



# **Pakistan National Shipping Corporation**

Half Yearly Report  
December 31, 2017



***MOVING FORWARD  
SUCCESSFULLY***





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## **Pakistan National Shipping Corporation**

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## **Pakistan National Shipping Corporation and its Subsidiary Companies**

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## CORPORATE INFORMATION

### Board of Directors

1. Mr. Rizwan Ahmed	Chairman Board
2. Mr. Haque Nawaz	(Up to May 19, 2017) Member
3. Mr. Sa'ad Fazil Abbasi	(Up to Oct 19, 2016) Member
4. Ms. Ava A. Cowasjee	(Up to May 19, 2017) Member
5. Mr. Akbar Adil	(Up to May 19, 2017) Member
6. Mr. Khowaja Obaid Imran Ilyas	Member
7. Capt. Anwar Shah	Member

### Audit Committee of the Board

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

### HR Committee

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

### Commercial Committee

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

### Chief Financial Officer

Mr. S. Jarar Haider Kazmi

### Corporation & Board 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. EY Ford Rhodes, Chartered Accountants

### Share Registrar

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shahra-e-Faisal, Karachi.

### Bankers

Bank Al Habib Limited  
Bank Alfalah Limited  
Bank Alfalah Limited, Bahrain  
Bank Al Habib Limited, Bahrain  
Bank Islami Pakistan Limited  
Dubai Islamic Bank (Pakistan) Limited  
Faysal Bank Limited  
Habib Bank Limited  
Meezan Bank Limited  
MCB Bank Limited  
National Bank of Pakistan, Hong Kong  
National Bank of Pakistan, Tokyo  
National Bank of Pakistan  
Silk Bank Limited  
Soneri Bank Limited  
Standard Chartered Bank (Pakistan) Limited  
Summit Bank Limited  
UniCredit Bank, Italy  
United Bank Limited  
United Bank Limited, London



## PAKISTAN NATIONAL SHIPPING CORPORATION DIRECTORS' REPORT FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017

The Directors of Pakistan National Shipping Corporation (PNSC) are pleased to present the consolidated and unconsolidated condensed interim financial information of PNSC and Group for the six months period ended December 31, 2017. In accordance with the statutory requirements, the external auditors have carried out a limited review of financial information of PNSC.

### OVERVIEW

Group after Tax Profit of Rs 736 million has been achieved during this period against Rs 1,030 million in the same period last year showing a decrease of 29%, likewise, Earnings per Share for the group also decreased to Rs 5.57 from Rs 7.80. While the global shipping industry has started showing signs of entering the recovery phase with an increase in BDI in the dry bulk segment and an increase in World scale and AFRA in liquid segment internationally, therefore there is a likelihood of recovery in the coming months. In wake of saving the foreign currency reserves and curbing the furnace oil imports, Government has decided to restrict the import of fuel oil and thereby shift the power sector towards inexpensive LNG consumption, thereby adversely affecting PNSC's business.

PNSC Group achieved a turnover of Rs 5,486 million (including Rs 2,561 million from PNSC) as compared to Rs 6,473 million (including Rs 3,982 million from PNSC) for the corresponding period last year. PNSC Group made substantial growth of 40% (from Rs 615 million to Rs 863 million) in revenue of owned bulk carriers segment and growth of 10% (from Rs 1,876 million to Rs 2,062 million) in owned liquid vessels. However, the growth in owned vessels segment was offset by 47% (from Rs 1,944 million to Rs 1,031 million) reduction in slot charter segment with the reduction of Government cargoes. Moreover, the energy mix has started to change. The Government is keen to go for efficient and more environmental friendly fuel i.e. LNG as compared to fuel oil. This policy shift by the Government has impacted on oil imports with a reduction in foreign tanker business by 26% (from Rs 1,944 million to Rs 1,430 million).

Direct operating expenses decreased to Rs 4,139 million (including Rs 1,415 million from PNSC) from Rs. 4,604 million (including Rs 2,213 million from PNSC), thereby resulting in Gross Profit of Rs 1,347 million as against Rs 1,869 Million for the same period last year.

Situation is further aggravated with the recognition of impairment loss in one of the vessels owned by the Group, thereby deteriorating the Group's profitability. In accordance with applicable financial reporting standards, impairment assessment is undertaken at the end of each reporting period in respect of each vessel and recoverable amount is computed using 'value in use' method. Due to restricted demand and slow recovering market conditions, the management remained cautious and prudently conservative while estimating future revenues to avoid over estimation. As a result of this exercise, an impairment loss of Rs 120 million is recognized in M.V. Sibi in current year.

### FUTURE PROSPECTS

PNSC plans to induct three modern double hull oil tankers in its fleet not only to cater the demand of Motor Gasoline transportation but also to impart modern technological advancements onboard to promote and comply with upcoming laws and regulations of IMO. The said inductions will also curtail reliance on foreign chartered vessels for oil transportation of the country.

To encounter the existing and foreseeable external challenges, PNSC is also reviewing its internal strategy which primarily focuses on diversification of business portfolio, reduction in cost of doing business and improvements in overall corporate governance focus of management. The strategy mainly focuses on corporate responsibility, business process improvements, alignment of resources and setting prudent strategic objectives. The primary objective is to induce efficiency into PNSC business spectrum and to gear up for current and future economic and geo political challenges.

The Board would like to extend its gratitude to all the stakeholders for their continued support and confidence.

**RIZWAN AHMED P.A.S.**  
**Chairman & Chief Executive**

Karachi : February 23, 2018





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

**EY FORD RHODES**  
**CHARTERED ACCOUNTANTS**  
*a member firm of Ernst & Young Global Limited*  
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, 2017, 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 months 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, 2017 and 2016 and the notes thereto have not been reviewed as we are required to review only the cumulative figures for the six months period ended December 31, 2017.

### **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 the unconsolidated condensed 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 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

**A. F. Ferguson & Co.**  
**Chartered Accountants**  
Karachi: February 23, 2018

**EY Ford Rhodes**  
**Chartered Accountants**  
Karachi: February 23, 2018

Engagement partner: Khurshid Hasan

Engagement partner: Shabbir Yunus Khairullah





# **PAKISTAN NATIONAL SHIPPING CORPORATION**

**(UN-AUDITED)**

## **UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION**

**FOR THE SIX MONTHS PERIOD ENDED**

**DECEMBER 31, 2017**



**PAKISTAN NATIONAL SHIPPING CORPORATION**  
**UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET**  
**AS AT DECEMBER 31, 2017**

	Note	(Unaudited) December 31, 2017	(Audited) June 30, 2017
----- (Rupees in '000) -----			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	1,958,561	1,978,161
Intangible asset	6	-	-
Investment properties		2,671,043	2,671,043
Long-term investments in:			
- Related parties (subsidiaries and an associate)	7	28,504,048	28,591,761
- Listed companies and another entity		46,842	49,566
		28,550,890	28,641,327
Long-term loans to employees		29,382	-
Deferred taxation - net		32,737	46,561
		33,242,613	33,337,092
<b>CURRENT ASSETS</b>			
Stores and spares		12,348	10,563
Trade debts - unsecured	8	220,087	490,228
Agents' and owners' balances - unsecured		17,816	8,423
Loans and advances - unsecured		70,581	91,348
Trade deposits and short-term prepayments		38,139	57,177
Interest accrued on bank deposits and short-term investments		58,638	47,404
Other receivables	9	1,681,961	1,387,755
Incomplete voyages		20,981	59,276
Taxation - net		1,162,474	1,082,678
Short-term investments	10	4,296,530	4,117,045
Cash and bank balances		2,717,453	2,708,281
		10,297,008	10,060,178
		43,539,621	43,397,270
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Share Capital</b>			
Authorised 200,000,000 (June 30, 2017: 200,000,000) ordinary shares of Rs 10 each		2,000,000	2,000,000
<b>Reserves</b>			
Issued, subscribed and paid-up share capital		1,320,634	1,320,634
		9,045,648	8,710,641
		10,366,282	10,031,275
Surplus on revaluation of property, plant and equipment - net of tax		1,152,356	1,140,525
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing - secured	11	2,343,625	2,944,191
Deferred liabilities		636,394	592,356
		2,980,019	3,536,547
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	27,779,425	27,423,137
Provision against damage claims		20,883	20,032
Current portion of long-term financing	11	1,210,172	1,210,172
Accrued mark-up on long-term financing		30,484	35,582
		29,040,964	28,688,923
		43,539,621	43,397,270
<b>TOTAL EQUITY AND LIABILITIES</b>			
<b>CONTINGENCIES AND COMMITMENTS</b>			
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The annexed notes from 1 to 19 form an integral part of this unconsolidated condensed interim financial information.

