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# **Pakistan National Shipping Corporation**

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**Un-Audited Report  
For The Quarter and Nine Months  
Period Ended March 31, 2016**





## 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. Khawaja Obaid Imran Ilyas	Member
7. Capt. Anwar Shah	Member

### Audit Committee

1. Mr. Khawaja 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
4. Ms. Zainab Suleman	Secretary

### Commercial Committee

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

### 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  
NIB Bank  
Samba Bank Limited  
Silk Bank Limited  
Sindh Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank  
Summit Bank Ltd  
UniCredit Bank, Italy  
United Bank Limited, London



**PAKISTAN NATIONAL SHIPPING CORPORATION  
DIRECTORS' REPORT  
FOR THE QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2016**

The Directors of Pakistan National Shipping Corporation (PNSC) are pleased to present the Financial Statements of PNSC Group for the nine months period ended March 31, 2016.

**OVERVIEW**

Group after Tax Profit of Rs 1,364 million has been achieved during this period against Rs 1,051 million in the same period last year. Earnings Per Share for the Group increased to Rs 10.33 from Rs 7.96 in the corresponding last period. Despite the pressure and major financial crunch faced by global shipping industry due to drastic reduction in Bulk freight rates internationally, evident by the significant reduction in BDI index at a lowest of 290 points, 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, adjacent to the best possible combination of foreign charter and our own fleet, PNSC made a substantial growth in revenue of 49% and 16.2% in the area of slot charter and own vessel oil business respectively, thereby offsetting losses incurred on Dry Bulk segment and maintaining its turnover at competitive level. Though reduction in revenue by 16%, the corresponding direct operating expenses reduced by 28% to Rs 6,700 million from Rs 9,298 million, thereby resulting an improvement in Gross Profit to Rs 2,917 million as against Rs 2,126 million for the same period last year.

PNSC also took the initiative by swapping its expensive loans and prepayment of Rs. 700 million in order to reduce high Mark-up, the loans were acquired in 2010 & 2014 at three months Kibor plus spread of 2.2% and 1.6% respectively, and achieved a milestone with significant reduction in spreads to the level of 0.4% and 0.5% respectively, that will result in substantial reduction in Finance Costs over the remaining period of loan.

**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 subject to approval from Government of Pakistan.

**ARIF ELAHI** P.A.S.

**CHAIRMAN**

Karachi : April 27, 2016



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES**  
**CONDENSED INTERIM CONSOLIDATED BALANCE SHEET**  
**AS AT MARCH 31, 2016**

		(Unaudited) March 31, 2016	(Audited) June 30, 2015
	Note		
------(Rupees in '000)-----			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	24,563,327	25,178,610
Investment properties		1,767,473	1,767,473
Long-term investments in listed companies and an other entity		46,028	53,434
Long-term loans and advances		58	58
Long-term deposits		90	90
Deferred taxation		55,118	97,669
		<u>26,432,094</u>	<u>27,097,334</u>
<b>CURRENT ASSETS</b>			
Stores and spares		623,281	624,542
Trade debts	6	1,928,095	2,263,510
Agents' and owners' balances		17,211	18,065
Loans and advances		74,920	102,562
Trade deposits and short-term prepayments		46,931	54,754
Interest / mark-up accrued on bank deposits and investments		51,609	38,271
Other receivables	7	197,802	277,309
Incomplete voyages		16,586	-
Insurance claims		37,005	393
Taxation - net		975,524	1,019,637
Short-term investments	8	2,828,150	1,961,375
Cash and bank balances		2,339,206	2,812,430
		<u>9,136,320</u>	<u>9,172,848</u>
<b>TOTAL ASSETS</b>		<u><b>35,568,414</b></u>	<u><b>36,270,182</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE HOLDING COMPANY</b>			
Share capital		1,320,634	1,320,634
Reserves		<u>24,103,769</u>	<u>22,952,012</u>
		<u>25,424,403</u>	<u>24,272,646</u>
<b>NON-CONTROLLING INTEREST</b>		<u>3,285</u>	<u>2,961</u>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>		<u><b>25,427,688</b></u>	<u><b>24,275,607</b></u>
<b>SURPLUS ON REVALUATION OF FIXED ASSETS</b>		<b>1,109,216</b>	<b>1,131,132</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing - secured	9	4,443,012	5,748,035
Deferred liabilities		<u>751,725</u>	<u>851,561</u>
		<u>5,194,737</u>	<u>6,599,596</u>
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Trade and other payables	10	2,547,178	2,440,420
Provision against damage claims		27,290	20,223
Current portion of long-term financing	9	1,210,172	1,702,054
Incomplete Voyages		-	18,452
Accrued mark-up on long-term financing		52,133	82,698
		<u>3,836,773</u>	<u>4,263,847</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>35,568,414</b></u>	<u><b>36,270,182</b></u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes 1 to 17 form an integral part of these condensed interim consolidated financial statements.

