# PAKISTAN NATIONAL SHIPPING CORPORATION

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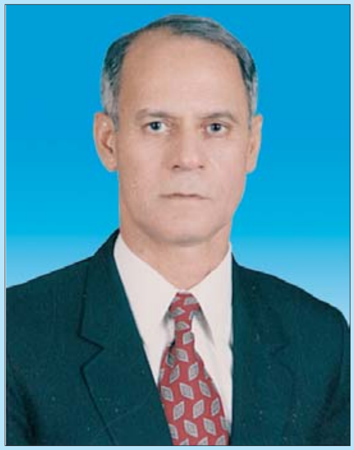
# CORPORATE INFORMATION

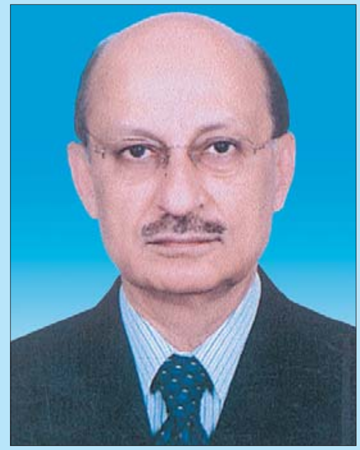
| | | |
|---|---|---|
| Board | : | **Vice Admiral (Retd) S. Tauquir H. Naqvi** HI(M), S. Bt.<br>Chairman<br><br>**Mr. S. Haider Abbas Rizvi, MNA**<br>Director<br><br>**Mr. Kamal Afsar**<br>Director<br><br>**Mr. Tauqir Ahmed**<br>Director<br><br>**Mr. Sheikh Manzar Alam**<br>Director<br><br>**Mr. Mohammad Khusrow Khowaja**<br>Director<br><br>**Mr. Jahangir Siddiqui**<br>Director |
| Audit Committee of the Board | : | **Mr. S. Haider Abbas Rizvi** – Chairman<br>**Mr. Mohammad Khusrow Khowaja** – Member<br>**Mr. Jahangir Siddiqui** – Member<br>**Mr. Sheikh Manzar Alam** – Member |
| Secretary | : | **Mr. Arif Saeed** |
| Head Office | : | **PNSC Building,** Moulvi Tamizuddin Khan Road, Karachi - 74000 |
| Auditors | : | **A. F. Ferguson & Co.**<br>Chartered Accountants<br><br>**Ford Rhodes Sidat Hyder & Co.**<br>Chartered Accountants |
| Bankers | : | **National Bank of Pakistan**<br>**Habib Bank Limited**<br>**MCB Bank Limited**<br>**United Bank Limited**<br>**Bank Al-Falah Limited**<br>**ABN-AMRO Bank**<br>**Citibank N.A.**<br>**Meezan Bank Limited** |

# Board of Directors



Vice Admiral (R) S. Tauquir H. Naqvi
Chairman

Mr. S. Haider Abbas Rizvi
Director



Mr. Kamal Afsar
Director

Mr. Tauqir Ahmed
Director

Mr. Sheikh Manzar Alam
Director

Mr. M. Khusrow Khowaja
Director

Mr. Jahangir Siddiqui
Director

Vice Admiral (R) S. Tauquir H. Naqvi
Chairman & Chief Executive

Brig.(R) Rashid Siddiqi
Executive Director
(Administration)

# Management

Cdre. (R) Shaikh Rashid Ullah
Executive Director
(Sp. Projects & Planning/Ship Management)

Capt. Aftabuddin Siddiqui
Executive Director
(Commercial)

Mr. Imtiaz C. Agboatwala
Executive Director
(Finance)

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 28th Annual General Meeting of the shareholders of Pakistan National Shipping Corporation will be held at the Navy Welfare Centre (Pakistan Navy Fleet Club), near Lucky Star Hotel, Saddar, Karachi, on Thursday, the 19th October 2006 at 9.30 a.m. to transact the following business:

**ORDINARY BUSINESS:**

1. To confirm the Minutes of 27th Annual General Meeting of the shareholders held on 20th October 2005.

2. To consider and adopt the Audited Accounts of the Corporation and the Consolidated Accounts of the PNSC Group together with the Reports of Auditors and Directors for the year ended 30th June 2006.

3. To consider and approve Board's recommendation to pay 10% Cash Dividend (i.e. Re 1.00 per share of Rs 10 each) to the shareholders.

4. To consider Board's recommendation to re-appoint the retiring auditors A. F. Ferguson & Co., Chartered Accountants, and Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as joint auditors of the Corporation for the year 2006-2007 and to fix their remuneration.

5. To transact any other business that may be placed before the meeting with the permission of the chair.

By Order of the Board

**ARIF SAEED**
**COMPANY SECRETARY**

Dated: September 27, 2006.

**Note:**

1. The Share Transfer Books of the Corporation will remain closed from 10th October 2006 to 19th October 2006 (both days inclusive).

2. A shareholder entitled to attend and vote at this meeting is also entitled to appoint his/her proxy to attend the meeting. Proxies must be received at the Head Office of the Corporation not less than 48 hours before the time of holding the meeting.

3. CDC Account Holders are advised to bring their original National Identity Cards to authenticate their identity along with CDC account numbers at the meeting. However, if any proxies are granted by such shareholders, the same shall also have to be accompanied with attested copies of the National Identity Card of the grantor, and the signature on the proxy form has to be the same as appearing on the National Identity Card.

4. The shareholders are requested to immediately notify change, if any, in their mailing addresses.

# PAKISTAN NATIONAL SHIPPING CORPORATION
# DIRECTORS' REPORT
# FOR THE YEAR ENDED JUNE 30, 2006

The Board of Directors of Pakistan National Shipping Corporation is pleased to present the twenty-eighth Annual Report together with the Audited Financial Statements for the year ended June 30, 2006.

## OVERVIEW

PNSC Group's turnover for the year was Rs 7,924.6 million as compared to the previous year's turnover of Rs 7,950.9 million, with healthy contributions in respect of freight revenues from both Combi Vessels and the Oil Tankers. However, PNSC's own turnover (excluding service fee received from subsidiary companies) declined from Rs 2,172 million for last year to Rs 1,491 million for the current year. This reduction was due mainly to the decline in the chartering revenue earned from hiring of foreign flagged vessels for the transportation of crude oil and rock phosphate. The said revenue has been passed on to the subsidiary companies.

The expenses for the year showed a significant upward trend. The main contributing factors were higher fuel costs and higher insurance costs due to revaluation of assets towards the end of the last financial year. In addition to those two factors the full year effect of depreciation on the revalued assets also contributed towards increase in costs. These three items cumulatively accounted for 43% of the total revenues as against 21.6% for the financial year 2004-05. Consequently PNSC Group achieved a gross profit of Rs 1,669.6 million as compared to Rs 2,955.9 million last year. During the year, surplus funds with PNSC were placed with banks, which yielded Rs 261.04 million as compared to last year of Rs 63.3 million. With the increased interest income on placement of surplus funds, PNSC Group's profit before tax was Rs 1,391.1 million as compared to Rs 2,898.5 million of the last year.

The Corporation's earnings per share as at June 30, 2006 was Rs 9.38 as compared to Rs 21.06 of last year.

During the year, MV Kaghan, a bulk carrier was added to the fleet making a total fleet size of 15 vessels. The said induction has further increased the total capacity of PNSC managed vessels from 570,466 DWT to 636,182 DWT.

During the year a new company by the name of Pak Nippon Car Liner (Private) Limited was incorporated in order to cater to the growing demand of imports of cars in the country. Negotiations are in progress to make the Company a joint venture company between ECL Car Liner, Japan and PNSC. As you are aware that National Tanker Company (Private) Limited (NTC), a joint venture company between PERAC and PNSC, was an associated company uptill last year. During the year, your company has purchased remaining fifty percent shares from PERAC and now NTC [subsequently renamed Karachi Shipping (Private) Limited] has also become a wholly-owned subsidiary of PNSC.

## COMMERCIAL OPERATIONS

During the year under review, PNSC and its fifteen subsidiary companies together performed a total of 652 voyages (inclusive of foreign chartered vessels and slot chartered vessels) and lifted 9.409 million freight tons of cargo as compared to 621 voyages and 9.201 million freight tons of cargo respectively in the previous year.

Sector-wise cargo liftings were as under:

| SECTOR | 2005-2006<br>FREIGHT TONS MILLION | 2004-2005<br>FREIGHT TONS MILLION | 2003-2004<br>FREIGHT TONS MILLION |
|---|---|---|---|
| Liquid | 8.185 | 8.138 | 7.838 |
| Dry Bulk | 0.261 | 0.110 | 0.185 |
| Trade Area - East | 0.493 | 0.505 | 0.932 |
| Trade Area - West | 0.470 | 0.448 | 0.441 |
| **Total** | **9.409** | **9.201** | **9.396** |

## DIVIDEND

The Directors are pleased to recommend payment of cash dividend at 10% (Re 1.00 per share) (2005: 20% cash i.e. Rs 2.00 per share and 10 bonus shares for every 100 shares) held by the shareholders whose names appear in the Share Register of the Corporation at the close of business on 9th October 2006.

## FUTURE PROSPECTS

As part of the fleet renewal/expansion plans, your Corporation is continuing with its efforts to add more vessels to its fleet. During the year the management has plans to purchase three more vessels at a total cost of about US$ 150 million. Out of the said US$ 150 million, US$ 135 million will be arranged through financing from a Bank. Necessary approvals have been obtained and it is expected that these vessels will be inducted into the fleet in the financial year 2006-07. The management is also in the process of incorporating two more companies and accordingly total number of subsidiaries will be nineteen. The above measures are being taken to increase the profitability of the Group and to sustain future growth.

## GROUNDING OF TASMAN SPIRIT

Further to what was reported in last year's Annual Report, Arbitration proceedings have commenced in London on 12th June 2006 and likely to culminate by the end of the current calendar year.

## COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

The requirements of the Code of Corporate Governance set out by the Karachi Stock Exchange in its Listing Regulations have been duly complied with. A statement to this effect is annexed with the Report.

## STATEMENT OF ETHICS AND BUSINESS PRACTICES

The Board has adopted the Statement of Ethics and Business Practices. All the employees are informed of this Statement and are required to observe these rules of conduct in relation to business and its regulations.

## CORPORATE AND FINANCIAL REPORTING FRAMEWORK

It is certified that:

(i) The financial statements present fairly the Corporation's state of affairs, the result of its operations, cash flows and changes in equity.

(ii) The Corporation has maintained proper books of accounts.

(iii) Appropriate accounting policies have been consistently applied in the preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment.

(iv) International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements and any departure therefrom has been adequately disclosed.

(v) The system of internal control is sound in design and has been effectively implemented and monitored.

(vi) There are no significant doubts about the Corporation's ability to continue as a going concern.

(vii) There has been no material departure from the best practices of corporate governance, as detailed in the Stock Exchange Listing Regulations.

(viii) Summary of key operating and financial data of last six financial years is attached to this Report.

(ix) Outstanding duties and taxes, if any, have been duly disclosed in the financial statements.

(x) The total of investments made by Pakistan National Shipping Corporation Employees Contributory Provident Fund, based on the audited accounts for the year ended June 30th, 2005, stood at Rs 866.13 million.