**Syed Jarar Haider Kazmi**  
Chief Financial Officer

**Rizwan Ahmed P.A.S**  
Chairman & Chief Executive

**Capt. Anwar Shah**  
Director





**PAKISTAN NATIONAL SHIPPING CORPORATION**  
**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**  
**FOR THE QUARTER AND SIX MONTHS PERIOD ENDED DECEMBER 31, 2017 (UNAUDITED)**

	Quarter ended December 31, 2017	Quarter ended December 31, 2016	Six months period ended December 31, 2017	Six months period ended December 31, 2016
-----Rupees in '000-----				
<b>REVENUE</b>				
Chartering revenue	847,557	1,624,292	2,461,135	3,887,715
Services fees	56,809	44,662	116,990	99,646
Rental income	52,079	48,100	99,574	93,901
	<u>956,445</u>	<u>1,717,054</u>	<u>2,677,699</u>	<u>4,081,262</u>
<b>EXPENDITURE</b>				
Fleet expenses - direct	(506,798)	(850,621)	(1,333,256)	(2,144,806)
Fleet expenses - indirect	(4,183)	(4,611)	(11,751)	(7,247)
Vessel management expenses	(180,888)	(130,411)	(327,045)	(249,653)
Real estate expenses	(34,873)	(31,833)	(70,092)	(61,035)
	<u>(726,742)</u>	<u>(1,017,476)</u>	<u>(1,742,144)</u>	<u>(2,462,741)</u>
<b>GROSS PROFIT</b>	<u>229,703</u>	<u>699,578</u>	<u>935,555</u>	<u>1,618,521</u>
Administrative expenses	(91,568)	(90,668)	(170,791)	(210,456)
Other expenses	(248,345)	(263,540)	(436,151)	(511,078)
Other income	273,409	274,382	544,963	522,383
	<u>(66,504)</u>	<u>(79,826)</u>	<u>(61,979)</u>	<u>(199,151)</u>
<b>OPERATING PROFIT</b>	<u>163,199</u>	<u>619,752</u>	<u>873,576</u>	<u>1,419,370</u>
Finance costs	(64,402)	(84,457)	(134,020)	(174,726)
<b>PROFIT BEFORE TAXATION</b>	<u>98,797</u>	<u>535,295</u>	<u>739,556</u>	<u>1,244,644</u>
Taxation	(64,039)	(111,025)	(146,763)	(340,338)
<b>PROFIT AFTER TAXATION</b>	<u>34,758</u>	<u>424,270</u>	<u>592,793</u>	<u>904,306</u>
Other comprehensive income	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<u>34,758</u>	<u>424,270</u>	<u>592,793</u>	<u>904,306</u>
----- Rupees -----				
<b>EARNINGS PER SHARE - basic and diluted</b>	<u>0.26</u>	<u>3.21</u>	<u>4.49</u>	<u>6.85</u>

The annexed notes from 1 to 19 form an integral part of this unconsolidated condensed interim financial information.

**Syed Jarar Haider Kazmi**  
Chief Financial Officer

**Rizwan Ahmed P.A.S**  
Chairman & Chief Executive

**Capt. Anwar Shah**  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION**  
**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017 (UNAUDITED)**

Issued, subscribed and paid-up share capital	Capital reserve	Revenue reserves		Total reserves	Total equity
		Remeasurement of post-retirement benefits obligation - net of tax	Unappropriated profit		
(Rupees in '000)					
1,320,634	126,843	(309,809)	6,813,409	6,630,443	7,951,077
-	-	-	(264,127)	(264,127)	(264,127)
-	-	-	904,306	904,306	904,306
-	-	-	7,618	7,618	7,618
<u>1,320,634</u>	<u>126,843</u>	<u>(309,809)</u>	<u>7,461,206</u>	<u>7,278,240</u>	<u>8,598,874</u>
1,320,634	126,843	(255,659)	8,839,457	8,710,641	10,031,275
-	-	-	(264,127)	(264,127)	(264,127)
-	-	-	592,793	592,793	592,793
-	-	-	6,341	6,341	6,341
<u>1,320,634</u>	<u>126,843</u>	<u>(255,659)</u>	<u>9,174,464</u>	<u>9,045,648</u>	<u>10,366,282</u>

The annexed notes from 1 to 19 form an integral part of this unconsolidated condensed interim financial information.

**Syed Jarar Haider Kazmi**  
Chief Financial Officer

**Rizwan Ahmed P.A.S**  
Chairman & Chief Executive

**Capt. Anwar Shah**  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION**  
**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017 (UNAUDITED)**

	Note	Six months period ended December 31, 2017	Six months period ended December 31, 2016
----- (Rupees in '000) -----			
<b>Cash flows from operating activities</b>			
Cash generated from operations	14	1,268,430	952,948
Employees' gratuity paid		(2,432)	(41,052)
Employees' compensated absences paid		(28,985)	(62,872)
Post-retirement medical benefits paid		(13,401)	(9,699)
Long-term loans to employees		(29,382)	-
Finance costs paid		(134,600)	(175,965)
Taxes paid		(194,203)	(154,434)
<b>Net cash generated from operating activities</b>		<b>865,427</b>	<b>508,926</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(10,122)	(4,752)
Dividend received		2,523	757
Short-term investments (made) / redeemed		(79,485)	554,570
Interest received on bank deposits and short-term investments		182,538	163,947
<b>Net cash generated from investing activities</b>		<b>95,454</b>	<b>714,522</b>
<b>Cash flows from financing activities</b>			
Repayment of long-term financing		(605,086)	(605,086)
Dividend paid		(246,623)	(259,883)
<b>Net cash used in financing activities</b>		<b>(851,709)</b>	<b>(864,969)</b>
<b>Net increase in cash and cash equivalents</b>		<b>109,172</b>	<b>358,479</b>
Cash and cash equivalents at the beginning of the period		5,158,281	2,137,941
<b>Cash and cash equivalents at the end of the period</b>	15	<b>5,267,453</b>	<b>2,496,420</b>

The annexed notes from 1 to 19 form an integral part of this unconsolidated condensed interim financial information.

**Syed Jarar Haider Kazmi**  
Chief Financial Officer

**Rizwan Ahmed P.A.S**  
Chairman & Chief Executive

**Capt. Anwar Shah**  
Director

**PAKISTAN NATIONAL SHIPPING CORPORATION****NOTES TO AND FORMING PART OF THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017 (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 its subsidiaries and third parties in relation to the business of shipping. The Corporation is also engaged in renting out its properties to tenants under lease arrangements. The Corporation is listed on the Pakistan Stock Exchange. The Corporation's registered office is situated at PNSC Building, Moulvi Tamizuddin Khan Road, Karachi.
- 1.2 This unconsolidated condensed interim financial information is separate financial information of the Corporation in which investments in subsidiaries and associates are accounted for at cost less accumulated impairment losses if any.

**2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE**

- 2.1 As per the requirements of circular no. CLD/CCD/PR(11)2017 dated October 4, 2017 issued by the Securities & Exchange Commission of Pakistan (SECP), companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Furthermore, the Institute of Chartered Accountants of Pakistan also issued clarification vide its circular dated October 6, 2017 which states that the interim financial information of the companies for the periods ending on or before December 31, 2017 shall also be prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

Accordingly, this unconsolidated condensed interim financial information of the Corporation for the six months period ended December 31, 2017 has 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 repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed. This unconsolidated condensed interim financial information does not include all the information and disclosures required in an annual audited financial statements, and should be read in conjunction with the financial statements for the year ended June 30, 2017 as they provide an update of previously reported information.

- 2.2 This unconsolidated condensed interim financial information comprise of the unconsolidated condensed interim balance sheet as at December 31, 2017 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 limited scope review in accordance with section 237 of the Companies Act, 2017 but not audited. This unconsolidated condensed interim financial information also includes the unconsolidated condensed interim profit and loss account for the quarter ended December 31, 2017 which has neither been reviewed nor audited.
- 2.3 The comparative balance sheet presented in this unconsolidated condensed interim financial information as at June 30, 2017 has been extracted from the annual audited financial statements of the Corporation for the year ended June 30, 2017 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, 2016 have been extracted from the unconsolidated condensed interim financial information of the Corporation for the six months period then ended, which were subjected to a limited scope review but not audited. The comparative unconsolidated condensed interim profit and loss account for the quarter ended December 31, 2016 included in this unconsolidated condensed interim financial information 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 this unconsolidated condensed interim financial information are consistent with those applied in the preparation of the financial statements for the year ended June 30, 2017.



### 3.2 Change in accounting standards, interpretations and amendments to published approved accounting standards that are effective

#### (a) Amendments to published approved accounting standards which are effective during the half year ended December 31, 2017

There are certain amendments to approved accounting standards which are mandatory for the Corporation's annual accounting period which began on July 1, 2017. However, these do not have any significant impact on the Corporation's financial reporting and, therefore, have not been detailed in this unconsolidated condensed interim financial information.

#### (b) Standards and amendments to published approved accounting standards that are not yet effective

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Corporation's annual accounting periods beginning on or after July 1, 2018. However, these amendments will not have any significant impact on the financial reporting of the Corporation and, therefore, have not been disclosed in this unconsolidated condensed interim financial information. During the current period, the SECP has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Customers', the impacts of which on the Corporation's future financial statements are being assessed. Further, certain new standards are yet to be adopted by the Securities and Exchange Commission of Pakistan.

In addition to the foregoing, the Companies Act, 2017, which is not effective in respect of preparation of this unconsolidated condensed interim financial information, has added certain disclosure requirements which will be applicable in the future.

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

The preparation of unconsolidated condensed interim financial information 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, however, 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.

Judgements and estimates made by the management in the preparation of this unconsolidated condensed interim financial information are the same as those applied in the Corporation's annual financial statements for the year ended June 30, 2017.

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, 2017.