Arif Elahi P.A.S.

Chairman & Chief Executive

Khawaja Obaid Imran Ilyas  
 Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES**  
**CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

	Quarter ended March 31, 2016	Quarter ended March 31, 2015	Nine months period ended March 31, 2016	Nine months period ended March 31, 2015
	----- (Rupees in '000) -----			
<b>REVENUES</b>				
Income from shipping business	2,717,548	3,597,259	9,489,534	11,309,506
Rental income	44,920	39,462	127,619	114,812
	<u>2,762,468</u>	<u>3,636,721</u>	<u>9,617,153</u>	<u>11,424,318</u>
<b>EXPENDITURES</b>				
Fleet expenses - direct	(1,634,295)	(2,818,436)	(6,588,388)	(9,206,451)
- indirect	(10,375)	(11,086)	(26,748)	(23,946)
Real estate expenses	(25,384)	(22,048)	(85,181)	(67,585)
	<u>(1,670,054)</u>	<u>(2,851,570)</u>	<u>(6,700,317)</u>	<u>(9,297,982)</u>
<b>GROSS PROFIT</b>	<u>1,092,414</u>	<u>785,151</u>	<u>2,916,836</u>	<u>2,126,336</u>
Administrative and general expenses	(426,325)	(178,974)	(908,266)	(672,617)
Other expenses	(241,037)	(207,736)	(678,976)	(505,067)
Other income	371,996	120,470	757,418	752,347
	<u>(295,366)</u>	<u>(266,240)</u>	<u>(829,824)</u>	<u>(425,337)</u>
<b>OPERATING PROFIT</b>	<u>797,048</u>	<u>518,911</u>	<u>2,087,012</u>	<u>1,700,999</u>
Finance costs	(114,634)	(212,351)	(465,230)	(522,844)
<b>PROFIT BEFORE TAXATION</b>	<u>682,414</u>	<u>306,560</u>	<u>1,621,782</u>	<u>1,178,155</u>
Taxation	(128,872)	(48,038)	(257,866)	(126,747)
<b>PROFIT AFTER TAXATION</b>	<u>553,542</u>	<u>258,522</u>	<u>1,363,916</u>	<u>1,051,408</u>
Other comprehensive income	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>553,542</u>	<u>258,522</u>	<u>1,363,916</u>	<u>1,051,408</u>
<b>Attributable to:</b>				
Equity holders of the Holding Company	553,413	258,429	1,363,592	1,050,972
Non-controlling interest	129	93	324	436
	<u>553,542</u>	<u>258,522</u>	<u>1,363,916</u>	<u>1,051,408</u>
----- Rupees -----				
<b>EARNINGS PER SHARE FOR PROFIT</b>				
<b>ATTRIBUTABLE TO EQUITY HOLDERS</b>				
<b>OF THE HOLDING COMPANY - BASIC &amp;</b>				
<b>DILUTED</b>	<u>4.19</u>	<u>1.96</u>	<u>10.33</u>	<u>7.96</u>

The annexed notes 1 to 17 form an integral part of these condensed interim consolidated financial statements.

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

  
Khawaja Obaid Imran Ilyas  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES  
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2016 (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 nine months ended March 31, 2015	-	-	-	-	1,050,972	436	1,051,408
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 March 31, 2015	1,320,634	131,344	129,307	(226,522)	21,966,148	2,951	23,323,862
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 nine months ended March 31, 2016	-	-	-		1,363,592	324	1,363,916
Transaction cost incurred for issue of further share capital of subsidiary	-	-	-	-	(27,125)	-	(27,125)
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	13,385	-	13,385
Balance as at March 31, 2016	1,320,634	131,344	129,307	(342,905)	24,186,023	3,285	25,427,688

The annexed notes 1 to 17 form an integral part of these condensed interim consolidated financial statements.

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

  
Khawaja Obaid Imran Ilyas  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES  
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT  
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