(xi) During the year ended June 30th 2006, a total of seven meetings of the Board of Directors were held. The position of attendance during respective tenure was as follows:

| | Meetings | |
|---|---|---|
| **Name of Directors** | **Held** | **Attended** |
| Vice Admiral (Retd) S. Tauquir H. Naqvi | 7 | 7 |
| Mr. S. Haider Abbas Rizvi | 7 | 7 |
| Mr. Jahangir Siddiqui | 7 | 4 |
| Mr. Kamal Afsar | 7 | 4 |
| Mr. Mohammad Khusrow Khowaja | 7 | 5 |
| Sheikh Manzar Alam | 7 | 6 |
| Mr. Tauqir Ahmed | 7 | 3 |

## CERTIFICATE OF RELATED PARTY TRANSACTIONS

It is confirmed that the transactions entered with related parties have been ratified by the Audit Committee and the Board and provide the information about the amounts due from related parties at the balance sheet date.

## MANAGEMENT

There has been no change in the composition of the Board of Directors during the year 2005-06.

## AUDITORS

The joint auditors, A. F. Ferguson & Co., Chartered Accountants and Ford Rhodes Sidat Hyder & Co., Chartered Accountants retire and have offered themselves for reappointment. The Board recommends that, as suggested by Audit Committee, A. F. Ferguson & Co, Chartered Accountants and Ford Rhodes Sidat Hyder & Co., Chartered Accountants may be appointed joint auditors for the year ending June 30, 2007.

## ACKNOWLEDGEMENT

The Board wishes to thank the officers and staff of the Corporation for their hard work and the dedication in the discharge of their duties.

The Directors are also grateful to the refineries, shippers, agents, and other business associates for their continued patronage and support.

**S. TAUQUIR H. NAQVI**
**HI(M), S.Bt.**
**VICE ADMIRAL (RETD)**
**CHAIRMAN**

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
STATE LIFE BUILDING 1–C
1. 1. CHUNDRIGAR ROAD
KARACHI.

FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS
PROGRESSIVE PLAZA
BEAUMONT ROAD
KARACHI.

## REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have review the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Pakistan National Shipping Corporation to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange and Chapter XIII of the Lahore Stock Exchange where the Corporation is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Corporation. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Corporation's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Corporation's personnel and review of various documents prepared by the Corporation to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Corporation's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to Corporation for the year ended June 30, 2006.

**A. F. Ferguson & Co.**
Chartered Accountants
Karachi

**Ford Rhodes Sidat Hyder & Co.**
Chartered Accountants
Karachi

September 16, 2006

# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

**Pakistan National Shipping Corporation**
**(Established under the Pakistan National Shipping Corporation Ordinance, 1979)**
**Year Ended: 30th June, 2006**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation 37 of the Listing Regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed corporation is managed in compliance with the best practices of corporate governance.

The Corporation has applied the principles contained in the Code in the following manner:

1. In accordance with the provisions of the Pakistan National Shipping Corporation Ordinance, 1979, the Board of Directors consists of five directors to be appointed by Federal Government, and two directors to be elected by the shareholders other than the Federal Government. The present Board has been constituted accordingly and all directors other than the Chairman are non-executive directors.

2. None of the directors is serving as a director in more than ten listed companies, including this Corporation.

3. All the resident directors of the Corporation are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy of directors occurred during the year.

5. The Corporation has prepared a 'Statement of Ethics and Business Practices', which has been signed by the directors and employees of the Corporation.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Corporation. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Federal Government or the Board of Directors, as appropriate.

8. The meetings of the Board were presided over by the Chairman, and the Board met at least once in every quarter. Written notices of the Board meetings along with the agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Board has not been able to arrange orientation courses for its directors during the year to apprise them of their duties and responsibilities primarily because despite efforts no such courses by any leading institution have been offered during the year. However, all members of the Board have been duly provided with copies of the Code of Corporate Governance and are aware of their duties as directors.

10. The Board has approved the new appointment of CFO made during the year along with his remuneration and terms and conditions of employment, whereas no fresh appointments of Corporation Secretary and Head of Internal Audit were made during the year.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Corporation were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Corporation other than that disclosed in the pattern of shareholding.

14. The Corporation has complied with all the corporate and financial reporting requirements of the Code of Corporate Governance.

15. The Board has formed an audit committee. It comprises four members, all of whom are non-executive directors including the chairman of the committee.

16. The meetings of the audit committee were held at least once prior to approval of the interim and final results of the Corporation as required by the Code.

17. The Board has set up an effective internal audit function.

18. The statutory auditors of the Corporation have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Corporation and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

20. We confirm that all other material principles contained in the Code have been complied with.

**S. TAUQUIR H. NAQVI**
**HI(M), S.Bt.**
**VICE ADMIRAL (RETD)**
**CHAIRMAN/CHIEF EXECUTIVE**

## PAKISTAN NATIONAL SHIPPING CORPORATION
## FLEET STRENGTH AS ON JUNE 30, 2006

| S. No. | Vessel | Year of Built | Dead Weight M/Tons | G.R.T. | N.R.T. |
|---|---|---|---|---|---|
| | **BULK CARRIER** | | | | |
| 1. | M. V. Kaghan | 1986 | 65,716 | 36,098 | 21,824 |
| | **OIL TANKERS** | | | | |
| 2. | M. T. Johar | 1985 | 86,803 | 49,688 | 25,546 |
| 3. | M. T. Swat | 1985 | 86,593 | 49,601 | 25,534 |
| 4. | M. T. Lalazar | 1984 | 113,881 | 60,099 | 35,604 |
| 5. | M. T. Shalamar | 1981 | 99,361 | 54,474 | 29,641 |
| | **COMBI VESSELS** | | | | |
| 6. | M. V. Islamabad | 1983 | 18,204 | 12,395 | 6,747 |
| 7. | M. V. Sibi | 1981 | 16,436 | 13,402 | 7,693 |
| 8. | M. V. Khairpur | 1981 | 16,430 | 13,402 | 7,693 |
| 9. | M. V. Sargodha | 1980 | 18,242 | 12,395 | 6,747 |
| 10. | M. V. Multan | 1980 | 18,257 | 12,395 | 6,747 |
| 11. | M. V. Malakand | 1980 | 18,224 | 12,395 | 6,747 |
| 12. | M. V. Hyderabad | 1980 | 18,257 | 12,395 | 6,747 |
| 13. | M. V. Chitral | 1980 | 18,144 | 12,395 | 6,747 |
| 14. | M. V. Bolan | 1980 | 18,144 | 12,395 | 6,747 |
| 15. | M. V. Makran | 1979 | 23,490 | 16,199 | 8,184 |
| | Total | | **636,182** | **379,728** | **208,948** |

# CONSOLIDATED
# REPORT AND ACCOUNTS

# OF

# PAKISTAN NATIONAL
# SHIPPING CORPORATION
# GROUP OF COMPANIES

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
STATE LIFE BUILDING 1–C
1. 1. CHUNDRIGAR ROAD
KARACHI.

FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS
PROGRESSIVE PLAZA
BEAUMONT ROAD
KARACHI.

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pakistan National Shipping Corporation and its subsidiary companies as at June 30, 2006 and the related consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Pakistan National Shipping Corporation and its subsidiary companies except for the financial statements of National Tanker Company (Private) limited (NTCL) which were audited by Messrs Ford Rhodes Sidat Hyder & Co. (FRSH) whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for NTCL, is based solely on the report of FRSH. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing as applicable in Pakistan and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of Pakistan National Shipping Corporation and its subsidiary companies as at June 30, 2006 and the results of their operations for the year then ended.

**A. F. Ferguson & Co.**
Chartered Accountants
Karachi

**Ford Rhodes Sidat Hyder & Co.**
Chartered Accountants
Karachi

September 16, 2006

## PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
## CONSOLIDATED BALANCE SHEET
## AS AT JUNE 30, 2006

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **NON-CURRENT ASSETS** | | | |
| Fixed assets | | | |
| - Property, plant and equipment | 4 | 7,430,919 | 6,921,861 |
| - Intangible assets | 5 | 8,251 | 11,552 |
| Investment properties | 6 | 674,162 | 674,162 |
| Long-term investments in: | | | |
| - Related party (associate) | 7 | - | 142,380 |
| - Listed companies and other entities | 8 | 30,781 | 32,959 |
| Long-term loans | 9 | 2,210 | 3,300 |
| Long-term deposits | | 90 | - |
| Deferred tax - net | 10 | 132,684 | - |
| | | 8,279,097 | 7,786,214 |
| **CURRENT ASSETS** | | | |
| Stores and spares | 11 | 102,270 | 90,178 |
| Trade debts | 12 | 209,936 | 291,678 |
| Agents' and owners' balances | 13 | 32,207 | 58,168 |
| Loans and advances | 14 | 25,135 | 20,602 |
| Deposits and prepayments | 15 | 4,846 | 6,037 |
| Interest / mark-up accrued | 16 | 42,999 | 9,420 |
| Other receivables | 17 | 65,833 | 44,841 |
| Incomplete voyages | 18 | 427,265 | 201,953 |
| Insurance claims | 19 | 83,049 | 73,879 |
| Cash and bank balances | 20 | 4,327,054 | 4,114,991 |
| | | 5,320,594 | 4,911,747 |
| **LESS: CURRENT LIABILITIES** | | | |
| Trade and other payables | 21 | 1,140,608 | 1,089,428 |
| Provision against damage claims | 22 | 121,625 | 103,927 |
| Interest accrued | | 174 | 180 |
| Current portion of long-term financing | 27 | 258,557 | 256,071 |
| Taxation - net | | 152,187 | 65,278 |
| | | 1,673,151 | 1,514,884 |
| **NET CURRENT ASSETS** | | 3,647,443 | 3,396,863 |
| | | 11,926,540 | 11,183,077 |
| **SHARE CAPITAL AND RESERVES** | | | |
| Issued, subscribed and paid-up capital | 23 | 1,320,634 | 1,200,576 |
| Reserves | 24 | 5,986,719 | 4,613,449 |
| | | 7,307,353 | 5,814,025 |
| **MINORITY INTEREST** | 25 | 1,209 | 1,137 |
| **EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP** | | 7,308,562 | 5,815,162 |
| **SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX** | | | |
| - Group | 26 | 3,742,259 | 4,220,134 |
| - Minority | | 2,148 | 2,148 |
| | | 3,744,407 | 4,222,282 |
| **NON-CURRENT LIABILITIES** | | | |
| Long-term financing | 27 | 474,021 | 725,536 |
| Deferred liabilities | 28 | 399,550 | 419,772 |
| Deferred tax - net | 10 | - | 325 |
| | | 11,926,540 | 11,183,077 |
| **CONTINGENCIES** | 29 | | |

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

**Vice Admiral (Retd.) S. Tauquir H. Naqvi**
Chairman & Chief Executive

**S. Haider Abbas Rizvi**
Director

# PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
## CONSOLIDATED PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED JUNE 30, 2006