### 5. PROPERTY, PLANT AND EQUIPMENT

	Note	(Unaudited) December 31, 2017	(Audited) June 30, 2017
		----- (Rupees in '000) -----	
Operating fixed assets	5.1 & 5.2	1,630,746	1,649,639
Capital work-in-progress (CWIP) - buildings on leasehold land		327,815	328,522
		<u>1,958,561</u>	<u>1,978,161</u>





# 5.1 Additions to operating fixed assets (including transfers from CWIP) during the period:

Buildings on leasehold land  
Vehicles  
Furniture and fixtures  
Office equipment  
Workshop machinery and equipment  
Computer equipment

(Unaudited)	
Six months period ended December 31, 2017	Six months period ended December 31, 2016
----- (Rupees in '000) -----	

1,884	129,460
3,134	-
1,411	409
2,770	2,897
301	129
1,329	214
<b>10,829</b>	<b>133,109</b>
<b>29,722</b>	<b>31,579</b>

# 5.2 Depreciation charge for the period

## 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 was fully amortised during the year ended June 30, 2009, however, it is still in active use.

## 7. LONG-TERM INVESTMENTS IN RELATED PARTIES (SUBSIDIARIES AND AN ASSOCIATE)

No. of shares - ordinary	Name of the company	Country of incorporation	Latest available audited financial statements for the year ended	Percentage holding		Face value	(Unaudited)	(Audited)
				December 31, 2017	June 30, 2017		December 31, 2017	June 30, 2017
December 31, 2017	June 30, 2017					per share		
---(Rupees)---(Rupees in '000)---								
<b>(i) Subsidiary companies - private</b>								
10,000,000	10,000,000	Bolan Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	100,000	100,000
275,344,100	275,344,100	Chitral Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	2,753,441	2,753,441
226,825,500	226,825,500	Hyderabad Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	2,268,255	2,268,255
15,686,000	15,686,000	Islamabad Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	156,860	156,860
36,000	36,000	Johar Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	360	360
7,286,000	7,286,000	Kaghan Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	72,860	72,860
330,000,000	330,000,000	Karachi Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	3,451,994	3,451,994
16,736,000	16,736,000	Khairpur Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	167,360	167,360
340,000,000	340,000,000	Lahore Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	3,400,000	3,400,000
14,686,000	14,686,000	Lalazar Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	146,860	146,860
9,486,000	9,486,000	Makran Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	94,860	94,860
336,016,700	336,016,700	Malakand Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	3,360,167	3,360,167
14,054,750	14,054,750	Multan Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	1,405,475	1,405,475
1,600	1,600	Pakistan Co-operative Ship Stores (Private) Limited	Pakistan June 30, 2017	73	73	100	868	868
500,000,000	500,000,000	Quetta Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	5,000,000	5,000,000
6,936,000	6,936,000	Sargodha Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	69,360	69,360
347,055,800	347,055,800	Shalamar Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	3,470,558	3,470,558
254,012,300	254,012,300	Sibi Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	2,540,123	2,540,123
		Less: Accumulated impairment losses - note 7.1					87,713	-
13,236,000	13,236,000	Swat Shipping (Private) Limited	Pakistan June 30, 2017	100	100	10	2,452,410	2,540,123
							132,360	132,360
							28,504,048	28,591,761
<b>(ii) Associate - unlisted</b>								
12,250	12,250	Muhammadi Engineering Works Limited	Pakistan December 31, 1982 (unaudited)	49	49	100	1,600	1,600
		Less: Accumulated impairment losses					1,600	1,600
							-	-
							28,504,048	28,591,761



- 7.1 Investments in subsidiaries are carried at cost. The Corporation carries out periodic assessment to determine the value in use of its investment in subsidiaries. The Corporation considers international charter rates and carrying value of investments, amongst other factors, while reviewing for indicators of impairment. As a result, an impairment assessment was undertaken in respect of its investments in subsidiaries as at December 31, 2017 and recoverable amount has been computed using 'value in use' method. In assessing the value in use, estimated future cashflows have been discounted to their present value using a discount rate (WACC) that reflects the current market assessments of the time value of money and the risks specific to the asset. The discount rate applied to the future cashflow projections is 14.63%. The cashflow projections have been made upto the remaining useful life of the vessel. As a result of the value-in-use exercise, the recoverable amount was less than the carrying value and accordingly, an impairment loss amounting to Rs 87.713 million has been recognised in other expenses in the unconsolidated condensed interim profit and loss account.

The determination of value in use is sensitive to certain key assumptions such as discount rate and projected charter revenue rates. Any significant change in the key assumptions may have an effect on the carrying value of cash generating units.

#### Key assumptions used in value in use calculations:

The value in use calculation is most sensitive to the following assumptions:

##### Discount rate:

Discount rate takes into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances and is derived from its weighted average cost of capital (WACC). Increase of 1% in the discount rate will decrease the recoverable amount by Rs 1,289.580 million (June 30, 2017: Rs 1,515.105 million), whereas a similar decrease in the discount rate will have a positive effect of Rs 1,166.369 million (June 30, 2017: Rs 1,662.010 million) on the recoverable amount.

##### Projected charter revenue rates:

The shipping business is a cyclical business and keeping in view its volatility and based on the external sources of information obtained from the shipping experts, in case of dry cargo vessels, the estimated cashflows are based on an average of past 10 years of charter rates specific to the vessel type excluding peaks and troughs till the remaining useful life of the vessel. In this respect, two scenarios have been considered with equal probability based on management's expectations of outcome for each scenario. For liquid cargo vessels, the management expects that for the foreseeable future, the tankers will generate revenue based on the Contract of Affreightment (CoA) with the customers. Decrease of 1% in the average charter rate assumed will decrease the recoverable amount by Rs 430.091 million (June 30, 2017: Rs 604.276 million) whereas a similar increase will have a positive effect of Rs 430.091 million (June 30, 2017: Rs 604.276 million) on the recoverable amount.

	Note	(Unaudited) December 31, 2017	(Audited) June 30, 2017
----- (Rupees in '000) -----			
<b>8. TRADE DEBTS - unsecured</b>			
<b>Considered good</b>			
- Due from related parties		197,246	472,523
- Due from others		22,841	17,705
		<b>220,087</b>	<b>490,228</b>
<b>Considered doubtful</b>		<b>6,335</b>	<b>34,182</b>
		<b>226,422</b>	<b>524,410</b>
Less: Provision for doubtful debts	8.1	<b>6,335</b>	<b>34,182</b>
		<b>220,087</b>	<b>490,228</b>
<b>8.1 Provision for doubtful debts</b>			
Balance at the beginning		<b>34,182</b>	8,686
Provision made during the period / year		<b>3,614</b>	32,493
Reversal made during the period / year		<b>(2,217)</b>	(285)
Provision written off during the period / year		<b>(29,244)</b>	(6,712)
Balance at the end	8.2	<b>6,335</b>	<b>34,182</b>



- 8.2 As at December 31, 2017, trade debts of Rs 6.335 million (June 30, 2017: Rs 34.182 million) were impaired and provided for. These balances have been outstanding for more than three years.

	Note	(Unaudited) December 31, 2017	(Audited) June 30, 2017
		----- (Rupees in '000) -----	
<b>9. OTHER RECEIVABLES</b>			
- considered good	9.1	1,644,110	1,349,904
- considered doubtful		282,791	282,791
	9.2	1,926,901	1,632,695
Less: Provision for doubtful other receivables		282,791	282,791
		1,644,110	1,349,904
Employees' gratuity scheme - funded		37,851	37,851
		1,681,961	1,387,755

- 9.1 As at December 31, 2017, amounts aggregating Rs 1,644.110 million (June 30, 2017: Rs 1,349.904 million) are past due but not impaired. These receivables have been outstanding for less than three years.

- 9.2 This includes demurrage receivable from related parties amounting to Rs 1,761.369 million (June 30, 2017: Rs 1,505.901 million).

	Note	(Unaudited) December 31, 2017	(Audited) June 30, 2017
		----- (Rupees in '000) -----	

## 10. SHORT-TERM INVESTMENTS

Term deposits with banks, having maturity of:

- more than six months but upto twelve months
- three to six months
- three months or less

10.1	500,000	-
10.2	1,246,530	1,667,045
10.3	2,550,000	2,450,000
	4,296,530	4,117,045

- 10.1 The mark-up on this term deposit denominated in local currency ranges from 6.05% to 6.60%.

- 10.2 The mark-up on these term deposits denominated in local currency ranges from 6.20% to 6.40% (June 30, 2017: 6.10% to 6.60%) per annum, whereas mark-up on term deposits denominated in foreign currency ranges from 2.20% to 2.45% (June 30, 2017: 2.20% to 2.35%) per annum.

- 10.3 The mark-up on these term deposits denominated in local currency ranges from 6.25% to 6.75% (June 30, 2017: 6.10% to 6.50%) per annum.

	Note	(Unaudited) December 31, 2017	(Audited) June 30, 2017
		----- (Rupees in '000) -----	

## 11. LONG-TERM FINANCING - secured

Financing under syndicated term finance agreement  
Financing under musharika agreement

11.1	1,271,429	1,397,686
11.1 & 11.2	2,282,368	2,756,677
	3,553,797	4,154,363
Less: Current portion	1,210,172	1,210,172
	2,343,625	2,944,191



- 11.1 During the year ended June 30, 2015, the Corporation obtained a financing facility of Rs 4,500 million from Nordic Investment Bank (NIB). Subsequent to the year ended June 30, 2017, MCB has acquired NIB, however the said acquisition has no impact on the Corporation's financing arrangement. This financing was obtained in November 2014 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 had drawn Rs 2,054.250 million and Rs 1,027.125 million from syndicated term finance and Musharika respectively.