		<b>Nine months period ended March 31, 2016</b>	<b>Nine months period ended March 31, 2015</b>
	<b>Note</b>		
<b>------(Rupees in '000)-----</b>			
<b>Cash flows from operating activities</b>			
Cash generated from operations	12	<b>3,414,428</b>	1,694,711
Employees' gratuity paid		<b>(160,485)</b>	(5,518)
Employees' compensated absences paid		<b>(89,713)</b>	(32,719)
Post retirement medical benefits paid		<b>(26,144)</b>	(11,789)
Finance costs paid		<b>(429,395)</b>	(626,682)
(Payments)/Receipts under cross currency and interest rate swap - net		<b>(25,559)</b>	150,770
Taxes paid		<b>(179,732)</b>	(224,030)
Net cash generated from operating activities		<b>2,503,400</b>	944,743
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(244,452)</b>	(3,577,903)
Proceeds from disposal of property, plant and equipment		<b>8,297</b>	495,029
Disposal of short term investments		<b>383,225</b>	296,990
Interest / mark-up received		<b>158,874</b>	211,383
Dividends received		<b>531</b>	69
Net cash generated from / (used in) investing activities		<b>306,475</b>	(2,574,432)
<b>Cash flows from financing activities</b>			
Long-term financing (paid)		<b>(5,110,481)</b>	-
Long-term financing obtained		<b>3,300,000</b>	2,006,605
Transaction costs paid for issue of further share capital		<b>(27,125)</b>	-
Dividends paid		<b>(195,493)</b>	(194,903)
Net cash in (used in) / generated from financing activities		<b>(2,033,099)</b>	1,811,702
Net increase in cash and cash equivalents		<b>776,776</b>	182,013
Cash and cash equivalents at the beginning of period		<b>3,312,430</b>	2,649,881
Cash and cash equivalents at the end of the period	13	<b>4,089,206</b>	2,831,894

The annexed notes 1 to 17 form an integral part of these condensed interim consolidated financial statements.

  
Arif Elahi P.A.S.  
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 STATEMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2016 (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% (2015: 73%) of the share capital of Pakistan Co-operative Ship Stores (Private) Limited and 100% (2014: 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 nine months period ended March 31, 2016 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 March 31, 2016 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 nine months period then ended. These condensed interim consolidated financial statements also include the condensed interim consolidated profit and loss account for the quarter ended March 31, 2016.
- 2.3** 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 nine months period ended March 31, 2015 have been extracted from the condensed interim consolidated financial statements of the Group for the nine months period then ended. The comparative condensed interim consolidated profit and loss account for the quarter ended March 31, 2015 included in these condensed interim consolidated financial statements.
- 2.4** 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 nine months period ended March 31, 2016:**

Following standards, amendments 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 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 relevant 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 effective after January 1, 2016 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.

## 4 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) March 31, 2016 ----- (Rupees in '000) -----	(Audited) June 30, 2015
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
- Operating fixed assets	5.1	23,966,868	24,480,366
- Major spare parts and stand-by equipment		265,395	221,523
- Capital work-in-progress		331,064	476,721
		<u>24,563,327</u>	<u>25,178,610</u>
		(Unaudited)	
		Nine months period ended March 31, 2016 ----- (Rupees in '000) -----	Nine months period ended March 31, 2015
<b>5.1 Additions to fixed assets (including transfers from CWIP) during the period mainly include:</b>			
Vessels		-	3,417,905
Buildings on lease hold land		139,148	2,476
Office machines and appliances		503	474
Furniture and fixtures		411	8
Vehicles		30,204	-
Computer equipment		4,291	5,607
Spares capitalised		50,034	43,245
Class renewal and dry docking		199,717	125,869
Workshop machinery and equipment		192	62
Equipment on board		1,127	4,703
Total		<u>425,627</u>	<u>3,600,349</u>
<b>5.2 Depreciation charge for the period</b>		<u>859,733</u>	<u>799,332</u>



	Note	(Unaudited) March 31, 2016 ----- (Rupees in '000) -----	(Audited) June 30, 2015
<b>6. TRADE DEBTS</b>			
<b>unsecured</b>			
- considered good	6.1	1,928,095	2,263,470
- considered doubtful		<u>211,773</u>	<u>232,503</u>
		2,139,868	2,495,973
Less: provision for doubtful debts	6.2	<u>211,773</u>	<u>232,463</u>
		<u>1,928,095</u>	<u>2,263,510</u>

**6.1** The ageing analysis of unimpaired trade debts is as follows:

Upto 1 month	479,336	482,820
1 month to 6 months	329,296	470,338
More than 6 months	<u>1,119,463</u>	<u>1,310,312</u>
	<u>1,928,095</u>	<u>2,263,470</u>

**6.2 Provision for doubtful debts**

Balance at the beginning	232,463	242,749
Provision made during the period	212,988	2,543
Provision reversed during the period	(22,696)	-
Provision / Trade debts written off during the period	<u>(210,982)</u>	<u>(12,829)</u>
Balance at the end	<u>211,773</u>	<u>232,463</u>

As at March 31, 2016, trade debts of Rs 211.773 million (June 30, 2015: Rs 232.463 million) were impaired and provided for.