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **REVENUES** | | | |
| Chartering revenues | 30 | 1,668,918 | 2,514,246 |
| Freight - net | | 6,145,271 | 5,345,981 |
| Rental income | | 110,425 | 90,754 |
| | | 7,924,614 | 7,950,981 |
| **EXPENDITURE** | | | |
| Fleet expenses - direct | 31 | 6,239,764 | 4,975,138 |
| - indirect | 32 | 15,283 | 19,925 |
| | | 6,255,047 | 4,995,063 |
| **GROSS PROFIT** | | 1,669,567 | 2,955,918 |
| Administrative and general expenses | 33 | 385,297 | 421,422 |
| Other operating expenses | 34 | 144,024 | 327,856 |
| Finance costs | 35 | 75,647 | 94,484 |
| | | 604,968 | 843,762 |
| Other operating income | 36 | 331,499 | 792,469 |
| | | 1,396,098 | 2,904,625 |
| Share of loss in associate | | (4,992) | (6,084) |
| **PROFIT BEFORE TAXATION** | | 1,391,106 | 2,898,541 |
| Taxation | 37 | 152,955 | 195,190 |
| **PROFIT AFTER TAXATION** | | 1,238,151 | 2,703,351 |
| **Attributable to:** | | | |
| Equity holders of the Corporation | | 1,238,079 | 2,703,250 |
| Minority interest | | 72 | 101 |
| | | 1,238,151 | 2,703,351 |
| **EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION** | | (Rupees) | |
| **- BASIC AND DILUTED** | 38 | 9.37 | 20.47 |

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

Appropriations have been reflected in the statement of changes in equity.

| | |
|---|---|
| **Vice Admiral (Retd.) S. Tauquir H. Naqvi** | **S. Haider Abbas Rizvi** |
| Chairman & Chief Executive | Director |

# PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
# FOR THE YEAR ENDED JUNE 30, 2006

| | | Capital Reserves | | Revenue Reserve | | | |
|---|---|---|---|---|---|---|---|
| | Issued, subscribed and paid-up capital | Reserve for issue of bonus shares | Others | General reserves | Unappropriated profit | Minority interest | Total |
| | (Rupees '000) | | | | | | |
| Balance at July 1, 2004 | 1,143,406 | - | 126,844 | 500,022 | 1,351,384 | 1,036 | 3,122,692 |
| Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity- net of tax | - | - | - | - | 103,460 | - | 103,460 |
| Profit after taxation for the year ended June 30, 2005 | - | - | - | - | 2,703,250 | 101 | 2,703,351 |
| Final cash dividend for the year ended June 30, 2004 (Re 1 per Ordinary share) | - | - | - | - | (114,341) | - | (114,341) |
| Transfer to reserve for issue of bonus shares | - | 57,170 | - | - | (57,170) | - | - |
| Transfer to general reserve | - | - | - | 1,000,000 | (1,000,000) | - | - |
| Issue of bonus shares (5%) | 57,170 | (57,170) | - | - | - | - | - |
| Balance at June 30, 2005 | 1,200,576 | - | 126,844 | 1,500,022 | 2,986,583 | 1,137 | 5,815,162 |
| Balance at July 1, 2005 | 1,200,576 | - | 126,844 | 1,500,022 | 2,986,583 | 1,137 | 5,815,162 |
| Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity- net of tax | - | - | - | - | 495,364 | - | 495,364 |
| Profit after taxation for the year ended June 30, 2006 | - | - | - | - | 1,238,079 | 72 | 1,238,151 |
| Final cash dividend for the year ended June 30, 2005 (Rs 2 per Ordinary share) | - | - | - | - | (240,115) | - | (240,115) |
| Transfer to reserve for issue of bonus shares | - | 120,058 | - | - | (120,058) | - | - |
| Transfer to general reserve | - | - | - | 2,000,000 | (2,000,000) | - | - |
| Issue of bonus shares (10%) | 120,058 | (120,058) | - | - | - | - | - |
| Balance as at June 30, 2006 | 1,320,634 | - | 126,844 | 3,500,022 | 2,359,853 | 1,209 | 7,308,562 |

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

**Vice Admiral (Retd.) S. Tauquir H. Naqvi**
Chairman & Chief Executive

**S. Haider Abbas Rizvi**
Director

**PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES**
**CONSOLIDATED CASH FLOW STATEMENT**
**FOR THE YEAR ENDED JUNE 30, 2006**

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 39 | 2,306,516 | 3,312,013 |
| Employees' gratuity paid | | (36,169) | (15,314) |
| Employees' compensated absences paid | | (38,697) | (44,626) |
| Post retirement medical benefits paid | | (7,151) | (5,129) |
| Long-term loans and advances - net | | 1,090 | 1,098 |
| Finance costs paid | | (61,255) | (58,553) |
| Taxes paid | | (186,066) | (133,913) |
| Net cash generated from operating activities | | 1,978,268 | 3,055,576 |
| **Cash flows from investing activities** | | | |
| Fixed capital expenditure | | (1,601,215) | (1,408,736) |
| Acquisition of NTCL (net of cash and bank balances) | | 96,485 | - |
| Investment in unlisted companies - others | | - | 1,145 |
| Proceeds from disposal of property, plant and equipment | | 2,157 | 485,355 |
| Brokerage paid on disposal of vessel | | - | (21,433) |
| Interest / mark-up received | | 227,462 | 55,629 |
| Dividend received | | 1,945 | 2,129 |
| Net cash used in investing activities | | (1,273,166) | (885,911) |
| **Cash flows from financing activities** | | | |
| Repayment of long-term financings | | (256,329) | (254,851) |
| Dividend paid | | (236,710) | (96,980) |
| Net cash used in financing activities | | (493,039) | (351,831) |
| Net increase in cash and cash equivalents | | 212,063 | 1,817,834 |
| Cash and cash equivalents at July 1 | | 4,114,991 | 2,297,157 |
| Cash and cash equivalents at June 30 | 40 | 4,327,054 | 4,114,991 |

The annexed notes 1 to 46 form an integral part of these consolidated financial statements.

**Vice Admiral (Retd.) S. Tauquir H. Naqvi**
Chairman & Chief Executive

**S. Haider Abbas Rizvi**
Director

# PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
# FOR THE YEAR ENDED JUNE 30, 2006

## 1. THE GROUP AND ITS OPERATIONS

Pakistan National Shipping Corporation (the Corporation) and its subsidiary companies (together 'the Group') were incorporated under the provisions of Pakistan National Shipping Corporation 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 long-term lease agreements. The Group's registered office is situated in PNSC Building, Moulvi Tamizuddin Khan Road, Karachi.

The Group consists of:

**Holding company**

Pakistan National Shipping Corporation (the 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
- Khairpur Shipping (Private) Limited
- Lalazar Shipping (Private) Limited
- Makran Shipping (Private) Limited
- Malakand Shipping (Private) Limited
- Multan Shipping (Private) Limited
- Sargodha Shipping (Private) Limited
- Shalamar Shipping (Private) Limited
- Sibi Shipping (Private) Limited
- Swat Shipping (Private) Limited
- National Tanker Company (Private) Limited
- Pak Nippon Car Liner (Private) Limited
- Pakistan Co-operative Ship Stores (Private) Limited

**Associate company**

- Muhammadi Engineering Works Limited

National Tanker Company (Private) Limited (NTCL) was an associate company of the Group. The Group owned 50 percent of the share capital of NTCL. However, on May 11, 2006, the Group acquired the remaining 50 percent share capital (1,677,083 shares) of NTCL against total consideration of Rs 168,764,862 based on fair market value of Rs 100.63 per share. Subsequent to the year end NTCL's name has been changed to Karachi Shipping (Private) Limited.

The Group owns 55 percent of the share capital of Pakistan Co-operative Ship Stores (Private) Limited and 100 percent of the share capital of the remaining seventeen subsidiary companies. All the fully owned subsidiaries of the Corporation operate one vessel / tanker each with the exception of Pak Nippon Car Liner (Private) Limited and NTCL which currently do not own any vessel.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements have been consistently applied to all years, unless otherwise stated, as set out below.

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance). Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or the directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.1.1 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

Following amendments to existing standards applicable to the Group have been published that are mandatory for the Group's accounting periods beginning on or after January 1, 2006 or later periods:

| | |
|---|---|
| IAS 1 Presentation of financial statements – Capital disclosures | effective from January 1, 2007 |
| IAS 19 (Amendments) – Employee benefits | effective from January 1, 2006 |
| IAS 39 Financial instruments: Recognition and measurement – Fair value option | effective from January 1, 2006 |

Adoption of the above amendments may only impact the extent of disclosures presented in the consolidated financial statements. The Group intends to adopt these amendments from the date when they become effective.

In addition to the above, a new series of standards called "International Financial Reporting Standards (IFRS)" have been introduced and seven IFRSs have been issued by the International Accounting Standards Board (IASB). Out of these, following four IFRSs have been adopted by the Institute of Chartered Accountants of Pakistan (ICAP), however, since these have not been adopted by the SECP therefore, the same do not form part of the approved local financial reporting framework:

IFRS 2 Share-based Payment

IFRS 3 Business Combinations

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

IFRS 6 Exploration for and Evaluation of Mineral Resources

2.2 Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention except as follows:

- Certain property, plant and equipment as referred to in note 2.4.1 have been included at revalued amounts; and

- Certain investments and investment properties as referred to in notes 2.8 and 2.7 respectively have been carried at fair value to comply with the requirements of IAS-39 'Financial Instruments: Recognition and Measurement' and IAS-40 'Investment Property'.

2.3 Basis of consolidation

2.3.1 Subsidiaries

These consolidated financial statements comprise the financial statements of the holding company and all of its subsidiary companies as at June 30 each year.

The financial statements of the subsidiary companies have been consolidated on a line-by-line basis and the carrying values of the investments held by the holding company have been eliminated against the shareholders' equity in the subsidiary companies.

The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognised in assets, are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interest is that part of net results of operations and of net assets of subsidiaries which are not owned by the holding company. Minority interest is presented as a separate item in the consolidated financial statements.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill.

2.3.2 Associates

Associates are all entities over which the Group has significant influence but not control. Investments in associate is accounted for using the equity method of accounting and are initially recognised at cost.

2.4 Fixed assets

2.4.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation except for leasehold land and buildings thereon, workshop machineries and equipment and vessels. Leasehold land and buildings thereon, workshop machineries and equipment and vessels are stated at revalued amounts less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluation of related assets is carried out with sufficient regularity to ensure that the carrying amounts do not differ materially from those which would have been determined using fair values at the balance sheet date.

The value assigned to leasehold land is not depreciated as the leases are expected to be renewed for further periods on payment of relevant rentals. Annual lease rentals are charged to income and premium paid at the time of renewal, if any, is amortised over the remaining period of the lease.

Cost in relation to vessels includes cost of acquisition and other related expenses incidental to the purchase of vessels accumulated to the date the vessels are commissioned into service.

It is the practice of the Group to carry out continuous surveys and repairs on a round-the-year basis to maintain seaworthiness of its vessels. The Group is required to carry out repairs and maintenance of its vessels at dry docks according to the specifications of Lloyd's Register, London or American Bureau of Shipping, U. S. A. These expenses are capitalised as and when incurred and amortised over a period of thirty to sixty months.