The financing carries mark-up of 3 month KIBOR + 1.60% which has been renegotiated during the year ended June 30, 2016 to mark-up of 3 month KIBOR + 0.5%. 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 a subsidiary company of the Corporation.

- 11.2 During the year ended June 30, 2016, 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 Faysal Bank Limited (FBL) amounting to Rs 3,300 million bearing mark-up of 3 month KIBOR + 0.40% which has been renegotiated during the period ended December 31, 2017 to mark-up of 3 month KIBOR + 0.15%. The loan along with the mark-up is repayable on a quarterly basis with the first installment paid 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 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, 2017	(Audited) June 30, 2017
----- (Rupees in '000) -----			
<b>12. TRADE AND OTHER PAYABLES</b>			
Creditors		54,738	45,042
Current account balances with subsidiary companies		25,736,950	24,970,600
Agents' and owners' balances		247,395	404,591
Accrued liabilities		1,372,070	1,396,893
Deposits	12.1	53,529	53,899
Unclaimed dividends		56,651	39,147
Advances from customers		81,053	391,639
Unearned rental income		73,045	21,052
Other liabilities			
- amounts retained from contractors		24,496	24,496
- others		79,498	75,778
		103,994	100,274
		<u>27,779,425</u>	<u>27,423,137</u>

- 12.1 These deposits are mark-up free 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 except for note 25.1 as disclosed in the unconsolidated financial statements for the year ended June 30, 2017 as fully explained below:
- 13.2 The contingent liability in respect of claims not acknowledged by the Corporation, which as at December 31, 2017 aggregated to Rs 207.647 million (June 30, 2017: Rs 188.062 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo and damages to cargo. These include Rs 2.127 million (June 30, 2017: Rs 2.083 million) approximately in respect of insurance claims, if accepted, will be borne by the Corporation as the P&I Club, Oceanous Mutual Underwriting Associations (Bermuda) Limited has gone into liquidation. Out of the total claims, a sum of Rs 186.764 million (June 30, 2017: Rs 168.030 million) approximately would be recoverable from the P&I Club, Steamship Mutual Underwriting Association (Bermuda) Limited, in the event these claims are accepted by the Corporation. As a matter of prudence, the management has made a total provision of Rs 20.883 million (June 30, 2017: Rs 20.032 million) against the aforementioned claims in this unconsolidated condensed interim financial information.



### Commitments

	(Unaudited) December 31, 2017	(Audited) June 30, 2017
	----- (Rupees in '000) -----	
13.3 Commitments for capital expenditure	32,571	32,571
13.4 Outstanding letters of guarantee	5,126	5,126
13.5 The Corporation has provided an undertaking amounting to USD 11.6 million to one of the vendor / supplier of another state owned entity. This undertaking has been provided due to arrest of two of its vessels operated by its subsidiaries which have been released subsequently. However, the Government of Pakistan has provided a counter guarantee to the Corporation in relation to aforesaid undertaking.		

	(Unaudited) Six months period ended December 31, 2017	Six months period ended December 31, 2016
Note	----- (Rupees in '000) -----	

### 14. CASH GENERATED FROM OPERATIONS

Profit before taxation		739,556	1,244,644
Adjustments for non-cash charges and other items:			
Depreciation	5.2	29,722	31,579
Impairment loss	7.1	87,713	-
Provision for employees' gratuity		25,321	27,842
Provision for employees' compensated absences		51,194	51,839
Provision for post-retirement medical benefits		10,997	10,864
Provision reversed against damage claims		(2,243)	(153)
Provision made against damage claims		3,095	1,268
Provision for doubtful debts	8.1	3,614	5,967
Provision for doubtful other receivables		-	47,852
Provision reversed against doubtful debts	8.1	(2,217)	(1,099)
Long-term loans and advances written off		-	58
Interest income		(193,772)	(172,298)
Finance costs		134,020	174,726
Dividend income		(2,884)	(865)
Loss / (gain) on revaluation of short-term investments		2,724	(9,689)
Working capital changes	14.1	381,590	(459,587)
		<u>1,268,430</u>	<u>952,948</u>

#### 14.1 Working capital changes

Decrease / (increase) in current assets:			
Stores and spares		(1,785)	(276)
Trade debts		268,744	(49,300)
Agents' and owners' balances		(9,393)	2,251
Loans and advances		20,767	10,245
Trade deposits and short-term prepayments		19,038	(4,456)
Other receivables		(294,206)	(303,372)
Incomplete voyages		38,295	(19,600)
		<u>41,460</u>	<u>(364,508)</u>
Increase / (decrease) in current liabilities:			
Trade and other payables		340,130	(95,079)
		<u>381,590</u>	<u>(459,587)</u>







Details of fair value hierarchy and information relating to fair value of Corporation's leasehold land, buildings on leasehold land, beach huts, workshop machinery and equipment, investment categorised as fair value through profit or loss and investment properties are as follows:

(Unaudited)				
December 31, 2017				
Level 1	Level 2	Level 3	Total	
------(Rupees in '000)-----				
Assets carried at fair value				
Long-term investments - Fair value through profit or loss				
46,742	-	-	46,742	
Leasehold land	775,312	-	775,312	
Buildings on leasehold land	786,833	-	786,833	
Beach huts	10,447	-	10,447	
Workshop machinery and equipment	5,324	-	5,324	
Investment properties	2,671,043	-	2,671,043	
-	4,248,959	-	4,248,959	
(Audited)				
June 30, 2017				
Level 1	Level 2	Level 3	Total	
------(Rupees in '000)-----				
Assets carried at fair value				
Long-term investments - Fair value through profit or loss				
49,466	-	-	49,466	
Leasehold land	775,312	-	775,312	
Buildings on leasehold land	803,278	-	803,278	
Beach huts	11,127	-	11,127	
Workshop machinery and equipment	5,407	-	5,407	
Investment properties	2,671,043	-	2,671,043	
-	4,266,167	-	4,266,167	

## 17. TRANSACTIONS WITH RELATED PARTIES

The Corporation has related party relationships with its subsidiaries, associate, Government of Pakistan and its related entities, 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 this unconsolidated condensed interim financial information. 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:

Note	(Unaudited)	
	Six months period ended December 31, 2017	Six months period ended December 31, 2016
----- (Rupees in '000) -----		
<b>Transactions with subsidiary companies</b>		
Service fee charged to subsidiary companies	116,990	99,646
Rental expense of Pakistan Co-operative Ship Stores (Private) Limited	471	327
Delivery of stores and spares to subsidiary companies	12,779	11,676
Retirement benefits costs charged to subsidiary companies	1,346	1,828
<b>Transactions with other related parties</b>		
Revenue from Pakistan State Oil (PSO) 17.1	1,296,627	1,387,829
Contribution to provident fund	5,886	4,434
Directors' fee	564	744
Key management personnel compensation	27,756	19,957
Dividend to Government of Pakistan	229,157	227,387
17.1	The Corporation recognises voyage and demurrage income from PSO in accordance with the terms of Contract of Affreightment (CoA).	
17.2	The Corporation is engaged in providing carriage services to National Refinery Limited (NRL), Pakistan Refinery Limited (PRL) and Pak Arab Refinery Limited (PARCO) and recognises related revenue / income in accordance with the terms of CoAs entered into with them.	
17.3	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 account balances with the subsidiary companies.	

## 18. GENERAL

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

## 19. DATE OF AUTHORISATION FOR ISSUE

This unconsolidated condensed interim financial information was authorised for issue on February 23, 2018 by the Board of Directors of the Corporation.

**Syed Jarar Haider Kazmi**  
Chief Financial Officer

**Rizwan Ahmed P.A.S**  
Chairman & Chief Executive

**Capt. Anwar Shah**  
Director



# **PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES**

**(UN-AUDITED)**

## **CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION**

**FOR THE SIX MONTHS PERIOD ENDED  
DECEMBER 31, 2017**



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET**  
**AS AT DECEMBER 31, 2017**

