the Holding Company received a fixed interest of 13% per annum, whereas the Holding Company had to pay 3 months KIBOR for each quarter. On November 23, 2015, the above derivative arrangements with SCB extinguished due to completion of its tenure.

6.2 The net fair value of cross currency interest rate swap and interest rate swap as determined by the bank were Rs Nil (June 30, 2015: Rs 30.048 million) (favourable) and Rs Nil (June 30, 2015: Rs. 9.022 million) (favourable) respectively to the Holding Company as of the balance sheet date. Therefore, net interest receivable and exchange gain / (loss) has been settled to Nil (June 30, 2015: receivable Rs 23.920 million) as at December 31, 2015. All these arrangements have been settled during the current period.

7. SHORT-TERM INVESTMENTS

	(Unaudited) December 31, 2015	(Audited) June 30, 2015
	----------(Rupees in '000)----------	
Term deposits with banks, having maturity of:		
- more than six months but upto twelve months	**300,000**	300,000
- three to six months	**1,478,465**	1,161,375
- three months or less	**650,000**	500,000
	2,428,465	1,961,375

The mark-up on term deposits denominated in local currency ranges between 6.70% to 7.20% (June 30, 2015: 8.1% to 8.80%) per annum, whereas mark-up on term deposits denominated in foreign currency ranges between 2.10% to 2.20% (June 30, 2015: 2.05% to 2.10%) per annum.

8. LONG-TERM FINANCING - secured

	Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
		----------(Rupees in '000)----------	
Financing under syndicate term finance agreement	8.1	**1,774,618**	5,918,572
Less: Current maturity shown under current liabilities		**256,781**	1,407,455
		1,517,837	4,511,117
Term Finance Certificates	8.1	**-**	580,030
Less: Current maturity shown under current liabilities		**-**	166,208
		-	413,822
Musharika Agreement	8.2	**4,175,524**	951,487
Less: Current maturity shown under current liabilities		**953,391**	128,391
		3,222,133	823,096
		4,739,970	5,748,035

8.1 During the year ended June 30, 2015, the Holding Company obtained a financing facility of Rs 4,500 million from NIB Bank limited. 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 Holding Company has drawn Rs 2,054.250 million and Rs 1,027.125 million from syndicated term finance and musharika respectively. The Holding Company 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 was expensed out at the time of drawdown.

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 one of the vessels owned by the subsidiary companies of the Holding Company.

8.2 On November 23, 2015, the Holding Company repaid the outstanding syndicated term finance facility balance of SCB amounting to Rs 3,254 million bearing mark-up of 3 month KIBOR + 2.2%. The repayment was financed with a new musharika facility obtained from FBL amounting to Rs 3,300 million bearing mark-up of 3 month KIBOR + 0.40%. The loan along with the mark-up is repayable on a quarterly basis with the first installment payable on February 23, 2016 while last repayment date is November 23, 2019. The facility is secured by first mortgage charge over two vessels owned by the subsidiary companies of the Holding Company. The Holding Company has also paid loan arrangement fee amounting to Rs 12.540 million which was included fully in the amortised cost of the long term financing, whereas an amount of Rs 3.300 million was expensed out at the time of agreement.

9. TRADE AND OTHER PAYABLES

	Note	(Unaudited) December 31, 2015	(Audited) June 30, 2015
		----------(Rupees in '000)----------	
Creditors		**177,624**	157,468
Current account balances with subsidiary companies			
Agents' and owners' balances		**267,622**	396,500
Accrued liabilities		**1,747,001**	1,523,053
Deposits	9.1	**41,788**	38,187
Bills payable		**4,249**	762
Unclaimed dividends		**205,381**	33,063
Advance from customers		**75,170**	110,899
Other liabilities			
- amounts retained from contractors		**27,713**	27,411
- others		**155,042**	153,077
		182,755	180,488
		2,701,590	2,440,420

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

10. CONTINGENCIES AND COMMITMENTS

10.1 There are no major changes in the status of contingencies as disclosed in the annual consolidated financial statements for the year ended June 30, 2015 except for note 28.11 thereto, as fully explained below:

10.2. During the year ended June 30, 2014, the Holding Company received assessment orders from the taxation authorities in respect of tax years 2008-2013. The taxation officer has held that the Holding Company is liable to deduct withholding tax under section 152(2) of the Income tax Ordinance, 2001 (ITO), while making payments to the non-resident shipping companies and in the event of default to do so the Holding Company becomes personally liable to pay tax under section 161 along with default surcharge under section 205 of the Ordinance. By virtue of above orders a cumulative tax demand was raised by the taxation authorities amounting to Rs 2,695.496 million. The Holding Company filed an appeal with the Commissioner of Income Tax (Appeals) who maintained the orders passed by the Deputy Commissioner Inland Revenue and consequently an appeal was filed before the Appellate Tribunal Inland Revenue (ATIR). The ATIR, in the appellate order, has held that the payments made by the Holding Company to the non-resident shipping companies are in the nature of “Royalty” and the rate of tax withholding applicable on such payments would be 15 per cent. Accordingly, the tax demand originally raised was reduced to Rs. 1,659.485 million. The Holding Company lodged rectification applications in respect of the orders passed by ATIR, However, during the current period ended December 31, 2015, the said rectification applications have been rejected. Without prejudice to the rectification applications, the Holding Company has also filed a petition before the Honorable Sindh High Court in respect of the said orders passed by ATIR seeking protection from any adverse action. The Honourable Sindh High Court has granted an interim order restraining FBR from taking any coercive action, the said interim order is still operative. Further, the aforementioned cases are still pending with the Honourable Sindh High Court.

10.3 Further, during the six months period ended December 31, 2014, the Holding Company received show cause notice under the aforementioned sections in respect of tax year 2014, proposing to hold the Holding Company liable to pay withholding tax not deducted from payments to non-resident ship owners aggregating Rs 1,324.077 million. The Holding Company took up the matter to the Honourable Sindh High Court where the said show cause notice was suspended till further notice.

		(Unaudited) December 31, 2015	(Audited) June 30, 2015
		----------(Rupees in ‘000)----------	
10.4	Commitment for capital expenditure	**75,131**	86,023
10.5	Outstanding letters of guarantee	**5,126**	5,126

	Note	(Unaudited) Six months period ended December 31, 2015	(Unaudited) Six months period ended December 31, 2014
		----------(Rupees in '000)----------	
11. CASH GENERATED FROM OPERATIONS			
Profit before taxation		**939,368**	871,595
Adjustments for non-cash charges and other items:			
Depreciation		**604,633**	508,993
Gain on disposal of property, plant and equipment		**(8,297)**	(107,432)
Provision for employees' gratuity		**41,373**	27,566
Provision for employees' compensated absences		**63,379**	44,752
Provision for post retirement medical benefits		**12,919**	15,694
Provision reversed against claims for damages		**(453)**	(14,593)
Provision made against claims for damages		**6,853**	16,254
Provision for Doubtful debts		**2,971**	-
Interest / mark-up income		**(105,294)**	(160,826)
Interest / mark-up expense		**298,982**	412,423
Loss / (Gain) on cross currency interest rate swap		**49,480**	(101,930)
Loss / (Gain) on interest rate swap		**39,070**	(74,216)
Dividend income		**(461)**	-
Loss on revaluation of investments		**9,517**	4,557
Working capital changes	11.1	**(294,028)**	(576,630)
		1,660,012	866,207

11.1 WORKING CAPITAL CHANGES

(Increase) / decrease in current assets:			
Stores and spares		**(44,708)**	62,716
Trade debts		**(276,021)**	(203,309)
Agents' and owners' balances		**(14,142)**	114,829
Loans and advances		**17,951**	7,565
Trade deposits and short-term prepayments		**(1,265)**	(41,244)
Other receivables		**43,714**	(15,472)
Incomplete voyages		**(74,103)**	(55,532)
Insurance claims		**(34,306)**	(50,611)
		(382,880)	(181,058)
Increase / (Decrease) in current liabilities:			
Trade and other payables		**88,852**	(395,572)
		(294,028)	(576,630)

	Note	(Unaudited) Six months period ended December 31, 2015	(Unaudited) Six months period ended December 31, 2014
		----------(Rupees in '000)----------	
12. CASH AND CASH EQUIVALENTS			
Short-term investments having maturity of three months or less	7	**650,000**	864,215
Cash and bank balances		**1,786,195**	1,761,009
		2,436,195	2,625,224

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 relevent 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:

Name and particulars	**Relationship with the Group**	**(Unaudited) Six months period ended December 31, 2015**	**Six months period ended December 31, 2014**
		----------(Rupees in '000)	**----------**
Contribution to provident fund	Associate	**5,562**	4,585
Directors' fee	Associate	**525**	875
Key management personnel compensation		**23,558**	21,805

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:

From	To	**Quarter ended December 31, 2014**	**Six months period ended December 31, 2014**
		----------(Rupees in '000)	**----------**
Administrative and general expenses	Real estate expenses	**2,063**	10,984

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 25, 2016 by the Board of Directors of the Holding Company.

Arif Elahi P.A.S.
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

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