With the exception of depreciation on the vessel, depreciation is charged to income applying the straight line method whereby the depreciable amount of an asset is written off over its estimated useful life. In case of the vessel, depreciation is charged on the basis of its remaining operating life with effect from the date the vessel is commissioned and the number of days of completed voyages in a year after taking into account the estimated residual value.

Depreciation on additions is charged from the month in which the asset is available for use and continued to be depreciated until it is derecognised that is upto the month of disposal even if during that period the asset is in idle condition. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

No depreciation is charged if the asset's residual value exceeds its carrying amount.

Residual values, useful lives and method of depreciation are reviewed at each balance sheet date and adjusted if expectations differ significantly from previous estimates.

Useful lives are determined by the management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

Surplus on revaluation is credited to the surplus on revaluation of fixed assets account except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case surplus is recognised in profit or loss account. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset in which case the deficit is taken to surplus on revalution of fixed assets account. An annual transfer from the surplus on revaluation of fixed assets account to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and the depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the assets and the net amount is restated to revalued amount of the assets. Upon disposal, any revaluation reserve relating to the particular assets being sold is transferred to retained earnings.

Major renewals, replacements and improvements are capitalised and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to income as and when incurred. Gains and losses on disposals of the assets are included in income currently.

2.5.2 Capital work-in-progress

Capital work-in-progress is stated at cost incurred to date less impairment in value, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their installation and acquisition.

2.5.3 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Cost in relation to intangible assets presently held by the Group includes goodwill, cost of computer software and other expenses incidental to the purchase of computer software.

Costs associated with maintaining computer software are recognised as an expense as and when incurred.

Intangible assets are amortised from the month when these assets are available for use using the straight line method whereby the cost of intangible asset is amortised over the period which takes into account the economic benefits that will be available to the Group.

2.6 Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that the assets may be impaired. If such indications exist, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in income except for impairment loss on revalued assets, which is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for the same asset.

2.7 Investment properties

Properties held for long-term rental yields which are not occupied by the Group are classified as investment properties.

Investment properties are carried at fair value which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The valuation of these properties is carried out with sufficient regularity.

Gains and losses arising from a change in the fair value of investment properties are included in the income currently.

2.8 Other investments

The management determines the appropriate classification of these investments in accordance with the requirements of IAS-39 'Financial Instruments: Recognition and Measurement', at the time of purchase depending on the purpose for which the investments are acquired and re-evaluates this classification on a regular basis. The existing investment portfolio of the Group has been categorised as 'financial assets through profit or loss' and 'available for sale financial assets'.

Effective July 1, 2005 the Group has redesignated its investment in quoted securities held under the head 'available for sale' to 'financial assets at fair value through profit or loss'. However, the Group continues to hold its investment in unquoted securities under the head 'available for sale financial assets'. This change has been made in accordance with the requirements of revised IAS-39 which became applicable to the Group effective July 1, 2005. There is, however, no change in the measurement basis and recognition of unrealised gains/losses as a result of the said redesignation.

‘Financial assets through profit or loss' are initially recognised at fair value and are subsequently re-measured to fair value using quoted market prices. Gains/losses arising upon remeasurement are recognised in profit and loss account.

'Available for sale financial assets' that are quoted securities, are initially recognised at fair value inclusive of transaction costs and are subsequently re-measured to fair value using quoted market prices. Investment in unquoted securities are initially recognised and subsequently carried at fair value or at cost where fair value cannot be reliably measured. Gains/losses arising upon remeasurement of 'available for sale financial assets' are recognised directly in equity through the statement of changes in equity.

Investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Impairment of investment is recognised when there is a permanent diminution in their value.

2.9 Stores and spares

Stores are valued at average cost while spares are valued at cost determined on first-in first-out basis. Stores and spares in transit are valued at cost incurred upto the balance sheet date.

Certain spares having low value and high consumption levels are charged to income at the time of purchase.

Provision for obsolete and slow moving stores and spares is determined based on assessment regarding their future usability.

2.10 Trade debts

Trade debts comprise freight, hire and other short-term receivables which are carried at original invoice amount less estimates made for doubtful receivables based on review of all outstanding amounts at year end. Balances considered bad and irrecoverable are written off when identified.

2.11 Taxation

2.11.1 Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and rebates available, if any, and on Final Tax Regime (FTR) under clause 21(a) of Part II of the Second Schedule to the Income Tax Ordinance, 2001 or one half of one percent of turnover, whichever is higher.

2.11.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities and their tax bases after adjusting for the impact of Final Tax Regime (FTR).

The carrying amount of deferred tax asset is reviewed at each balance sheet date and is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised. Deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Income tax relating to items recognised directly in equity is recognised in equity and not in the profit and loss account.

2.12 Insurance claims

Cost of repairs recoverable as hull claims are taken to insurance claims receivable. Other claimable expenses relating to hull are charged to income currently and claims filed thereagainst are taken to income when such claims are accepted by the underwriters.

Afloat medical expenses, cargo claims and other relevant amounts recoverable from underwriters are taken to insurance claims receivable.

2.13 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

2.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.15 Dividend and other appropriation

Dividend is recognised as a liability in the period in which it is declared.

2.16 Staff Retirement benefits

2.16.1 Defined contributory provident fund

The Group operates a contributory provident fund for permanent employees, for which contributions are charged to income for the year.

2.16.2 Defined benefit gratuity scheme

The Group operates an unfunded retirement gratuity scheme for permanent employees other than those who joined the Group after October 16, 1984 and are entitled only to the contributory provident fund benefits. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to income currently. Actuarial valuations are carried out using the Projected Unit Credit Method.

The Group's crew are also entitled to gratuity in accordance with the Pakistan Maritime Board Regulations. However, these employee benefits are recognised upon payment as the amounts involved are not material.

The unrecognised actuarial gains or losses arising at each valuation date are recognised as income or expense in the following year.

The benefit is payable on completion of prescribed qualifying period of service under these schemes.

2.16.3 Medical benefits

The Group provides lump sum medical allowance and free hospitalisation benefits to its retired employees in accordance with the service regulations. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to income currently.

The unrecognised actuarial gains or losses arising at each valuation date are recognised as income or expense in the following year.

The benefit is payable on completion of prescribed qualifying period of service under these schemes.

2.17 Employees' compensated absences

The Group accounts for the liability in respect of employees' compensated absences in the year in which these are earned. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to income currently. The unrecognised actuarial gains or losses at each valuation date are recognised immediately.

2.18 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash in hand, cheques in hand, deposits held with banks and other short term highly liquid investments with original maturities of three months or less.

2.19 Foreign currency translation

These consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are recorded in Pakistan rupees at the exchange rates approximating those prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are reported in Pakistan rupees at the exchange rates approximating those prevalent at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value was determined.

2.20 Revenue recognition

- Earnings in respect of voyages other than time charter voyages are accounted for on the basis of completed voyages. Voyages are taken as complete when a vessel arrives at the last port of discharge on or before the balance sheet date. Freight revenue, direct and indirect operating expenses associated with the incomplete voyages are deferred until completion of voyage and are classified in the balance sheet as 'Incomplete voyages'. Diesel, fuel and lubricants on board are valued at cost determined on the first-in-first out basis. With respect to time charter voyages, chartering revenue is accounted for on the basis of number of days to the balance sheet date.
- Rental income is recognised as revenue on a straight line basis over the term of the respective lease arrangements.
- Dividend income is recognised when the Group's right to receive the dividend is established.
- Profit from bank accounts and return on investments is recognised on a time proportion basis.

2.21 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

2.22 Financial instruments

Financial instruments carried on the balance sheet include investments, loans and advances, trade debts, agents' and owners balances, deposits, other receivables, insurance claims, cash and bank balances, long-term borrowing and trade and other payables. The recognition methods adopted for each of the financial instrument are disclosed in the relevant notes of accounting policies.

2.23 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, when the Group has a legally enforceable right to offset the recognised amounts and it intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

(a) Assumption and estimation in recognition of taxation and deferred tax (note 37 and 10).

(b) Assumption and estimation in valuation of property, plant and equipment and investment properties (note 4 and 6).

(c) Assumptions and estimations used in determining the residual values and useful lives of property, plant and equipment (note 4).

(d) Assumption and estimation in accounting for defined benefit plans (note 28).

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.

## 4. PROPERTY, PLANT AND EQUIPMENT

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Operating fixed assets | 4.1 | 7,403,755 | 6,904,954 |
| Capital work-in-progress | 4.8 | 27,164 | 16,907 |
| | | 7,430,919 | 6,921,861 |