	Note	(Unaudited) March 31, 2016 ----- (Rupees in '000) -----	(Audited) June 30, 2015
<b>7. OTHER RECEIVABLES</b>			
<b>Rent receivable:</b>			
- considered good		17,173	11,322
- considered doubtful		<u>3,801</u>	<u>3,801</u>
		20,974	15,123
Less: Provision for impairment of rent receivable		<u>3,801</u>	<u>3,801</u>
		17,173	11,322
Amount held by lawyer in respect of a guarantee provided to the court		4,952	4,952
<b>Derivative instruments</b>	7.1 & 7.2	-	62,991

**Others:**

- considered good	175,677	198,044
- considered doubtful	<u>10,832</u>	<u>10,832</u>
	186,509	208,876
Less: Provision for impairment of other receivables	<u>10,832</u>	<u>10,832</u>
	<u>175,677</u>	<u>198,044</u>
	<u>197,802</u>	<u>277,309</u>



**7.1** 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.

**7.2** 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 March 31, 2016. All these arrangements have been settled during the current period.

## 8. SHORT-TERM INVESTMENTS

	(Unaudited) March 31, 2016	(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	778,150	1,161,375
- three months or less	1,750,000	500,000
	<u>2,828,150</u>	<u>1,961,375</u>

The mark-up on term deposits denominated in local currency ranges between 6.5% to 8.75% (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 2.25% (June 30, 2015: 2.05% to 2.10%) per annum.

## 9. LONG-TERM FINANCING - secured

	Note	(Unaudited) March 31, 2016	(Audited) June 30, 2015
		----- (Rupees in '000) -----	
Financing under syndicate term finance agreement	9.1 & 9.2	1,714,148	5,918,572
Less: Current portion		256,781	1,407,455
		<u>1,457,367</u>	<u>4,511,117</u>
Term Finance Certificates		-	580,030
Less: Current portion		-	166,208
		<u>-</u>	<u>413,822</u>
Musharika Agreement	9.1 & 9.2	3,939,036	951,487
Less: Current portion		953,391	128,391
		<u>2,985,645</u>	<u>823,096</u>
		<u>4,443,012</u>	<u>5,748,035</u>



- 9.1** 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.

- 9.2** 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.

Note	(Unaudited) March 31, 2016	(Audited) June 30, 2015
	----- (Rupees in '000) -----	
<b>10. TRADE AND OTHER PAYABLES</b>		
Creditors	283,455	157,468
Current account balances with subsidiary companies		
Agents' and owners' balances	324,757	396,500
Accrued liabilities	1,629,891	1,523,053
Deposits	10.1 41,158	38,187
Bills payable	4,163	762
Unclaimed dividends	35,665	33,063
Advance from customers	76,021	110,899
Other liabilities		
- amounts retained from contractors	26,032	27,411
- others	126,036	153,077
	152,068	180,488
	<u>2,547,178</u>	<u>2,440,420</u>

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

## **11. CONTINGENCIES AND COMMITMENTS**

- 11.1** 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:



- 11.2.** 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 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.
- 11.3** 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) March 31, 2016	(Audited) June 30, 2015
	----- (Rupees in '000) -----	
11.4 Outstanding letters of guarantee	<u>5,126</u>	<u>5,126</u>
11.5 Commitment for capital expenditure	<u>70,198</u>	<u>86,023</u>

	(Unaudited) Nine months period ended March 31, 2016	Nine months period ended March 31, 2015
--	---	--

	Note	----- (Rupees in '000) -----	
<b>12. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		<b>1,621,782</b>	1,178,155
Adjustments for non-cash charges and other items:			
Depreciation		<b>859,733</b>	799,332
Profit on disposal of property, plant and equipment		<b>(8,297)</b>	(107,432)
Provision for employees' gratuity		<b>62,060</b>	42,932
Provision for employees' compensated absences		<b>95,068</b>	67,128
Provision for post retirement medical benefits		<b>19,379</b>	23,541
Provision reversed against claims for damages		<b>(1,346)</b>	(17,699)
Provision made against claims for damages		<b>8,414</b>	1,678
Provision for Doubtful debts		<b>212,988</b>	-
Provision for doubtful debt - written off		<b>(210,982)</b>	-
Interest / mark-up income		<b>(172,212)</b>	(228,319)
Interest / mark-up expense		<b>412,406</b>	647,014
Loss / (gain) on cross currency interest rate swap		<b>49,480</b>	(124,470)
Loss on interest rate swap		<b>39,070</b>	52,053
Dividend income		<b>(531)</b>	(69)
Loss on revaluation of investments		<b>7,406</b>	7,567
Working capital changes	12.1	<u><b>420,010</b></u>	<u>(646,700)</u>
		<u><b>3,414,428</b></u>	<u>1,694,711</u>



## 12.1 WORKING CAPITAL CHANGES

(Increase) / decrease in current assets:

Stores and spares

Trade debts

Agents' and owners' balances

Loans and advances

Deposits and prepayments

Other receivables

Incomplete voyages

Insurance claims

Increase / (Decrease) in current liabilities:

Trade and other payables

	(Unaudited)	
	Nine months period ended March 31, 2016	Nine months period ended March 31, 2015
Note	----- (Rupees in '000) -----	

	1,261	(19,492)
	333,408	46,663
	854	111,286
	27,642	(7,750)
	7,823	(16,908)
	16,516	3,259
	(35,038)	(8,553)
	(36,612)	(9,017)
	315,854	99,488
	104,156	(746,188)
	420,010	(646,700)

## 13. CASH AND CASH EQUIVALENTS

Short-term investments

Cash and bank balances

8	1,750,000	1,004,950
	2,339,206	1,826,944
	4,089,206	2,831,894

## 14. 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:

Name and particulars	Relationship with the Group	(Unaudited)	
		Nine months period ended	Nine months period ended
		March 31, 2016	March 31, 2015
		----- (Rupees in '000) -----	
Contribution to provident fund	Associate	8,022	6,632
Directors' fee	Associate	875	1,265
Key management personnel compensation		30,839	31,493

- 14.1 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.





## 15. 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 March 31, 2015 ----- (Rupees in '000) -----	Nine months period ended March 31, 2015 -----
Administrative and general expenses	Real estate expenses	12,654	23,062

## 16. GENERAL

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

## 17. DATE OF AUTHORISATION FOR ISSUE

These condensed interim consolidated financial statements were authorised for issue on April 27, 2016 by the Board of Directors of the Holding Company.

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

  
 Khowaja Obaid Imran Ilyas  
 Director





# **PAKISTAN NATIONAL SHIPPING CORPORATION**

**UN-AUDITED**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE NINE MONTHS PERIOD ENDED**

**MARCH 31, 2016**



**PAKISTAN NATIONAL SHIPPING CORPORATION**  
**CONDENSED INTERIM UNCONSOLIDATED BALANCE SHEET**  
**AS AT MARCH 31, 2016**

	Note	(Unaudited) March 31, 2016	(Audited) June 30, 2015
------(Rupees in '000)-----			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	2,078,809	2,102,085
Investment properties		1,767,473	1,767,473
Long-term investments in:			
- Related parties (subsidiaries and an associate)		28,591,761	25,189,063
- Listed companies and an other entity		46,028	53,434
		28,637,789	25,242,497
Long-term loans and advances	6	58	3,402,756
Deferred taxation		55,118	97,669
		32,539,247	32,612,480
<b>CURRENT ASSETS</b>			
Stores and spares		16,122	13,148
Trade debts	7	1,463,269	1,821,692
Agents' and owners' balances		17,211	18,065
Loans and advances		74,920	102,561
Trade deposits and short-term prepayments		35,288	51,326
Interest / mark-up accrued on bank deposits and investments		50,999	37,445
Other receivables	8	106,049	153,072
Taxation - net		979,825	1,015,291
Short-term investments	9	2,821,150	1,954,375
Cash and bank balances		2,334,359	2,808,371
		7,899,192	7,975,346
		40,438,439	40,587,826
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>Share Capital</b>			
Authorised (200,000,000 Ordinary shares of 10 each)		2,000,000	2,000,000
Issued, subscribed and fully paid-up capital		1,320,634	1,320,634
Reserves		6,130,574	6,898,954
		7,451,208	8,219,588
Surplus on revaluation of property, plant & equipment - net of tax		1,106,391	1,128,307
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing - secured	10	4,443,012	5,748,035
Deferred liabilities		751,725	851,561
		5,194,737	6,599,596
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	25,395,625	22,808,212
Provision against damage claims		27,290	20,223
Current portion of long-term financing	10	1,210,172	1,702,054
Incomplete voyage		883	27,148
Accrued mark-up on long-term financing		52,133	82,698
		26,686,103	24,640,335
		40,438,439	40,587,826
<b>TOTAL EQUITY AND LIABILITIES</b>			
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

Arif Elahi P.A.S.

Chairman & Chief Executive

Khawaja Obaid Imran Ilyas  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION**  
**CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE QUARTER AND NINE MONTHS PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