	Note	(Unaudited) December 31, 2017	(Audited) June 30, 2017
----- (Rupees in '000) -----			
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	5	22,461,075	23,195,568
Intangible asset	6	-	-
Investment properties		2,671,043	2,671,043
Long-term investments in:			
- Related party (associate)		-	-
- Listed companies and an other entity		46,842	49,566
Long-term loans to employees		29,382	-
Long-term deposits		90	90
Deferred taxation		32,737	46,561
		<u>25,241,169</u>	<u>25,962,828</u>
<b>CURRENT ASSETS</b>			
Stores and spares		608,805	670,079
Trade debts - unsecured	7	568,866	756,750
Agents' and owners' balances - unsecured		17,817	8,423
Loans and advances		70,688	91,348
Trade deposits and short-term prepayments		41,506	60,951
Interest accrued on bank deposits and investments		59,760	48,193
Other receivables	8	2,404,904	2,002,156
Incomplete voyages		3,417	83,954
Insurance claims		84,180	34,248
Taxation - net		1,176,029	1,094,632
Short-term investments	9	4,306,530	4,127,045
Cash and bank balances		2,721,580	2,711,772
		<u>12,064,082</u>	<u>11,689,551</u>
		<u>37,305,251</u>	<u>37,652,379</u>
<b>TOTAL ASSETS</b>			
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY ATTRIBUTABLE TO THE OWNERS OF THE HOLDING COMPANY</b>			
Share capital		1,320,634	1,320,634
Reserves		27,854,455	27,377,025
		<u>29,175,089</u>	<u>28,697,659</u>
<b>NON-CONTROLLING INTEREST</b>			
		4,003	3,714
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP</b>			
		<u>29,179,092</u>	<u>28,701,373</u>
Surplus on revaluation of property, plant and equipment - net of tax		1,155,182	1,143,350
<b>NON-CURRENT LIABILITIES</b>			
Long-term financing - secured	10	2,343,625	2,944,191
Deferred liabilities		636,394	592,356
		<u>2,980,019</u>	<u>3,536,547</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	2,729,419	3,005,323
Provision against damage claims		20,883	20,032
Current portion of long-term financing	10	1,210,172	1,210,172
Accrued mark-up on long-term financing		30,484	35,582
		<u>3,990,958</u>	<u>4,271,109</u>
<b>TOTAL EQUITY AND LIABILITIES</b>			
		<u>37,305,251</u>	<u>37,652,379</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		

The annexed notes 1 to 18 form an integral part of this consolidated condensed interim financial information.

**Syed Jarar Haider Kazmi**  
Chief Financial Officer

**Rizwan Ahmed P.A.S**  
Chairman & Chief Executive

**Capt. Anwar Shah**  
Director





**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017 (UNAUDITED)**

	Quarter ended December 31, 2017	Quarter ended December 31, 2016	Six months period ended December 31, 2017	Six months period ended December 31, 2016
<b>(Rupees in '000)</b>				
<b>REVENUE</b>				
Income from shipping business	2,267,784	2,740,849	5,385,894	6,378,876
Rental income	52,305	48,381	100,021	94,304
	<b>2,320,089</b>	<b>2,789,230</b>	<b>5,485,915</b>	<b>6,473,180</b>
<b>EXPENDITURE</b>				
Fleet expenses - direct	(1,827,615)	(2,048,195)	(4,051,774)	(4,531,100)
Fleet expenses - indirect	(7,020)	(6,293)	(17,139)	(11,785)
Real estate expenses	(34,873)	(31,833)	(70,092)	(61,035)
	<b>(1,869,508)</b>	<b>(2,086,321)</b>	<b>(4,139,005)</b>	<b>(4,603,920)</b>
<b>GROSS PROFIT</b>	<b>450,581</b>	<b>702,909</b>	<b>1,346,910</b>	<b>1,869,260</b>
Administrative expenses	(276,418)	(225,964)	(505,441)	(469,658)
Other expenses	(283,341)	(275,908)	(474,474)	(525,305)
Other income	331,706	385,211	671,013	691,441
	<b>(228,053)</b>	<b>(116,661)</b>	<b>(308,902)</b>	<b>(303,522)</b>
<b>OPERATING PROFIT</b>	<b>222,528</b>	<b>586,248</b>	<b>1,038,008</b>	<b>1,565,738</b>
Finance costs	(64,964)	(84,980)	(135,229)	(175,859)
<b>PROFIT BEFORE TAXATION</b>	<b>157,564</b>	<b>501,268</b>	<b>902,779</b>	<b>1,389,879</b>
Taxation	(74,757)	(120,777)	(167,274)	(359,812)
<b>PROFIT AFTER TAXATION</b>	<b>82,807</b>	<b>380,491</b>	<b>735,505</b>	<b>1,030,067</b>
Other comprehensive income	-	-	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>82,807</b>	<b>380,491</b>	<b>735,505</b>	<b>1,030,067</b>
<b>Attributable to:</b>				
Equity holders of the Holding Company	82,649	380,336	735,216	1,029,828
Non-controlling interest	158	155	289	239
	<b>82,807</b>	<b>380,491</b>	<b>735,505</b>	<b>1,030,067</b>
<b>EARNINGS PER SHARE FOR PROFIT</b>				
<b>ATTRIBUTABLE TO EQUITY HOLDERS OF</b>				
<b>THE HOLDING COMPANY -</b>				
<b>basic and diluted</b>				
	<b>0.63</b>	<b>2.88</b>	<b>5.57</b>	<b>7.80</b>

The annexed notes 1 to 18 form an integral part of this consolidated condensed interim financial information.

**Syed Jarar Haider Kazmi**  
Chief Financial Officer

**Rizwan Ahmed P.A.S**  
Chairman & Chief Executive

**Capt. Anwar Shah**  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017 (UNAUDITED)**

----- Attributable to the shareholders of the Holding Company -----

Issued, subscribed and paid- up share capital	Capital reserve	Revenue reserves			Total reserves	Non- controlling interest	Total equity
		General reserve	Remeasurement of post-retirement benefits obligation - net of tax	Unappropriated profit			

(Rupees in '000)

Balance at July 01, 2016	1,320,634	131,344	129,307	(309,809)	25,144,979	25,095,821	3,316	26,419,771
Final cash dividend for the year ended June 30, 2016 (Rs 2 per ordinary share of Rs. 10 each)	-	-	-	-	(264,127)	(264,127)	-	(264,127)
Total comprehensive income for the six months period ended December 31, 2016	-	-	-	-	1,029,828	1,029,828	239	1,030,067
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	7,618	7,618	-	7,618
Balance as at December 31, 2016	<u>1,320,634</u>	<u>131,344</u>	<u>129,307</u>	<u>(309,809)</u>	<u>25,918,298</u>	<u>25,869,140</u>	<u>3,555</u>	<u>27,193,329</u>
<b>Balance at July 01, 2017</b>	1,320,634	131,344	129,307	(255,659)	27,372,033	27,377,025	3,714	<b>28,701,373</b>
Final cash dividend for the year ended June 30, 2017 (Rs 2 per ordinary share of Rs. 10 each)	-	-	-	-	(264,127)	(264,127)	-	<b>(264,127)</b>
Total comprehensive income for the six months period ended December 31, 2017	-	-	-	-	735,216	735,216	289	<b>735,505</b>
Surplus on revaluation of property, plant and equipment realised during the period on account of incremental depreciation charged thereon - net of tax	-	-	-	-	6,341	6,341	-	<b>6,341</b>
Balance as at December 31, 2017	<u>1,320,634</u>	<u>131,344</u>	<u>129,307</u>	<u>(255,659)</u>	<u>27,849,463</u>	<u>27,854,455</u>	<u>4,003</u>	<u>29,179,092</u>

The annexed notes 1 to 18 form an integral part of this consolidated condensed interim financial information.

**Syed Jarar Haider Kazmi**  
Chief Financial Officer

**Rizwan Ahmed P.A.S**  
Chairman & Chief Executive

**Capt. Anwar Shah**  
Director



**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES**  
**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT**  
**FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017 (UNAUDITED)**

	Note	Six months period ended December 31, 2017	Six months period ended December 31, 2016
----- (Rupees in '000) -----			
<b>Cash flows from operating activities</b>			
Cash generated from operations	13	1,426,046	1,369,142
Employees' gratuity paid		(2,432)	(41,052)
Employees' compensated absences paid		(28,985)	(62,872)
Post-retirement medical benefits paid		(13,401)	(9,699)
Long-term loans to employees		(29,382)	-
Finance costs paid		(135,809)	(177,099)
Taxes paid		(216,314)	(174,472)
<b>Net cash generated from operating activities</b>		<b>999,723</b>	<b>903,948</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(143,783)	(399,625)
Dividends received on long-term investments in listed securities		2,523	757
Short-term investments (made) / redeemed		(79,485)	554,570
Interest received on bank deposits and short-term investments		182,538	163,947
<b>Net cash (used in) / generated from investing activities</b>		<b>(38,207)</b>	<b>319,649</b>
<b>Cash flows from financing activities</b>			
Repayment of long-term financing		(605,085)	(605,086)
Dividend paid		(246,623)	(259,883)
<b>Net cash used in financing activities</b>		<b>(851,708)</b>	<b>(864,969)</b>
<b>Net increase in cash and cash equivalents</b>		<b>109,808</b>	<b>358,628</b>
Cash and cash equivalents at the beginning of period		5,161,772	2,143,378
<b>Cash and cash equivalents at the end of the period</b>	14	<b>5,271,580</b>	<b>2,502,006</b>

The annexed notes 1 to 18 form an integral part of this consolidated condensed interim financial information.

**Syed Jarar Haider Kazmi**  
Chief Financial Officer

**Rizwan Ahmed P.A.S**  
Chairman & Chief Executive

**Capt. Anwar Shah**  
Director



# PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES

## NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL INFORMATION

### FOR THE SIX MONTHS PERIOD ENDED DECEMBER 31, 2017 (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 Corporation Ordinance, 1979 and the Companies Ordinance, 1984, (now Companies Act, 2017), respectively. The Group is principally engaged in the business of shipping, including charter of vessels, transportation of cargo and other related services. The Group is also engaged in renting out its properties to tenants under lease agreements. The Group's registered office is situated at PNSC Building, Moulvi Tamizuddin Khan Road, Karachi except for Pakistan Co-operative Ship Stores (Private) Limited which is situated at 70/4, Timber Pond, N.M Reclamation Kemari, Karachi.