## 4.1 The following is a statement of operating fixed assets:

| | Lease-hold land | Buildings on lease-hold land | Vessel fleet | | | Vehicles | Office machines and appliances | Furniture and fixtures | Electrical fittings | Motor launch and jetty | Equipment on board | Container fittings | Beach huts | Workshop machinery and equipment | Computer equipment | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Cost or revaluation | Dry docking | Total | | | | | | | | | | | |
| | (note 4.2 and 4.4) | | | | | | | | | | | | | | | |
| | ---------------------Rupees in '000--------------------- | | | | | | | | | | | | | | | |
| **At July 1, 2004** | | | | | | | | | | | | | | | | |
| Cost or revalued amount | 281,260 | 120,532 | 2,372,337 | 284,502 | 2,656,839 | 41,066 | 10,247 | 15,577 | 7 | 18 | 73,912 | 3,468 | 348 | 10,447 | 14,627 | 3,228,348 |
| Accumulated depreciation | - | 57,645 | 374,430 | 191,394 | 565,824 | 23,092 | 8,109 | 11,610 | 7 | 18 | 57,000 | 3,468 | 322 | 6,923 | 6,945 | 740,963 |
| Net book value | 281,260 | 62,887 | 1,997,907 | 93,108 | 2,091,015 | 17,974 | 2,138 | 3,967 | - | - | 16,912 | - | 26 | 3,524 | 7,682 | 2,487,385 |
| Year ended June 30, 2005 | | | | | | | | | | | | | | | | |
| Opening net book value | 281,260 | 62,887 | 1,997,907 | 93,108 | 2,091,015 | 17,974 | 2,138 | 3,967 | - | - | 16,912 | - | 26 | 3,524 | 7,682 | 2,487,385 |
| Additions | - | 344 | 811,333 | 568,167 | 1,379,500 | 3 | 552 | 71 | - | - | 9,228 | - | - | 1,085 | 1,046 | 1,391,829 |
| Surplus on revaluation | 190,455 | 82,454 | 3,340,192 | - | 3,340,192 | - | - | - | - | - | - | - | - | 3,359 | - | 3,616,460 |
| Revaluation adjustments | | | | | | | | | | | | | | | | |
| Cost or revalued amount | - | (56,188) | (454,058) | - | (454,058) | - | - | - | - | - | - | - | - | (3,335) | - | (513,581) |
| Accumulated depreciation | - | 56,188 | 454,058 | - | 454,058 | - | - | - | - | - | - | - | - | 3,335 | - | 513,581 |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposals | | | | | | | | | | | | | | | | |
| Cost or revalued amount | - | - | (248,306) | (11,820) | (260,126) | (2) | (45) | (16) | - | - | (3,002) | - | - | - | - | (263,191) |
| Accumulated depreciation | - | - | 65,850 | 11,071 | 76,921 | 2 | 45 | 14 | - | - | 1,186 | - | - | - | - | 78,168 |
| | - | - | (182,456) | (749) | (183,205) | - | - | (2) | - | - | (1,816) | - | - | - | - | (185,023) |
| Adjustments | | | | | | | | | | | | | | | | |
| Cost or revalued amount | - | - | 20,321 | (181,318) | (160,997) | - | - | - | - | - | (51,752) | - | - | - | - | (212,749) |
| Accumulated depreciation | - | - | (45,922) | (148,054) | (193,976) | - | - | - | - | - | (51,665) | - | - | - | - | (245,641) |
| | - | - | 66,243 | (33,264) | 32,979 | - | - | - | - | - | (87) | - | - | - | - | 32,892 |
| Depreciation charge for the year | - | (32,754) | (315,552) | (74,696) | (390,248) | (3,840) | (502) | (758) | - | - | (3,995) | - | (26) | (3,611) | (2,855) | (438,589) |
| Closing net book value | 471,715 | 112,931 | 5,717,667 | 552,566 | 6,270,233 | 14,137 | 2,188 | 3,278 | - | - | 20,242 | - | - | 4,357 | 5,873 | 6,904,954 |
| **At June 30, 2005** | | | | | | | | | | | | | | | | |
| Cost or revalued amount | 471,715 | 147,142 | 5,841,819 | 659,531 | 6,501,350 | 41,067 | 10,754 | 15,632 | 7 | 18 | 28,386 | 3,468 | 348 | 11,556 | 15,673 | 7,247,116 |
| Accumulated depreciation | - | 34,211 | 124,152 | 106,965 | 231,117 | 26,930 | 8,566 | 12,354 | 7 | 18 | 8,144 | 3,468 | 348 | 7,199 | 9,800 | 342,162 |
| Net book value | 471,715 | 112,931 | 5,717,667 | 552,566 | 6,270,233 | 14,137 | 2,188 | 3,278 | - | - | 20,242 | - | - | 4,357 | 5,873 | 6,904,954 |
| Year ended June 30, 2006 | | | | | | | | | | | | | | | | |
| Opening net book value | 471,715 | 112,931 | 5,717,667 | 552,566 | 6,270,233 | 14,137 | 2,188 | 3,278 | - | - | 20,242 | - | - | 4,357 | 5,873 | 6,904,954 |
| Additions | - | 1,626 | 992,119 | 568,859 | 1,560,978 | 12,755 | 479 | 908 | - | - | 9,877 | - | - | 3,025 | 1,310 | 1,590,958 |
| Surplus on revaluation | 7,517 | 1,172 | - | - | - | - | - | - | - | - | - | - | - | - | - | 8,689 |
| Adjustments | | | | | | | | | | | | | | | | |
| Cost or revalued amount | 7,816 | 1,217 | - | (5,742) | (5,742) | 3,404 | 2,381 | 2,407 | - | - | - | - | - | - | - | 11,483 |
| Accumulated depreciation | - | 103 | - | - | - | 3,404 | 2,233 | 2,401 | - | - | - | - | - | - | - | 8,141 |
| | 7,816 | 1,114 | - | (5,742) | (5,742) | - | 148 | 6 | - | - | - | - | - | - | - | 3,342 |
| Disposals | | | | | | | | | | | | | | | | |
| Cost or revalued amount | - | - | - | - | - | (2,965) | - | - | - | - | - | - | - | (22) | - | (2,987) |
| Accumulated depreciation | - | - | - | - | - | 2,965 | - | - | - | - | - | - | - | 22 | - | 2,987 |
| | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation charge for the year | - | (13,961) | (828,012) | (246,137) | (1,074,149) | (5,506) | (516) | (778) | - | - | (5,308) | - | - | (914) | (3,056) | (1,104,188) |
| Closing net book value | 487,048 | 102,882 | 5,881,774 | 869,546 | 6,751,320 | 21,386 | 2,299 | 3,414 | - | - | 24,811 | - | - | 6,468 | 4,127 | 7,403,755 |
| **At June 30, 2006** | | | | | | | | | | | | | | | | |
| Cost or revalued amount | 487,048 | 151,157 | 6,833,938 | 1,222,648 | 8,056,586 | 54,261 | 13,614 | 18,947 | 7 | 18 | 38,263 | 3,468 | 348 | 14,559 | 16,983 | 8,855,259 |
| Accumulated depreciation | - | 48,275 | 952,164 | 353,102 | 1,305,266 | 32,875 | 11,315 | 15,533 | 7 | 18 | 13,452 | 3,468 | 348 | 8,091 | 12,856 | 1,451,504 |
| Net book value | 487,048 | 102,882 | 5,881,774 | 869,546 | 6,751,320 | 21,386 | 2,299 | 3,414 | - | - | 24,811 | - | - | 6,468 | 4,127 | 7,403,755 |
| **Annual rate of depreciation** | - | **2.5 to 20** | **see note 4.3** | **20 to 40** | | **20** | **15** | **10 to 15** | - | **10 to 15** | **10 to 15** | **15** | **15** | **5 to 10** | **25** | |

The latest revaluation of Group's vessels (held in the books of the subsidiary companies) was carried out in 2005 by Arrows Valuation on the basis of their professional assessment of present market values and on the basis of independent surveying reports submitted by Lloyd's Register Group, surveyor and consultants.

4.2. The latest revaluation of 'leasehold land', 'buildings on leasehold land' and 'workshop machinery & equipment' were carried out in first quarter of 2005 by Pee Dee & Associates and National Engineering Services Pakistan (Private) Limited (NESPAK) on the basis of their professional assessment of present market values.

4.3 The management revised the estimated useful life of its vessels in 2005 held by various subsidiary companies. Previously, the depreciable amount of vessels was allocated over a useful life of 25 years. In accordance with the new estimate the management expects the vessels to remain operational beyond their previously assessed useful life of 25 years. However, the extension in their useful life to the Group beyond 25 years has been restricted till the date of validity of their most recent class renewal certificates regarding the sea worthiness of the vessels obtained from a recognised classification society. The present certificates issued to the vessels are valid upto various dates ranging from October 18, 2006 to May 31, 2011.

4.4 Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

| | 2006 | 2005 |
|---|---|---|
| | (Rupees in '000) | |
| Leasehold land and buildings on leasehold land | 13,453 | 13,108 |
| Vessel Fleet | 2,194,850 | 2,587,368 |
| Workshop machinery and equipment | 4,938 | 2,593 |
| | 2,213,241 | 2,603,069 |

4.5 Cost and accumulated depreciation in respect of vessel include an amount of Rs 1.440 million relating to M.V Ilyas Bux. This vessel was seized by the Indian authorities during the 1965 war and the Group does not have physical possession or control over it.

4.6 No item of property, plant and equipment having book value exceeding Rs 50,000 was disposed off during the year by the Group.

4.7 The depreciation charge for the year has been allocated as follows:

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Fleet expenses - direct | 31 | 1,050,949 | 358,170 |
| Fleet expenses - indirect | 32 | 914 | 3,611 |
| Administration and general expenses | 33 | 23,595 | 40,853 |
| Incomplete voyages | 18 | 28,730 | 35,955 |
| | | 1,104,188 | 438,589 |

**4.8 Capital work-in-progress**

This represents renovation cost in respect of the PNSC building and mainly includes civil works and advances to suppliers.

## 5. INTANGIBLE ASSETS

Following is the statement of the intangible assets:

| | Note | Goodwill | Computer software |
|---|---|---|---|
| | | --------(Rupees '000)-------- | |
| **As at July 1, 2004** | | | |
| Cost | | - | 16,503 |
| less: accumulated amortisation | | - | (1,650) |
| Net book value | | - | 14,853 |
| **Year ended June 30, 2005** | | | |
| Opening net book value | | - | 14,853 |
| less: amortisation charge for the year | | - | (3,301) |
| **Closing net book value** | | - | 11,552 |
| **As at June 30, 2005** | | | |
| Cost | | - | 16,503 |
| less: accumulated amortisation | | - | (4,951) |
| Net book value | | - | 11,552 |
| **Year ended June 30, 2006** | | | |
| Opening net book value | | - | 11,552 |
| Addition during the year | | 24,362 | - |
| less: amortisation charge for the year | 33 | - | (3,301) |
| less: impairment during the year | | (24,362) | - |
| **Closing net book value** | | - | 8,251 |
| **As at June 30, 2006** | | | |
| Cost | | - | 16,503 |
| Accumulated amortisation | | - | (8,252) |
| Net book value | | - | 8,251 |
| **Annual rate of amortisation** | | **-** | **20** |

## 6. INVESTMENT PROPERTIES

| | 2006 | 2005 |
|---|---|---|
| | (Rupees in '000) | |
| Leasehold land | 644,980 | 644,980 |
| Buildings on leasehold land | 29,182 | 29,182 |
| | 674,162 | 674,162 |

6.1 A revaluation of the Group's investment properties has been carried out by Pee Dee & Associates as of August 25, 2006 on the basis of their professional assessment of the present market value. According to the revaluation report there are no significant changes in the values determined by the valuer in the last valuation conducted as of April 1, 2005.

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

### Equity method

| (No. of shares - ordinary) 2006 | (No. of shares - ordinary) 2005 | Name of the company | Country of incorporation | Share of net assets 2006 | Share of net assets 2005 | Latest available audited financial statements for the year ended | Percentage holding | Face value per share | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | (Rupees '000) | | | | (Rupees) | (Rupees '000) | |
| **Associate - unlisted** | | | | | | | | | | |
| - | 1,677,083 | National Tanker Company (Private) Limited (Note 7.1) | Pakistan | - | 147,616 | June 30, 2006 | 50 | 10 | - | 141,532 |
| 12,250 | 12,250 | Muhammadi Engineering Works Limited | Pakistan | 1,600 | 1,600 | December 31, 1982 (unaudited) | 49 | 100 | 1,600 | 1,600 |
| | | Less: Accumulated impairment losses | | | | | | | 752 | 752 |
| | | | | | | | | | 848 | 142,380 |
| | | Less: Impairment loss during the year | | | | | | | 848 | - |
| | | | | | | | | | - | 142,380 |

7.1 During the year on May 11, 2006 the Group acquired further 50 percent shares of National Tanker Company (Private) Limited from Petroleum refining & Petrochemical Corporation (Private) Limited (PERAC) against total consideration of Rs 168,764,862 based on fair market value of Rs 100.63 per share and hence it became wholly owned subsidiary of the Group and has been accounted for accordingly.