	Quarter ended March 31, 2016	Quarter ended March 31, 2015	Nine months period ended March 31, 2016	Nine months period ended March 31, 2015
------(Rupees in '000)-----				
<b>REVENUE</b>				
Chartering revenue	1,022,424	1,628,984	3,950,993	5,713,578
Services fee	67,748	78,731	221,484	223,772
Rental income	44,730	39,175	127,069	114,095
	<u>1,134,902</u>	<u>1,746,890</u>	<u>4,299,546</u>	<u>6,051,445</u>
<b>EXPENDITURE</b>				
Fleet expenses - direct	(694,474)	(1,382,384)	(3,078,213)	(4,992,660)
- indirect	(6,779)	(7,180)	(19,622)	(19,236)
Vessel management expenses	(117,724)	(97,497)	(364,122)	(307,458)
Real estate expenses	(25,385)	(22,047)	(85,181)	(67,585)
	<u>(844,362)</u>	<u>(1,509,108)</u>	<u>(3,547,138)</u>	<u>(5,386,939)</u>
<b>GROSS PROFIT</b>	<u>290,540</u>	<u>237,782</u>	<u>752,408</u>	<u>664,506</u>
Administrative and general expenses	(296,962)	(71,916)	(508,948)	(328,600)
Other expenses	(237,971)	(205,560)	(661,727)	(499,336)
Other income	192,387	119,171	515,500	589,343
	<u>(342,546)</u>	<u>(158,305)</u>	<u>(655,175)</u>	<u>(238,593)</u>
<b>OPERATING (LOSS) / PROFIT</b>	<u>(52,006)</u>	<u>79,477</u>	<u>97,233</u>	<u>425,913</u>
Finance costs	(113,634)	(211,738)	(462,497)	(520,758)
<b>LOSS BEFORE TAXATION</b>	<u>(165,640)</u>	<u>(132,261)</u>	<u>(365,264)</u>	<u>(94,845)</u>
Taxation	(108,889)	(38,585)	(218,406)	(100,201)
<b>LOSS AFTER TAXATION</b>	<u>(274,529)</u>	<u>(170,846)</u>	<u>(583,670)</u>	<u>(195,046)</u>
Other comprehensive income	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>(274,529)</u>	<u>(170,846)</u>	<u>(583,670)</u>	<u>(195,046)</u>
-----Rupees-----				
<b>LOSS PER SHARE -</b>				
Basic and Diluted	<u>(2.08)</u>	<u>(1.29)</u>	<u>(4.42)</u>	<u>(1.48)</u>

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

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

Khawaja Obaid Imran Ilyas  
 Director



**PAKISTAN NATIONAL SHIPPING CORPORATION**  
**CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

	Issued, subscribed and paid-up share capital	Capital Reserve	Revenue Reserves		Total
Remeasurement of post retirement benefits obligation - net of tax			Unappropriated profit		
----- (Rupees in '000) -----					
Balance at July 01, 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 nine months period ended March 31, 2015	-	-	-	(195,046)	(195,046)
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
<b>Balance as at March 31, 2015</b>	<b>1,320,634</b>	<b>126,843</b>	<b>(226,522)</b>	<b>6,024,071</b>	<b>7,245,026</b>
<b>Balance at July 01, 2015</b>	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 nine months period ended March 31, 2016	-	-	-	(583,670)	(583,670)
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	13,385	13,385
<b>Balance as at March 31, 2016</b>	<b>1,320,634</b>	<b>126,843</b>	<b>(342,905)</b>	<b>6,346,636</b>	<b>7,451,208</b>

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

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

  
 Khawaja Obaid Imran Ilyas  
 Director



**PAKISTAN NATIONAL SHIPPING CORPORATION  
CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT  
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2016 (UNAUDITED)**

		Nine months period ended March 31, 2016	Nine months period ended March 31, 2015
	Note		
		----- (Rupees in '000) -----	
<b>Cash flows from operating activities</b>			
Cash generated from operations	13	3,151,597	2,016,507
Employees' gratuity paid		(160,485)	(5,518)
Employees' compensated absences paid		(89,713)	(32,719)
Post retirement medical benefits paid		(26,144)	(11,789)
Finance costs paid		(429,395)	(624,896)
(Payments) / receipts under cross currency and interest rate swap - net		(25,559)	150,770
Taxes paid		(148,919)	(202,154)
Net cash generated from operating activities		2,271,382	1,290,201
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(39,643)	(26,570)
Proceeds from disposal of property, plant and equipment		8,297	-
Long-term loans and advances - related parties		-	(3,402,698)
Short-term investments redeemed		383,225	296,990
Interest / mark-up received		158,170	211,383
Dividends received		531	69
Net cash generated from / (used in) investing activities		510,580	(2,920,826)
<b>Cash flows from financing activities</b>			
Long-term financing (paid)		(5,110,481)	-
Long-term financing obtained		3,300,000	2,006,605
Dividends paid		(195,493)	(194,903)
Net cash (used in) / generated from financing activities		(2,005,974)	1,811,702
Net increase in cash and cash equivalents		775,988	181,077
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	14	4,084,359	2,821,048

The annexed notes 1 to 18 form an integral part of these unconsolidated condensed interim financial statements.

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

  
Khawaja Obaid Imran Ilyas  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION**  
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM UNCONSOLIDATED FINANCIAL**  
**STATEMENTS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2016 (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.