The Group consists of:

##### **Holding company**

Pakistan National Shipping Corporation

##### **Subsidiary companies**

- Bolan Shipping (Private) Limited
- Chitral Shipping (Private) Limited
- Hyderabad Shipping (Private) Limited
- Islamabad Shipping (Private) Limited
- Johar Shipping (Private) Limited
- Kaghan Shipping (Private) Limited
- Karachi Shipping (Private) Limited
- Khairpur Shipping (Private) Limited
- Lahore Shipping (Private) Limited
- Lalazar Shipping (Private) Limited
- Makran Shipping (Private) Limited
- Malakand Shipping (Private) Limited
- Multan Shipping (Private) Limited
- Pakistan Co-operative Ship Stores (Private) Limited
- Quetta Shipping (Private) Limited
- Sargodha Shipping (Private) Limited
- Shalamar Shipping (Private) Limited
- Sibi Shipping (Private) Limited
- Swat Shipping (Private) Limited

##### **Associate**

- Muhammadi Engineering Works (Private) Limited

The Holding Company owns 73% (June 30, 2017: 73%) of the share capital of Pakistan Co-operative Ship Stores (Private) Limited and 100% (June 30, 2017: 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 AND STATEMENT OF COMPLIANCE

- 2.1 As per the requirements of circular no. CLD/CCD/PR(11)2017 dated October 4, 2017 issued by the Securities & Exchange Commission of Pakistan (SECP), companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Furthermore, the Institute of Chartered Accountants of Pakistan also issued clarification vide its circular dated October 6, 2017 which states that the interim financial information of the companies for the periods ending on or before December 31, 2017 shall also be prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.



Accordingly, this consolidated condensed interim financial information of the Group for the six months period ended December 31, 2017 has 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 repealed Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984 have been followed. This consolidated condensed interim financial information does not include all the information and disclosures required in an annual audited financial statements, and should be read in conjunction with the financial statements for the year ended June 30, 2017 as they provide an update of previously reported information.

- 2.2 This consolidated condensed interim financial information comprise of the consolidated condensed interim balance sheet as at December 31, 2017 and the consolidated condensed interim profit and loss account, the consolidated condensed interim statement of changes in equity, the consolidated condensed interim cash flow statement and notes thereto for the six months period ended December 31, 2017. This consolidated condensed interim financial information also include the consolidated condensed interim profit and loss account for the quarter ended December 31, 2017.
- 2.3 The comparative balance sheet presented in this consolidated condensed interim financial information as at June 30, 2017 has been extracted from the annual audited consolidated financial statements of the Group for the year ended June 30, 2017 whereas the comparative consolidated condensed interim profit and loss account, consolidated condensed interim statement of changes in equity and consolidated condensed interim cash flow statement for the six months period ended December 31, 2016 have been extracted from the consolidated condensed interim financial information of the Group for the six months period then ended December 31, 2016.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 3.1 The accounting policies and the methods of computation adopted in the preparation of this consolidated condensed interim financial information are consistent with those applied in the preparation of the consolidated financial statements for the year ended June 30, 2017.
- 3.2 **Change in accounting standards, interpretations and amendments to published approved accounting standards that are effective**

#### **(a) Amendments to published approved accounting standards which are effective during the half year ended December 31, 2017**

There are certain amendments to approved accounting standards which are mandatory for the Group's annual accounting period which began on July 1, 2017. However, these do not have any significant impact on the Group's financial reporting and, therefore, have not been detailed in this consolidated condensed interim financial information.

#### **(b) Standards and amendments to published approved accounting standards that are not yet effective**

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Group's annual accounting periods beginning on or after July 1, 2018. However, these amendments will not have any significant impact on the financial reporting of the Group and, therefore, have not been disclosed in this consolidated condensed interim financial information. During the current period the SECP has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Customers', the impacts of which on the Group's future financial statements are being assessed. Further, certain new standards are yet to be adopted by the Securities and Exchange Commission of Pakistan.

In addition to the foregoing, the Companies Act, 2017 which is not effective in respect of preparation of this consolidated condensed interim financial information, has added certain disclosure requirements which will be applicable in the future.

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

The preparation of consolidated condensed interim financial information 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, however, 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.





Judgements and estimates made by the management in the preparation of this consolidated condensed interim financial information are the same as those applied in the consolidated annual financial statements for the year ended June 30, 2017.

The Group'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, 2017.

	Note	(Unaudited) December 31, 2017	(Audited) June 30, 2017
		----- (Rupees in '000) -----	
<b>5. PROPERTY, PLANT AND EQUIPMENT</b>			
- Operating fixed assets	5.1, 5.2 & 5.3	21,817,304	22,558,121
- Major spare parts and stand-by equipment		315,956	308,925
- Capital work-in-progress (CWIP) - buildings on leasehold land		327,815	328,522
		<u>22,461,075</u>	<u>23,195,568</u>

		(Unaudited) Six months period ended December 31, 2017	Six months period ended December 31, 2016
		----- (Rupees in '000) -----	

**5.1 Additions to operating fixed assets (including transfers from CWIP) during the period:**

Buildings on lease hold land	1,884	129,460
Office equipment	2,770	2,897
Furniture and fixtures	1,411	409
Vehicles	3,134	-
Computer equipment	1,329	479
Spares capitalised	7,143	21,269
Class renewal and dry docking	75,511	363,813
Workshop machinery and equipment	301	129
Equipment on board	6,023	4,872
Total	<u>99,506</u>	<u>523,328</u>
5.2 Depreciation charge for the period	<u>758,216</u>	<u>718,895</u>

- 5.3 Due to the current market conditions as well as the uncertainty of the global economy, the supplies of vessels, and the challenging shipping market operating environment, the Group has performed individual impairment tests of all vessels in accordance with IAS 36 and a recoverable amount has been computed using 'value in use' method. In assessing the value in use, estimated future cashflows were discounted to their present value using a discount rate (WACC) that reflects the current market assessments of the time value of money and the risks specific to the asset. The discount rate applied to the future cash flow projections is 14.63%. The cashflow projections have been made upto the remaining useful life of the vessel. Impairments have been recorded where the recoverable amount is lower than the carrying value for the vessels.

As a result of the impairment assessment, the vessel M.V. Sibi has been written down to its recoverable amount of Rs. 1,810 million, which was determined by reference to the value in use method. The resultant impairment loss of Rs. 120.060 million is recognised in other expenses in the profit and loss account.

**Key assumptions used in value in use calculation of all vessels:**

The value in use calculation is most sensitive to the following assumptions:

**Discount rate:**

Discount rate takes into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances and is derived from its weighted average cost of capital (WACC). Increase of 1% in the discount rate will decrease the recoverable amount by Rs 1,211.350 million, whereas a similar decrease in the discount rate will have a positive effect of Rs 1,328.838 million on the recoverable amount.



## Projected charter rates:

The shipping business is a cyclical business and keeping in view its volatility and based on the external sources of information obtained from the shipping experts, in case of dry cargo vessels, the estimated cashflows are based on an average of past 10 years of charter rates specific to the vessel type excluding peaks and troughs till the remaining useful life of the vessel. In this respect, two scenarios have been considered with equal probability based on management's expectations of outcome for each scenario. For liquid cargo vessels, the management expects that for the foreseeable future, the tankers will generate revenue based on the Contract of Affreightment (CoA) with the customers. Decrease of 1% in the average charter rate assumed will decrease the recoverable amount by Rs 542.362 million, whereas a similar increase will have a positive effect of Rs 542.362 million on the recoverable amount.

## 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 was fully amortised during the year ended June 30, 2009, however, it is still in active use.

	Note	(Unaudited) December 31, 2017	(Audited) June 30, 2017
		----- (Rupees in '000) -----	
<b>7. TRADE DEBTS - unsecured</b>			
<b>Considered good</b>			
- Due from related parties		539,748	732,674
- Due from others		29,118	24,076
		<b>568,866</b>	<b>756,750</b>
<b>Considered doubtful</b>		<b>186,137</b>	<b>213,984</b>
		<b>755,003</b>	<b>970,734</b>
Less: Provision for doubtful debts	7.1	<b>186,137</b>	<b>213,984</b>
		<b>568,866</b>	<b>756,750</b>
<b>7.1 Provision for doubtful debts</b>			
Balance at the beginning		213,984	188,488
Provision made during the period / year		3,614	32,493
Provision reversed during the period / year		(2,217)	(285)
Provision written off during the period / year		(29,244)	(6,712)
Balance at the end	7.2	<b>186,137</b>	<b>213,984</b>

7.2 As at December 31, 2017, trade debts of Rs 186.137 million (June 30, 2017: Rs 213.984 million) were impaired and provided for. These balances have been outstanding for more than three years.