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **8. LONG-TERM INVESTMENTS IN LISTED COMPANIES AND OTHER ENTITIES** | | | |
| **Financial assets designated as 'at fair value through profit or loss'** | | | |
| **Listed companies** | | | |
| 6,930 (2005: 6,930) ordinary shares of Rs 10 each fully paid of Siemens (Pakistan) Engineering Company Limited. Market value Rs 8.177 million (2005: Rs 4.747 million) | | 8,177 | 4,747 |
| 72,828 (2005: 72,828) ordinary shares of Rs 10 each fully paid of Pakistan State Oil Company Limited. Market value Rs 22.504 million (2005: Rs 28.112 million) | | 22,504 | 28,112 |
| | | 30,681 | 32,859 |
| **Available for sale financial assets** | | | |
| **Other entities - carried at cost** | | | |
| 10,000 (2005: 10,000) ordinary shares of Rs 10 each of Pakistan Tourism Development Corporation Limited | | 100 | 100 |
| | | 100 | 100 |
| | | 30,781 | 32,959 |

## 9. LONG-TERM LOANS - considered good

| | Note | 2006 (Rupees in '000) | 2005 (Rupees in '000) |
|---|---|---|---|
| Due from employees | 9.1 | 3,130 | 4,910 |
| Less: Recoverable within twelve months | 14 | 920 | 1,610 |
| | | 2,210 | 3,300 |

9.1 It comprises of vehicle and house building loans amounting to Rs 0.073 million (2005: Rs 0.190 million) and Rs 3.057 million (2005: Rs 4.717 million) respectively.

9.2 Vehicle loans represent loans to employees for purchase of vehicles and are secured against employees' personal guarantees and charge on vehicles. These loans are interest free and are recoverable over 72 monthly installments.

9.3 House building loans represent loans to employees for purchase of land, residential accommodation and construction and renovation of houses. These loans are recoverable over 180 monthly installments. An amount of Rs 2.802 million (2005: Rs 3.831 million) is secured against mortgage. Interest on such loans to officers is charged at various rates while no interest is being charged on loans given to other employees.

## 10. DEFERRED TAX - NET

| | Note | 2006 (Rupees in '000) | 2005 (Rupees in '000) |
|---|---|---|---|
| Deductible temporary differences arising in respect of: | | | |
| - Accelerated depreciation | | 3,790 | 1,413 |
| - Short-term provisions and deferred liabilities | | 151,518 | 97,230 |
| | | 155,308 | 98,643 |
| Taxable temporary differences arising in respect of: | | | |
| - Surplus on revaluation of property, plant and equipment | 26.1 | 22,624 | 33,885 |
| - Other temporary differences | 10.1 | - | 65,083 |
| | | 22,624 | 98,968 |
| | | 132,684 | (325) |

10.1 Deferred tax liability of Rs 65.083 million relating to expected dividends from the subsidiary companies has been reversed during the current year because the Group now believes that as the distribution of profits from the subsidiary companies in the form of dividend is not expected in the foreseeable future, this timing difference is not likely to reverse.

## 11. STORES AND SPARES

| | 2006 (Rupees in '000) | 2005 (Rupees in '000) |
|---|---|---|
| Stores | | |
| - at depots | 19,288 | 15,950 |
| - at buildings | 204 | 239 |
| - on board | 25,111 | 22,524 |
| | 44,603 | 38,713 |
| Spares | | |
| - at buildings | 2,012 | 1,476 |
| - on board | 91,082 | 85,964 |
| | 93,094 | 87,440 |
| Less: provision for spares | 35,427 | 35,975 |
| | 57,667 | 51,465 |
| | 102,270 | 90,178 |

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **12. TRADE DEBTS** | | | |
| Freight and hire | | | |
| - Considered good | | 209,910 | 291,678 |
| - Considered doubtful | | 92,923 | 93,851 |
| | | 302,833 | 385,529 |
| Less: Provision for doubtful receivables | | 92,897 | 93,851 |
| | | 209,936 | 291,678 |
| **13. AGENTS' AND OWNERS' BALANCES** | | | |
| Considered good | | | |
| - secured | | 12,512 | 15,533 |
| - unsecured | | 19,695 | 42,635 |
| | | 32,207 | 58,168 |
| Considered doubtful | | 14,037 | 13,902 |
| | | 46,244 | 72,070 |
| Less: Provision for doubtful balances | | 14,037 | 13,902 |
| | | 32,207 | 58,168 |
| **14. LOANS AND ADVANCES** | | | |
| Considered good | | | |
| Loans due from employees | 9 | 920 | 1,610 |
| Advances to: | | | |
| - Directors | | - | 20 |
| - Executives | | 9 | 2,650 |
| - Other employees | | 18,353 | 12,000 |
| - Contractors and suppliers | | 3,246 | 3,765 |
| - Others | | 2,607 | 557 |
| | | 25,135 | 20,602 |

14.1 The maximum aggregate amounts due from the chief executive, directors and executives at the end of any month during the year were Rs Nil, Rs 0.022 million and Rs 0.362 million (2005: Rs Nil, Rs 0.465 million and Rs 2.650 million) respectively.

| | 2006 | 2005 |
|---|---|---|
| | (Rupees in '000) | |
| **15. DEPOSITS AND PREPAYMENTS** | | |
| **Deposits** | | |
| Trade: | | |
| - Considered good | 2,445 | 4,376 |
| - Considered doubtful | 184 | 184 |
| | 2,629 | 4,560 |
| Less: Provision for doubtful deposits | 184 | 184 |
| | 2,445 | 4,376 |
| Others: | | |
| - Considered good | 1,541 | 1,505 |
| - Considered doubtful | 1,514 | 185 |
| | 3,055 | 1,690 |
| Less: Provision for doubtful deposits | 1,514 | 185 |
| | 1,541 | 1,505 |
| Prepayments | 860 | 156 |
| | 4,846 | 6,037 |

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 16. INTEREST / MARK-UP ACCRUED

| | | | |
|---|---|---|---|
| Interest / mark-up accrued on term deposit accounts | | 42,999 | 9,420 |

## 17. OTHER RECEIVABLES

| | | | |
|---|---|---|---|
| Rent receivable | | | |
| - Considered good | | 11,857 | 9,307 |
| - Considered doubtful | | 7,864 | 6,958 |
| | | 19,721 | 16,265 |
| Less: Provision for doubtful rent receivable | | 7,864 | 6,958 |
| | | 11,857 | 9,307 |
| Others | | | |
| - Considered good | | 53,976 | 29,454 |
| - Considered doubtful | | 26,319 | 9,796 |
| | | 80,295 | 39,250 |
| Less: Provision for doubtful receivables - others | | 26,319 | 3,716 |
| | | 53,976 | 35,534 |
| | | 65,833 | 44,841 |

## 18. INCOMPLETE VOYAGES

| | | | |
|---|---|---|---|
| Cost | | | |
| Salaries and allowances | | 18,765 | 14,673 |
| Diesel, fuel and lubricants | | 409,496 | 259,218 |
| Stores and spares issued | | 4,523 | 10,918 |
| Insurance | | 17,779 | 24,426 |
| Charter hire and related expenses | | 3,377 | 11,381 |
| Depreciation | 4.7 | 28,730 | 35,955 |
| Other fleet expenses - direct and indirect | | 13,099 | 7,864 |
| | | 495,769 | 364,435 |
| Less: Net freight | | 68,504 | 162,482 |
| | | 427,265 | 201,953 |

## 19. INSURANCE CLAIMS

| | | | |
|---|---|---|---|
| Considered good | | 83,049 | 73,879 |
| Considered doubtful | 19.1 | 163,240 | 162,805 |
| | | 246,289 | 236,684 |
| Less: Provision for doubtful claims | | 163,240 | 162,805 |
| | | 83,049 | 73,879 |

19.1 This includes amounts aggregating Rs 154.547 million (2005: Rs 153.562 million) net of insurance premium which are recoverable from the P&I Club, Oceanus Mutual Underwriting Association (Bermuda) Limited. The Club has gone into liquidation, therefore, a provision has been made for this amount in these consolidated financial statements.

## 20. CASH AND BANK BALANCES

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Cash at bank: | | | |
| - in current accounts | | | |
| • Local currency | | 361,271 | 104,830 |
| • Foreign currency | | 255,335 | 59,338 |
| | | 616,606 | 164,168 |
| - in saving accounts | 20.1 | | |
| • Local currency | | 523,429 | 933,053 |
| • Foreign currency | | 67,005 | 67,618 |
| | | 590,434 | 1,000,671 |
| - in term deposit accounts | | | |
| • Local currency | 20.2 | 3,120,000 | 2,950,000 |
| Cash in hand | | 14 | 152 |
| | | 4,327,054 | 4,114,991 |

20.1 This includes Rs 9.921 million (2005: Rs 9.826 million) and Rs 4.550 million (2005: Rs 2.951 million) held as security by United National Bank Limited, London and Habib Bank Limited, P.N.S.C. Branch respectively against guarantees issued on behalf of the Group.

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| 20.2 Term deposit accounts include: | | | |
| - Certificates of deposit | | 200,000 | 150,000 |
| - Investment plus deposit certificates | | - | 500,000 |
| - Special musharika deposit scheme | | 250,000 | 150,000 |
| - Corporate deposit receipts | | 700,000 | - |
| - Term deposit account | | 320,000 | 1,000,000 |
| - Term deposit receipts | | 1,650,000 | 1,150,000 |
| | | 3,120,000 | 2,950,000 |

20.2.1 The mark-up on term deposit accounts ranges from 9.5% to 10.5% per annum (2005: 6% to 7.35% per annum).

## 21. TRADE AND OTHER PAYABLES

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Creditors | | 386,983 | 264,618 |
| Agents' and owners' balances | | 131,504 | 89,177 |
| Accrued liabilities | | 350,529 | 521,559 |
| Deposits | 21.1 | 22,204 | 16,393 |
| Workers' Profits Participation Fund | 21.2 | 209,790 | 155,622 |
| Unclaimed dividends | | 6,874 | 3,469 |
| Other liabilities | | 32,724 | 38,590 |
| | | 1,140,608 | 1,089,428 |

21.1 These deposits are interest free and are repayable on demand or on completion of specific contracts.

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **21.2 Workers' Profits Participation Fund** | | | |
| Balance as at July 1 | | 155,622 | 98,255 |
| Allocation for the year | 34 | 72,100 | 155,622 |
| Interest on funds utilised during the year | 35 | 2,787 | 2,597 |
| | | 230,509 | 256,474 |
| Less: amount paid | | 20,719 | 100,852 |
| Balance as at June 30 | | 209,790 | 155,622 |

## 22. PROVISION AGAINST DAMAGE CLAIMS

| | 2006 | 2005 |
|---|---|---|
| Balance as at July 1 | 103,927 | 135,907 |
| Charge during the year | 17,698 | - |
| Amount written back during the year | - | (31,980) |
| Balance as at June 30 | 121,625 | 103,927 |

## 23. SHARE CAPITAL

23.1 Authorised Capital

| 2006 (No. of shares) | 2005 (No. of shares) | | 2006 | 2005 |
|---|---|---|---|---|
| 200,000,000 | 200,000,000 | Ordinary shares of Rs 10 each | 2,000,000 | 2,000,000 |

23.2 **Issued, subscribed and paid-up capital**

| 2006 (No. of shares) | 2005 (No. of shares) | | 2006 | 2005 |
|---|---|---|---|---|
| 24,130,789 | 24,130,789 | Ordinary shares of Rs 10 each issued as fully paid to shareholders of former NSC and PSC in consideration of their shareholdings in those companies | 241,308 | 241,308 |
| 25,900,000 | 25,900,000 | Ordinary shares of Rs 10 each issued as fully paid to the Government of Pakistan (GoP) for cash received in 1985 | 259,000 | 259,000 |
| 64,309,800 | 64,309,800 | Ordinary shares of Rs 10 each issued as fully paid to the GoP on financial restructuring of the Corporation in the year 1989-90 | 643,098 | 643,098 |
| 17,722,791 | 5,717,029 | Ordinary shares of Rs 10 each issued as fully paid bonus shares | 177,228 | 57,170 |
| 132,063,380 | 120,057,618 | | 1,320,634 | 1,200,576 |