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 Honourable Supreme Court of Pakistan.

- 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 nine months period ended March 31, 2016 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 March 31, 2016 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 nine months period then ended. These unconsolidated condensed interim financial statements also include the unconsolidated condensed interim profit and loss account for the quarter ended March 31, 2016 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 nine months period ended March 31, 2015 have been extracted from the unconsolidated condensed interim financial statements of the Corporation for the nine months period then ended, which was neither subjected to a review nor audited. The comparative unconsolidated condensed interim profit and loss account for the quarter ended March 2015 included in these unconsolidated condensed interim financial statements was neither subject 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 nine months period ended March 31, 2016:**

Following standards, amendments 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.

## 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) March 31, 2016	(Audited) June 30, 2015
----- (Rupees in '000) -----			
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1 & 5.2	<b>1,747,746</b>	1,625,364
Capital work-in-progress (CWIP)		<b>331,063</b>	476,721
		<b><u>2,078,809</u></b>	<u>2,102,085</u>



		(Unaudited)	
		Nine months period ended March 31, 2016	Nine months period ended March 31, 2015
		----- (Rupees in '000) -----	
5.1	<b>Additions to fixed assets (including transfers from CWIP) during the current period mainly include:</b>		
	Buildings on leasehold land	139,148	2,476
	Vehicles	30,204	-
	Office machines and appliances	503	474
	Furniture and fixtures	411	8
	Workshop machinery and equipment	192	62
	Computer equipment	3,984	4,654
		<u>174,442</u>	<u>7,674</u>
5.2	Depreciation charged for the period	<u>51,200</u>	<u>32,762</u>

## 6. LONG-TERM LOANS AND ADVANCES

- 6.1 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. During the period ended March 31, 2016, the shares have been issued by the Shalamar Shipping (pvt) Limited.

		(Unaudited) March 31, 2016	(Audited) June 30, 2015
		----- (Rupees in '000) -----	
7.	<b>TRADE DEBTS - unsecured</b>		
	Considered good	7.1 1,463,269	1,821,692
	Considered doubtful	18,007	18,007
		<u>1,481,276</u>	<u>1,839,699</u>
	Less: Provision for doubtful debts	7.2 18,007	18,007
		<u>1,463,269</u>	<u>1,821,692</u>

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

	(Unaudited) March 31, 2016	(Audited) June 30, 2015
	----- (Rupees in '000) -----	
Upto 1 month	203,494	284,154
1 to 6 months	169,805	294,660
More than 6 months	1,089,970	1,242,878
	<u>1,463,269</u>	<u>1,821,692</u>

## 7.2 Provision for doubtful debts

Balance at the beginning	18,007	17,280
Provision made during the period	210,982	727
Provision / Trade debts written off during the period	(210,982)	-
Balance at the end	<u>18,007</u>	<u>18,007</u>

As at March 31, 2016, trade debts of Rs 18,007 million (June 30, 2015: Rs 18,007 million) were impaired and provided for. These balances were outstanding for more than three years.



## 8. OTHER RECEIVABLES

### Rent receivable:

- considered good
- considered doubtful

Less: Provision for impairment of rent receivables

Note	(Unaudited) March 31, 2016	(Audited) June 30, 2015
	----- (Rupees in '000) -----	

17,173	11,203
3,801	3,801
20,974	15,004
(3,801)	(3,801)
17,173	11,203

### Derivative cross currency interest rate swap

8.1 & 8.2

-

62,991

### Others:

- considered good
- considered doubtful

Less: Provision for impairment

88,876	78,878
10,832	10,832
99,708	89,710
10,832	10,832
88,876	78,878
106,049	153,072

8.1 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.

8.2 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.

## 9. SHORT-TERM INVESTMENTS

	(Unaudited) March 31, 2016	(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	771,150	1,154,375
- three months or less	1,750,000	500,000
	2,821,150	1,954,375

The mark-up on term deposits denominated in local currency ranges between 6.5% to 8.75% (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 2.25% (June 30, 2015: 2.05% to 2.10%) per annum.



	Note	(Unaudited) March 31, 2016	(Audited) June 30, 2015
		----- (Rupees in '000) -----	
<b>10. LONG-TERM FINANCING - secured</b>			
Financing under Syndicate term finance agreement	10.1 & 10.2	1,714,148	5,918,572
Less: Current portion		<u>256,781</u>	<u>1,407,455</u>
		<u>1,457,367</u>	<u>4,511,117</u>
Term Finance Certificates		-	580,030
Less: Current portion		-	166,208
		-	413,822
Musharika Agreement	10.1 & 10.2	<u>3,939,036</u>	<u>951,487</u>
Less: Current portion		<u>953,391</u>	<u>128,391</u>
		<u>2,985,645</u>	<u>823,096</u>
		<u>4,443,012</u>	<u>5,748,035</u>

- 10.1 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.