	Note	(Unaudited) December 31, 2017	(Audited) June 30, 2017
		----- (Rupees in '000) -----	
<b>8. OTHER RECEIVABLES</b>			
Amount held by lawyer in respect of a guarantee provided to the court		4,953	4,953
<b>Others:</b>			
- considered good	8.1	2,362,100	1,959,352
- considered doubtful	8.2	401,752	404,159
		<b>2,763,852</b>	<b>2,363,511</b>
Less: Provision for doubtful other receivables		<b>401,752</b>	<b>404,159</b>
		<b>2,362,100</b>	<b>1,959,352</b>
Employees' gratuity scheme - funded		37,851	37,851
		<b>2,404,904</b>	<b>2,002,156</b>



- 8.1 As at December 31, 2017, amounts aggregating Rs 2,362.100 million (June 30, 2017: Rs 1,959.352 million) are past due but not impaired. These receivables have been outstanding for less than three years.
- 8.2 This includes demurrage receivable from related parties amounting to Rs 2,402.083 million (June 30, 2017: Rs 2,048.553 million).

	Note	(Unaudited) December 31, 2017	(Audited) June 30, 2017
		----- (Rupees in '000) -----	

## 9. SHORT-TERM INVESTMENTS

Term deposits with banks, having maturity of:

- more than six months but upto twelve months
- three to six months
- three months or less

	9.1	510,000	10,000
	9.2	1,246,530	1,667,045
	9.3	2,550,000	2,450,000
		<u>4,306,530</u>	<u>4,127,045</u>

- 9.1 The mark-up on these term deposits denominated in local currency ranges from 6.05% to 6.60% (June 30, 2017: 6.6% to 7.25%) per annum.
- 9.2 The mark-up on these term deposits denominated in local currency ranges from 6.20% to 6.40% (June 30, 2017: 6.10% to 6.60%) per annum, whereas mark-up on term deposits denominated in foreign currency ranges from 2.20% to 2.45% (June 30, 2017: 2.20% to 2.35%) per annum.
- 9.3 The mark-up on these term deposits denominated in local currency ranges from 6.25% to 6.75% (June 30, 2017: 6.10% to 6.50%) per annum.

	Note	(Unaudited) December 31, 2017	(Audited) June 30, 2017
		----- (Rupees in '000) -----	

## 10. LONG-TERM FINANCING - secured

- Financing under syndicated term finance agreement
- Financing under musharika agreement

	10.1	1,271,429	1,397,686
	10.1 & 10.2	2,282,368	2,756,677
		3,553,797	4,154,363
Less: Current portion		1,210,172	1,210,172
		<u>2,343,625</u>	<u>2,944,191</u>

- 10.1 During the year ended June 30, 2015, the Holding Company obtained a financing facility of Rs 4,500 million from Nordic Investment Bank (NIB). Subsequent to the year ended June 30, 2017, MCB has acquired NIB, however the said acquisition has no impact on the Group's financing arrangement. This financing was obtained in November 2014 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 had drawn Rs 2,054.250 million and Rs 1,027.125 million from syndicated term finance and Musharika respectively.

The financing carries mark-up of 3 month KIBOR + 1.60% which has been renegotiated during the year ended June 30, 2016 to mark-up of 3 month KIBOR + 0.5%. 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 a subsidiary company of the Holding Company.

- 10.2 During the year ended June 30, 2016, 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 Faysal Bank Limited (FBL) amounting to Rs 3,300 million bearing mark-up of 3 month KIBOR + 0.40% which has been renegotiated during the period ended December 31, 2017 to mark-up of 3 month KIBOR + 0.15%. The loan along with the mark-up is repayable on a quarterly basis with the first installment paid 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. The Holding Company has also paid loan arrangement fee amounting to Rs 12.540 million which was included 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) December 31, 2017	(Audited) June 30, 2017
	----- (Rupees in '000) -----	
Creditors	158,636	145,650
Agents' and owners' balances	247,395	404,591
Accrued liabilities	1,955,041	1,783,186
Deposits	53,529	53,899
Unclaimed dividends	56,651	39,147
Bills payable	89	65,092
Withholding tax payable	-	793
Advance from customers	81,053	391,639
Unearned rental income	73,045	21,052
Other liabilities		
- amounts retained from contractors	24,496	24,496
- others	79,484	75,778
	103,980	100,274
	<u>2,729,419</u>	<u>3,005,323</u>

11.1 These deposits are mark-up free 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 consolidated financial statements for the year ended June 30, 2017 except for note 27.1 as fully explained below:
- 12.2 The contingent liability in respect of claims not acknowledged by the Holding Company, which as at December 31, 2017 aggregated to Rs 207.647 million (June 30, 2017: Rs 188.062 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo and damages to cargo. These includes Rs 2.127 million (June 30, 2017: Rs 2.083 million) approximately in respect of insurance claims, if accepted, will be borne by the Holding Company as the P&I Club, Oceanus Mutual Underwriting Association (Bermuda) Limited has gone into liquidation. Out of the total claims, a sum of Rs 186.764 million (June 30, 2017: Rs 168.030 million) approximately would be recoverable from the P&I Club, Steamship Mutual Underwriting Association (Bermuda) Limited, in the event these claims are accepted by the Holding Company. As a matter of prudence, the management has made a total provision of Rs 20.883 million (June 30, 2017: Rs 20.032 million) against the aforementioned claims in this consolidated condensed interim financial information.

	(Unaudited) December 31, 2017	(Audited) June 30, 2017
	----- (Rupees in '000) -----	

### Commitments

- |      |                                     |               |               |
|------|-------------------------------------|---------------|---------------|
| 12.3 | Commitments for capital expenditure | <u>32,571</u> | <u>32,571</u> |
| 12.4 | Outstanding letters of guarantee    | <u>5,126</u>  | <u>5,126</u>  |
- 12.5 The Holding Company has provided an undertaking amounting to USD 11.6 million to one of the vendor / supplier of another state owned entity. This undertaking has been provided due to arrest of two vessels operated by subsidiaries which have been released subsequently. However, the Government of Pakistan has provided a counter guarantee to the Holding Company in relation to aforesaid undertaking.



		(Unaudited)	
		Six months period ended December 31, 2017	Six months period ended December 31, 2016
Note		----- (Rupees in '000) -----	
<b>13. CASH GENERATED FROM OPERATIONS</b>			
Profit before taxation		902,779	1,389,879
Adjustments for non-cash charges and other items:			
Depreciation		758,216	718,895
Impairment loss		120,060	-
Provision for employees' gratuity		25,659	28,585
Provision for employees' compensated absences		52,028	52,729
Provision for post retirement medical benefits		11,170	11,060
Dividend income		(2,884)	(865)
Interest income		(194,106)	(172,536)
Finance Costs		135,229	175,859
Long-term loans and advances written off		-	58
Loss / (gain) on revaluation of long-term investments		2,724	(9,689)
Provision no longer required written back		(236)	-
Provision made against doubtful debts		3,614	7,026
Provision reversed against doubtful debts		(2,217)	-
Trade debts written off		(29,244)	-
Provision reversed against doubtful other receivables		(2,407)	-
Provision reversed against damage claims		(2,243)	(153)
Provision made against damage claims		3,095	1,268
Working capital changes	13.1	(355,191)	(832,974)
		<u>1,426,046</u>	<u>1,369,142</u>
<b>13.1 Working capital changes</b>			
(Increase) / decrease in current assets:			
Stores and spares		61,274	(142,504)
Trade debts - unsecured		215,731	(147,752)
Agents' and owners' balances - unsecured		(9,394)	2,251
Loans and advances		20,660	10,246
Trade deposits and short-term prepayments		19,445	1,708
Other receivables		(400,341)	(376,780)
Incomplete voyages		80,537	56,712
Insurance claims		(49,932)	-
		(62,020)	(596,119)
(Decrease) / increase in current liabilities:			
Trade and other payables		(293,171)	(236,855)
		<u>(355,191)</u>	<u>(832,974)</u>
<b>14. CASH AND CASH EQUIVALENTS</b>			
Short-term investments having maturity of three months or less	9	2,550,000	700,000
Cash and bank balances		2,721,580	1,802,006
		<u>5,271,580</u>	<u>2,502,006</u>

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk, currency risk and price risk), credit risk and liquidity risk.

This consolidated condensed interim financial information does not include all financial risk management information and disclosures which are required in the annual financial statements and should be read in conjunction with the annual financial statements as at June 30, 2017. There have been no changes in any risk management policies since the year end.



## 15.2 Fair value estimation

As at December 31, 2017, the Group's assets and liabilities are carried at amortised cost except for those mentioned below:

The Group's leasehold land, buildings on leasehold land, beach huts and workshop machinery and equipment are stated at revalued amounts, being the fair value at the date of revaluation, less any subsequent depreciation and subsequent accumulated impairment losses, if any. The latest fair value measurements of the Group's leasehold land, buildings on leasehold land, beach huts and workshop machinery and equipment as at June 30, 2015 was performed by Fairwater Property Valuers & Surveyors (Private) Limited (an independent valuer).

The Group classifies long-term investments in listed companies in the balance sheet at fair value.

The Group classifies Investment properties measured in the balance sheet at fair value.

The valuation techniques and inputs used to develop fair value measurements of aforementioned assets are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those whose inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the period.