23.2.1 A summary of the movement on ordinary share capital is given below:

| | Number of ordinary shares | Amount |
|---|---|---|
| | | Rupees in '000 |
| **Issued, subscribed and paid-up capital** | | |
| **Balance as at July 1, 2004** | 114,340,589 | 1,143,406 |
| Ordinary shares of Rs 10 each issued during the year as bonus shares | 5,717,029 | 57,170 |
| **Balance as at June 30, 2005** | 120,057,618 | 1,200,576 |
| Ordinary shares of Rs 10 each issued during the year as bonus shares | 12,005,762 | 120,058 |
| Balance as at June 30, 2006 | 132,063,380 | 1,320,634 |

23.3 At June 30, 2006 GoP held 117,706,724 (2005: 107,006,113) ordinary shares in the Corporation.

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **24. RESERVES** | | | |
| Capital reserves | 24.1 | 126,844 | 126,844 |
| Revenue reserve (including unappropriated profit) | | 5,859,875 | 4,486,605 |
| | | 5,986,719 | 4,613,449 |

24.1 This includes amount transferred from shareholders' equity at the time of merger of former National Shipping Corporation (NSC) and Pakistan Shipping Corporation (PSC).

| | 2006 | 2005 |
|---|---|---|
| | (Rupees in '000) | |
| **25. MINORITY INTEREST** | | |
| Share of minority in: | | |
| - Share capital | 99 | 99 |
| - Share premium account | 1 | 1 |
| - General reserve | 18 | 18 |
| - Un-appropriated profit brought forward | 1,019 | 918 |
| - Profit for the year | 72 | 101 |
| | 1,209 | 1,137 |

## 26. SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX

| | 2006 | 2005 |
|---|---|---|
| | (Rupees in '000) | |
| Balance as at July 1 | 4,256,167 | 645,564 |
| Surplus arising on revaluation of fixed assets during the year | 8,689 | 3,616,460 |
| | 4,264,856 | 4,262,024 |
| Transferred to unappropriated profit: | | |
| Surplus relating to incremental depreciation charged during the year on related assets - net of tax | 495,364 | 103,460 |
| Related deferred tax liability | 2,461 | 11,085 |
| | 497,825 | 114,545 |
| Transferred to profit and loss account in respect of deficit realised on disposal of fixed assets | - | (108,688) |
| | 3,767,031 | 4,256,167 |
| Less: Related deferred tax liability on : | | |
| - Revaluation as at July 1 | 33,885 | 16,606 |
| - Surplus arising due to revaluation | - | 28,364 |
| - Incremental depreciation charged during the year on related assets transferred to profit and loss account | (2,461) | (11,085) |
| - Effect of allocation ratio of revenue under FTR | (8,800) | - |
| | 22,624 | 33,885 |
| Balance as at June 30 | 3,744,407 | 4,222,282 |
| Less: Surplus on revaluation of fixed assets attributable to minority interest | 2,148 | 2,148 |
| | 3,742,259 | 4,220,134 |

26.1 Deferred tax liability has not been recognised in respect of surplus on revaluation of vessels appearing in the books of subsidiary companies as their tax liability is determined under the Final Tax Regime as specified under the Income Tax Ordinance, 2001.

## 27. LONG-TERM FINANCING

| | 2006 | 2005 |
|---|---|---|
| | (Rupees in '000) | |
| Balance as at June 30 | 732,578 | 981,607 |
| Less: current portion of long-term financing | 258,557 | 256,071 |
| | 474,021 | 725,536 |

27.1 This represents balance of long-term financing obtained from National Bank of Pakistan-Bahrain amounting to US$ 12.143 million (2005: US$ 16.428 million). The loan is repayable in 7 yearly installments commencing from December 2003 and carries mark-up at the rate of 2.95% above 6 months LIBOR per annum (2005: 2.95% above 6 months LIBOR per annum) payable on half yearly basis. This loan is secured by a guarantee given by the Government of Pakistan through State Bank of Pakistan. According to the loan agreement, the Group can prepay the loan by giving one month irrevocable advance notice.

| | | Note | 2006 | 2005 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| **28.** | **DEFERRED LIABILITIES** | | | |
| | Employees' gratuity | 28.1.1 | 218,932 | 234,660 |
| | Post retirement medical benefits | 28.1.1 | 86,474 | 88,094 |
| | Employees' compensated absences | 28.2 | 94,144 | 97,018 |
| | | | 399,550 | 419,772 |

28.1 **Retirement benefit schemes**

The fair value of the scheme's assets and liabilities for past services of the employees at the latest valuation date were as follows:

| | Note | 2006 | | 2005 | |
|---|---|---|---|---|---|
| | | Employees' gratuity | Post retirement medical benefits | Employees' gratuity | Post retirement medical benefits |
| | | -----------(Rupees in '000)----------- | | | |
| 28.1.1 Movement in the net liability recognised in the balance sheet: | | | | | |
| Net recognised liability as at July 1 | | 234,660 | 88,094 | 225,752 | 95,389 |
| Charge for the year | 28.1.2 | 20,441 | 5,531 | 24,222 | (2,166) |
| | | 255,101 | 93,625 | 249,974 | 93,223 |
| Less: payments made during the year | | (36,169) | (7,151) | (15,314) | (5,129) |
| Net recognised liability as at June 30 | | 218,932 | 86,474 | 234,660 | 88,094 |
| Present value of defined benefit obligation | | 223,611 | 76,674 | 216,568 | 82,808 |
| Unrecognised actuarial (loss)/gain | | (4,679) | 9,800 | 18,092 | 5,286 |
| | | 218,932 | 86,474 | 234,660 | 88,094 |

28.1.2 The following amounts have been charged to the profit and loss account during the current year in respect of the defined benefit obligation:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | Employees' gratuity | Post retirement medical benefits | Employees' gratuity | Post retirement medical benefits |
| | -----------(Rupees in '000)----------- | | | |
| Current service cost | 8,073 | 3,441 | 8,227 | 3,823 |
| Interest cost | 19,581 | 7,376 | 17,469 | 6,592 |
| Actuarial gain recognised during the year | (7,213) | (5,286) | (1,474) | (12,581) |
| | 20,441 | 5,531 | 24,222 | (2,166) |

28.1.3 As stated in note 2.16.2 of these consolidated financial statements, the Group operates an unfunded gratuity scheme, and post retirement medical benefit scheme. Provision is maintained against these schemes based on the actuarial recommendations. Actuarial valuation of these benefits are carried out at least once in every two years and the latest valuations were carried out as at June 30, 2006. Projected Unit Credit Method using the following significant assumptions were used for the actuarial valuation of the defined benefit obligation schemes.

- Expected rate of increase in salary level is 7% (2005: 6%) per annum.
- Expected discount rate of 9% (2005: 8%) per annum.
- Expected medical cost trend rate 7% (2005: 6%) per annum.

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| 28.2 **Employees' compensated absences** | | | |
| 28.2.1 Movement in the net liability recognised in the balance sheet: | | | |
| Net recognised liability as at July 1 | | 97,018 | 127,242 |
| Charge for the year | 28.2.2 | 35,823 | 14,402 |
| | | 132,841 | 141,644 |
| Less: payments made during the year | | (38,697) | (44,626) |
| Net recognised liability as at June 30 | | 94,144 | 97,018 |

28.2.2 The following amounts have been charged to the profit and loss account during the current year in respect of the employees' compensated absences obligation:

| | 2006 | 2005 |
|---|---|---|
| | (Rupees in '000) | |
| Current service cost | 32,646 | 36,967 |
| Interest cost | 8,132 | 8,440 |
| Actuarial gain recognised during the year | (4,955) | (31,005) |
| | 35,823 | 14,402 |

## 29. CONTINGENCIES

29.1 The contingent liability in respect of claims not admitted by the Group as at June 30, 2006 amount to Rs 1,139.196 million (2005: Rs 987.181 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo, damages to cargo and miscellaneous claims lodged by workers and others. These include Rs 34.485 million (2005: Rs 32.806 million) approximately in respect of insurance claims which, if accepted, will be borne by the Group as the P&I Club, Oceanus Mutual Underwriting Association (Bermuda) Limited has gone into liquidation. Out of the remaining claims, a sum of Rs 351.354 million (2005: Rs 270.824 million) approximately would be recoverable from the P&I Club, Steamship Mutual Underwriting Association, in the event these claims are accepted by the Group. As a matter of prudence, the management has made a total provision of Rs 121.625 million (2005:Rs 103.927 million) against the afore-mentioned claims in these consolidated financial statements as referred to in note 19.1 thereto.

29.2 The Group has not accepted liability in respect of customs duty approximating Rs 2.500 million (2005: Rs 2.500 million) relating to the sale of the vessel M.V Bhambore during the year ended June 30, 1978. The duty was claimed from the Group and the matter has been taken up with the appropriate Government agencies.

29.3 The former owners of East & West Steamship Company, Chittagong Steamship Corporation Limited and Trans Oceanic Steamship Company Limited had initiated litigation that involved the Government of Pakistan and the Group.

Following the Supreme Court's adjudication of the East & West Steamship Company's matter in favour of the former owners, the Government provisionally assessed additional compensation due to the former owners at approximately Rs 97.012 million (2005: 97.012 million). Although a major portion of this amount has been settled by the Government, the Government holds the Group liable for this amount by virtue of the net assets of the East & West Steamship Company having become vested in the Group.

In case of Chittagong Steamship Corporation Limited and Trans Oceanic Steamship Company Limited, the litigations relating to compensation to the former owners and the legal suits are pending in the High Court of Sindh. The amount claimed is approximately Rs 1.300 million and Rs 66.800 million (2005: Rs 1.300 million and Rs 66.800 million) respectively.

The Group disclaims any liability in respect of the above mentioned amounts and any accretions to it upto final determination and settlement of the matter.

29.4 In respect of the claims filed or likely to be filed against the Group for any cause, including, short delivery of cargo, oil pollution, environmental damage arising out of the grounding and break-up of M.T. Tasman Spirit, negotiation for an out of court settlement were held with the owners of M.T. Tasman Spirit by the Committee set up by the Federal Government. However, the owners of M.T. Tasman Spirit decided to reactivate the arbitration proceedings against the Group in London in respect of unsafe port claim and as a result, the 'stand still agreement' between the owners of M.T. Tasman Spirit and the Government of Pakistan came to an end in May 2005. During the year, arbitration proceedings have commenced, however, in the management's opinion, it is unlikely to succeed and no significant financial liability is likely to result against the Group.