- 10.2 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.

## 11. TRADE AND OTHER PAYABLES

	Note	(Unaudited) March 31, 2016	(Audited) June 30, 2015
		----- (Rupees in '000) -----	
Creditors		37,579	56,414
Current account balances with subsidiary companies		23,434,054	20,934,423
Agents' and owners' balances		324,757	396,500
Accrued liabilities		1,294,323	1,091,748
Deposits	11.1	41,158	38,187
Unclaimed dividends		35,665	33,063
Advance from customers		76,021	110,899
Other liabilities			
- amounts retained from contractors		26,032	27,411
- others		126,036	119,567
		<u>152,068</u>	<u>146,978</u>
		<u>25,395,625</u>	<u>22,808,212</u>

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



## 12. CONTINGENCIES AND COMMITMENTS

### Contingencies

- 12.1 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:
- 12.2 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.
- 12.3 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.

### Commitments

	(Unaudited) March 31, 2016	(Audited) June 30, 2015
	----- (Rupees in '000) -----	
12.4 Outstanding letters of guarantee	<u>5,126</u>	<u>5,126</u>
12.5 Commitments for capital expenditure	<u>70,198</u>	<u>86,023</u>



(Unaudited)

		Nine months period ended March 31, 2016	Nine months period ended March 31, 2015
	Note	----- (Rupees in '000) -----	
13. CASH GENERATED FROM OPERATIONS			
Loss before taxation		(365,264)	(94,845)
Adjustments for non-cash charges and other items:			
Depreciation		51,200	32,762
Profit on disposal of fixed assets		(8,297)	-
Provision for employees' gratuity		60,769	41,562
Provision for employees' compensated absences		94,289	66,033
Provision for post retirement medical benefits		19,148	23,038
Provision for doubtful debts		210,982	-
Provision for doubtful debt - written off		(210,982)	-
Interest / mark-up income		(171,724)	(228,319)
Interest / mark-up expense		412,406	645,228
Loss / (gain) on cross currency interest rate swap		49,480	(124,470)
Loss on interest rate swap		39,070	52,053
Loss on revaluation of investments		7,406	7,567
Dividend income		(531)	(69)
Provision reversed against claims for damages		(1,346)	(17,699)
Provision made against claims for damages		8,414	1,678
Working capital changes	13.1	<u>2,956,577</u>	<u>1,611,988</u>
		<u>3,151,597</u>	<u>2,016,507</u>
WORKING CAPITAL CHANGES			
13.1 (Increase) / decrease in current assets:			
Stores and spares		(2,974)	(1,404)
Trade debts		358,423	232,317
Agents' and owners' balances - unsecured		854	111,286
Loans and advances		27,641	(7,940)
Trade deposits and short-term prepayments		16,038	(18,063)
Other receivables		(15,968)	5,130
Incomplete voyages		(26,265)	7,168
		357,749	328,494
Increase in current liabilities:			
Trade and other payables		<u>2,598,828</u>	<u>1,283,494</u>
		<u>2,956,577</u>	<u>1,611,988</u>
14. CASH AND CASH EQUIVALENTS			
Short-term investments	9	1,750,000	1,004,950
Cash and bank balances		<u>2,334,359</u>	<u>1,816,098</u>
		<u>4,084,359</u>	<u>2,821,048</u>



## 15. 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 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 Corporation with related parties during the period are given below:

Name and particulars	Relationship with the Corporation	(Unaudited)	
		Nine months period ended March 31, 2016	Nine months period ended March 31, 2015
		----- (Rupees in '000) -----	
Service fee charged to subsidiary companies	Subsidiary	221,484	223,772
Rental expense of Pakistan Co-operative Ship Stores (Private) Limited	Subsidiary	536	497
Delivery of stores and spares to subsidiary companies	Subsidiary	27,350	18,566
Retirement benefit costs charged to subsidiaries	Subsidiary	2,301	2,968
Contribution to provident fund		8,022	6,632
Directors' fee		875	1,265
Key management personnel compensation		30,839	31,493
Advance against future issue of shares to Shalamar Shipping (Private) Limited	Subsidiary	-	3,402,698

- 15.1 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.

## 16. 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 March 31, 2015	Nine months period ended March 31, 2015
		----- (Rupees in '000) -----	
Administrative and general expenses	Real estate expenses	12,654	23,062
			June 30, 2015
			(Rupees in '000)
From	To		
Loans and advances	Long-term loans and advances		3,402,698



**17. GENERAL**

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

**18. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on April 27, 2016 by the Board of Directors of the Corporation.

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

  
Khowaja Obaid Imran Ilyas  
Director