Details of fair value hierarchy and information relating to fair value of Group's leasehold land, buildings on leasehold land, beach huts, workshop machinery and equipment, investment categorised as fair value through profit or loss and investment properties are as follows:

(Unaudited) December 31, 2017				
	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----				
Assets carried at fair value				
Long-term investments - Fair value through profit or loss	46,742	-	-	46,742
Leasehold land	-	775,312	-	775,312
Buildings on leasehold land	-	790,279	-	790,279
Beach huts	-	10,447	-	10,447
Workshop machinery and equipment	-	5,242	-	5,242
Investment properties	-	2,671,043	-	2,671,043
	-	4,252,323	-	4,252,323
(Audited) June 30, 2017				
	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----				
Assets carried at fair value				
Long-term investments - Fair value through profit or loss	49,466	-	-	49,466
Leasehold land	-	775,312	-	775,312
Buildings on leasehold land	-	806,725	-	806,725
Beach huts	-	11,127	-	11,127
Workshop machinery and equipment	-	5,315	-	5,315
Investment properties	-	2,671,043	-	2,671,043
	-	4,269,522	-	4,269,522



## 16. TRANSACTIONS WITH RELATED PARTIES

The Group has related party relationships with its associate, GoP and its related entities, employee benefit plans and its directors and executive officers (including their associates). Transactions with related parties essentially entail freight income, chartering revenue recovered and employee funds maintained by the Holding Company. Balances with related parties have been disclosed in the relevant notes to this consolidated condensed interim financial information. 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:

Note	Relationship with the Group	(Unaudited)		
		Six months period ended December 31, 2017	Six months period ended December 31, 2016	
----- (Rupees in '000) -----				
Transactions with State controlled entities				
Revenue from Pakistan State Oil (PSO)	16.1	State controlled entity	1,687,325	2,019,350
Transactions with other related parties				
Contribution to provident fund		Associate	5,886	4,434
Directors' fee		Associate	564	744
Key management personnel compensation			27,756	19,957
Dividend to GoP		Significant control	229,157	227,387

- 16.1 The Group recognises demurrage income from PSO in accordance with the terms of Contract of Affreightment (CoA).
- 16.2 The Group is engaged in providing carriage services to National Refinery Limited (NRL), Pakistan Refinery Limited (PRL) and Pak Arab Refinery Limited (PARCO) and recognises related revenue / income in accordance with the terms of CoAs entered into with them.

## 17. GENERAL

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

## 18. DATE OF AUTHORISATION FOR ISSUE

This consolidated condensed interim financial information was authorised for issue on February 23, 2018 by the Board of Directors of the Holding Company.

**Syed Jarar Haider Kazmi**  
Chief Financial Officer

**Rizwan Ahmed P.A.S**  
Chairman & Chief Executive

**Capt. Anwar Shah**  
Director

## مستقبل کے امکانات

پی این ایس سی اپنے بحری بیڑے میں تین ڈبل ہل آئل ٹینکر شامل کرنے کا منصوبہ رکھتی ہے تاکہ نہ صرف موثر گیسولین ذرائع آمدورفت کی طلب کو پورا کیا جاسکے بلکہ IMO کے آئندہ قوانین و ضوابط کے فروغ اور تعمیل کے لیے جہازوں میں جدید ٹیکنالوجی کی جدت بھی فراہم کی جاسکے۔ مذکورہ شمولیت ملک کی تیل کی آمدورفت کے لیے غیر ملکی چارٹرڈ جہازوں پر انحصار کم کر دے گی۔

موجودہ اور قرین قیاس بیرونی چینلجز سے منسٹے کے لیے، پی این ایس سی اپنی اندرونی حکمت عملی پر بھی توجہ مرکوز کر رہی ہے جو بنیادی طور پر کاروبار کے پورٹ فولیو کے تنوع، کاروبار کرنے کے اخراجات کم کرنے اور انتظامیہ کے مجموعی کارپوریٹ انتظام پر توجہ مرکوز کرتی ہے۔ حکمت عملی بنیادی طور پر کارپوریٹ ذمہ داری، کاروباری عوامل میں بہتری، وسائل کی صف بندی اور حکمت عملی کے محتاط مقاصد مقرر کرنے پر توجہ مرکوز کرتی ہے۔ بنیادی مقصد پی این ایس سی کے کاروباری دائرہ کار میں صلاحیت پیدا کرنا اور موجودہ اور مستقبل کے معاشی اور جغرافیائی چینلجز کے لیے تیار کرنا ہے۔

تمام اسٹیک ہولڈرز کی مسلسل حمایت اور اعتماد پر بورڈ ان کا مشکور ہے۔

*Rizwan Ahmed*

رضوان احمد (پی ایس سی)

چیئرمین اور چیف ایگزیکٹو

کراچی: 23 فروری، 2018





## پاکستان نیشنل شپنگ کارپوریشن

ڈائریکٹر ز رپورٹ

برائے ششماہی دورانیہ اختتام از 31 دسمبر، 2017

پاکستان نیشنل شپنگ کارپوریشن (پی این ایس سی) کے ڈائریکٹر صاحبان پی این ایس سی اور گروپ کی اجتماعی اور علیحدہ مستحکم عبوری مالیاتی معلومات برائے ششماہی دورانیہ اختتام از 31 دسمبر، 2017 نحو شی پیش کرتے ہیں۔ قانونی تقاضوں کے پیش نظر، بیرونی آڈیٹروں نے پی این ایس سی کے مالی گوشواروں کا محدود جائزہ لیا ہے۔

### جائزہ

گروپ نے گزشتہ سال کے اسی دورانیے کے 1,030 ملین روپے کے مقابلے میں 29% کی ظاہر کرتے ہوئے موجودہ دورانیے میں 736 ملین روپے کا منافع بعد از ٹیکس حاصل کیا ہے، اسی طرح گروپ کی فی حصص آمدنی 7.80 روپے سے 5.57 روپے تک کم ہوئی۔ جبکہ عالمی جہاز رانی کی صنعت نے خشک بلک شے میں BDI انڈیکس میں اضافے اور بین الاقوامی طور پر مائع شے میں عالمی سکیل اور ایفرا (AFRA) میں اضافے کے ساتھ بحالی کے آثار ظاہر کرنے شروع کیے ہیں، لہذا آئندہ مہینوں میں بحالی کا امکان ہے۔ غیر ملکی کرنسی ذخائر میں بچت اور فرنس آئل کی درآمدات میں کمی کے پیش نظر، حکومت نے ایندھن تیل کی درآمد پر پابندی لگانے کا فیصلہ کیا ہے، اور اس طرح بجلی کے شے کو سستی ایل این جی (LNG) استعمال کرنے کی طرف راغب کیا ہے جس کے باعث پی این ایس سی کا کاروبار منفی طور پر متاثر ہوا ہے۔

پی این ایس سی گروپ نے گزشتہ سال کے اسی دورانیے کے 6,473 ملین روپے (بشمول پی این ایس سی کے 3,982 ملین روپے) کے مقابلے میں 5,486 ملین روپے (بشمول پی این ایس سی کے 2,561 ملین روپے) کا کاروبار حاصل کیا۔ پی این ایس سی گروپ نے زیر ملکیت بلک کیریئر کے شے میں آمدنی میں 40% (615 ملین روپے سے 863 ملین روپے) اور زیر ملکیت مائع جہازوں میں 10% (1,876 ملین روپے سے 2,062 ملین روپے) تک نمایاں ترقی حاصل کی ہے۔ تاہم، زیر ملکیت جہازوں کے شے میں ترقی سلاٹ چارٹر شے میں سرکاری کارگو میں کمی کے باعث محدود رہی۔ مزید برآں، توانائی کا مخلوط مجموعہ تبدیل ہونا شروع ہو گیا ہے۔ حکومت زیادہ مؤثر اور ماحول دوست ایندھن یعنی ایندھن تیل کے مقابلے میں LNG پر منتقل ہونے کی خواہشمند ہے۔ حکومت کی اس پالیسی میں تبدیلی نے غیر ملکی ٹیکس کاروبار میں 26% (1,944 ملین روپے سے 1,430 ملین روپے) کمی کے ساتھ تیل کی درآمدات پر اثر ڈالا ہے۔

براہ راست کاروباری اخراجات 4,604 ملین روپے (بشمول پی این ایس سی کے 2,213 ملین روپے) سے 4,139 ملین روپے (بشمول پی این ایس سی کے 1,415 ملین روپے) تک کم ہوئے، اس طرح گزشتہ سال کے اسی دورانیے کے 1,869 ملین روپے کے مقابلے میں مجموعی منافع 1,347 ملین روپے رہا۔

گروپ کے ایک زیر ملکیت جہاز کی مالیت میں کمی کی نشاندہی کے باعث صورت حال مزید منفی ہو گئی اور اس طرح گروپ کی منافع کی صلاحیت میں کمی واقع ہوئی۔ قابل اطلاق مالی رپورٹنگ کے معیارات کے مطابق، ہر رپورٹنگ دورانیے کے اختتام پر ہر جہاز کے مطابق ان کی مالیت میں کمی پیشی کا تعین کیا جاتا ہے اور قابل وصول رقم کا زیر استعمال رقم (value in use) کے طریقے سے حساب لگایا جاتا ہے۔ محدود طلب اور مارکیٹ کی سست رو بحالی جیسے حالات کے باعث، انتظامیہ اضافی تخمینہ سازی سے بچنے کے لئے مستقبل کی آمدنی کا تخمینہ لگانے میں محتاط اور اعتدال پسند رہی۔ اس عمل کے نتیجے میں، رواں سال M.V. Sibi جہاز کی مالیت میں کمی کے باعث 120 ملین روپے کا نقصان اٹھانا پڑا۔



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