29.5 While framing the tax assessment for the income year ended June 30, 1990, the assessing officer had made an addition to income of Rs 3,974.455 million, being the remission of liabilities due to the Federal Government under the scheme of financial restructuring of the Group. The resultant tax liability including additional taxes for late payment of tax amounted to Rs 1,293.748 million, part of which was paid by the Group and the remaining amount of Rs 1,233.694 million was directly discharged at source by the Federal Government. During the year ended June 30, 2002 the ITAT had given its decision in favour of the Group on the appeal filed against the above order. However, the effect of the above decision has not been given by the income tax authorities so far.

29.6 While framing the assessments for the assessment years 2001 - 2002 and 2002 - 2003 the income tax assessing authorities had made certain add backs having tax impact of Rs 103.614 million. The Group filed appeals against the subject assessment orders and the Commissioner of Income Tax (Appeal) in his orders has upheld certain disallowances and has given decisions in favour of the Group on certain matters. The management of the Group is confident that the matters in appeals shall be eventually decided in its favour.

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **30. CHARTERING REVENUES** | | | |
| Own vessels: | | | |
| Time charter revenue | | 79,627 | 124,698 |
| Voyage charter revenue | | 208,269 | 307,321 |
| | | 287,896 | 432,019 |
| Foreign flag vessels: | | | |
| Time charter revenue | | - | 600,894 |
| Voyage charter revenue | | 533,883 | 868,564 |
| Slot charter revenue | | 847,139 | 612,769 |
| | | 1,381,022 | 2,082,227 |
| | | 1,668,918 | 2,514,246 |

**31. FLEET EXPENSES - DIRECT**

| | Note | 2006 | 2005 |
|---|---|---|---|
| Stevedoring and transhipment expenses | | 172,283 | 190,680 |
| Container leasing and other charges | | 221 | 168 |
| Diesel, fuel and lubricants consumed | | 1,745,111 | 1,033,371 |
| Port, light, canal and customs dues | | 613,232 | 495,637 |
| Salaries and allowances | | 398,403 | 334,815 |
| Charter hire and related expenses | 31.1 | 802,552 | 1,527,800 |
| Fleet communication expenses | | 13,684 | 15,639 |
| Agency commission and brokerage | | 130,430 | 113,327 |
| Victualling expenses | | 43,705 | 41,228 |
| Insurance | | 592,077 | 324,820 |
| Claims | | 34,509 | 21,946 |
| Stores and spares consumed | | 186,578 | 224,586 |
| Repairs, maintenance and special surveys | | 300,433 | 235,756 |
| Overage premium | | 70,491 | - |
| Provision for slow moving spares | | - | 15,198 |
| Depreciation | | | |
| Incomplete voyage as at July 1 | | 35,955 | 3,447 |
| Fleet expenses - direct | 4.7 | 1,050,949 | 358,170 |
| | | 1,086,904 | 361,617 |
| Sundry expenses | | 49,151 | 38,550 |
| | | 6,239,764 | 4,975,138 |

31.1 Charter Hire and Related Expenses

| | 2006 | 2005 |
|---|---|---|
| Foreign flag vessels: | | |
| - Time charter expenses | - | 414,231 |
| - Voyage charter expenses | 458,520 | 885,291 |
| - Slot charter expenses | 344,032 | 228,278 |
| | 802,552 | 1,527,800 |

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 32. FLEET EXPENSES - INDIRECT

| | Note | 2006 | 2005 |
|---|---|---|---|
| Conference establishment expenses | | 1,385 | 866 |
| Salaries and allowances – Regional offices | 32.1 | 3,376 | 3,978 |
| Agents' and other general expenses | | 9,020 | 10,755 |
| Depreciation | 4.7 | 914 | 3,611 |
| General establishment expenses – Regional offices | | 588 | 715 |
| | | 15,283 | 19,925 |

32.1 This includes Rs 0.149 million (2005: Rs 0.185 million) in respect of provident fund contribution.

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |

32.2 **Agents' and other general expenses**

| | Note | 2006 | 2005 |
|---|---|---|---|
| Printing and stationery | | 1,066 | 964 |
| Advertisement and publicity | | 1,717 | 2,901 |
| Telephone, telex and postage | | 4,859 | 5,486 |
| Bank charges and commission | | 393 | 583 |
| Other miscellaneous expenses | | 985 | 821 |
| | | 9,020 | 10,755 |

## 33. ADMINISTRATIVE AND GENERAL EXPENSES

| | Note | 2006 | 2005 |
|---|---|---|---|
| Salaries and allowances | 33.1 | 201,530 | 196,144 |
| General establishment expenses | 33.2 | 84,346 | 68,639 |
| Rent, rates and taxes | | 6,011 | 6,945 |
| Scholarship and training expenses | | 738 | 547 |
| Impairment of goodwill | | 24,362 | - |
| Impairment loss on investment | | 848 | - |
| Insurance | | 2,382 | 1,548 |
| Depreciation | 4.7 | 23,595 | 40,853 |
| Amortisation | 5 | 3,301 | 3,301 |
| Directors' fee | | 263 | 36 |
| Legal and professional charges | | 6,695 | 6,103 |
| Provision for doubtful debts against: | | | |
| - | trade | | 8,200 |
| 65,341 | | | |
| - others | | 21,204 | 31,965 |
| Others | | 1,822 | - |
| | | 385,297 | 421,422 |

33.1 This includes Rs 7.412 million (2005: Rs 7.802 million) in respect of provident fund contribution.

| | | Note | 2006 | 2005 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| 33.2 | **General establishment expenses** | | | |
| | Repairs and maintenance | | 4,940 | 4,641 |
| | Medical cost | | 8,496 | 9,175 |
| | Contribution to employees welfare fund | | 7 | 8 |
| | Contribution to group term insurance | | 1,085 | 1,180 |
| | Security charges | | 1,930 | 1,743 |
| | Travelling and conveyance | | 11,910 | 9,438 |
| | Entertainment and canteen subsidy | | 2,753 | 2,553 |
| | Books, periodicals and subscription | | 4,797 | 2,417 |
| | Uniform and liveries | | 376 | 288 |
| | Printing and stationery | | 2,929 | 2,562 |
| | Telephone, telex and postage | | 7,648 | 6,561 |
| | Light, power and water | | 10,983 | 7,131 |
| | Computer expenses | | 6,998 | 3,475 |
| | Advertisement and publicity | | 2,979 | 2,722 |
| | Vehicle running and repairs | | 11,725 | 9,141 |
| | Ship inspection expenses | | 1,234 | 1,955 |
| | Sundry expenses | | 3,556 | 3,649 |
| | | | 84,346 | 68,639 |

## 34. OTHER OPERATING EXPENSES

| | Note | 2006 | 2005 |
|---|---|---|---|
| Irrecoverable balances written off | | - | 194 |
| Stores written off | | - | 6,629 |
| Workers' profit participation fund | 21.2 | 72,100 | 155,622 |
| Deficit on vessel disposed during the year included in the revaluation surplus - net of tax | | - | 108,688 |
| Donations | 34.1 | 2,614 | 14,153 |
| Auditors' remuneration | 34.2 | 4,822 | 4,847 |
| Employees' gratuity | 28.1.1 | 20,441 | 24,222 |
| Post retirement medical benefits | 28.1.1 | 5,531 | (2,166) |
| Employees' compensated absences | 28.2.1 | 35,823 | 14,402 |
| Cargo claims | | - | 1,265 |
| Loss on revaluation of investments | | 2,178 | - |
| Others | | 515 | - |
| | | 144,024 | 327,856 |

34.1 Donations were not made to any donee in which the Group or a director or his spouse had any interest.

34.2 **Auditors' remuneration**

| | 2006 | | | 2005 | | |
|---|---|---|---|---|---|---|
| | A. F. Ferguson & Co. | Ford Rhodes Sidat Hyder & Co. | Total | A. F. Ferguson & Co. | Ford Rhodes Sidat Hyder & Co. | Total |
| | (Rupees '000) | | | | | |
| Audit fee - the Corporation | 280 | 280 | 560 | 224 | 224 | 448 |
| Audit fee - Subsidiaries | 487 | 504 | 991 | 459 | 458 | 917 |
| Review of half yearly financial statements | 150 | 150 | 300 | 150 | 150 | 300 |
| Review of compliance with the best practices of the code of Corporate Governance | 40 | 40 | 80 | 40 | 40 | 80 |
| Fee for audit of the consolidated financial statements | 50 | 50 | 100 | - | - | - |
| Audit fee - funds | - | 3 | 3 | - | - | |
| Tax advisory services | 2,458 | 4 | 2,462 | 2,887 | - | 2,887 |
| Out of pocket expenses | 171 | 155 | 326 | 109 | 106 | 215 |
| | 3,636 | 1,186 | 4,822 | 3,869 | 978 | 4,847 |

## 35. FINANCE COST

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Interest on: | | | |
| - Long-term financing | | 61,249 | 58,571 |
| - Workers' Profits Participation Fund | 21.2 | 2,787 | 2,597 |
| Bank charges and commission | | 4,311 | 3,880 |
| Exchange loss on long-term financing | | 7,300 | 29,436 |
| | | 75,647 | 94,484 |

## 36. OTHER OPERATING INCOME

| | Note | 2006 | 2005 |
|---|---|---|---|
| Interest/mark-up on loans and advances to employees | | 773 | 898 |
| Income from savings and term deposits accounts | | 261,041 | 63,293 |
| Scrap sales | | 148 | 477 |
| Profit on disposal of fixed assets | | 2,157 | 266,571 |
| Dividend income | | 1,945 | 2,129 |
| Provisions no longer required written back | | 10,566 | 109,355 |
| Gain on revaluation of investments | | - | 10,488 |
| Gain on revaluation of investment properties | | - | 235,289 |
| Insurance claims | 36.1 | 11,093 | 35,207 |
| Liabilities no longer payable written back | 36.2 | 4,031 | 11,173 |
| Miscellaneous other income | | 39,745 | 57,589 |
| | | 331,499 | 792,469 |

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| 36.1 This represents recoveries from hull, cargo and other claims according to: | | | |
| - the insurance policies | | 11,093 | 33,703 |
| - others | | - | 1,504 |
| | | 11,093 | 35,207 |

36.2 This includes old outstanding dividend forfeited amounting to Rs Nil (2005: Rs 9.758 million).

## 37. TAXATION

| | 2006 | 2005 |
|---|---|---|
| Tax charge for: | | |
| - Current year | 328,140 | 140,342 |
| - Prior years | (54,589) | 55,292 |
| | 273,551 | 195,634 |
| Deferred | (124,209) | (2,181) |
| | 149,342 | 193,453 |
| Taxes paid abroad | | |
| - Current year | 3,613 | 1,737 |
| | 152,955 | 195,190 |

37.1 Relationship between tax expense and accounting profit

| | 2006 | 2005 |
|---|---|---|
| Accounting profit before tax | 1,391,106 | 2,898,541 |
| Tax rate | 35% | 35% |
| Tax on accounting profit | 486,887 | 1,014,489 |
| Tax effect in respect of taxable difference on surplus on revaluation of investment properties | - | (82,351) |
| Tax effect of lower tax rates on certain incomes | (201,362) | (798,436) |
| Others | (81,594) | 4,459 |
| | (282,956) | (876,328) |
| | 203,931 | 138,161 |
| Tax effects of adjustments in respect of taxes paid abroad | 3,613 | 1,737 |
| Tax effects of adjustments in respect of prior years | (54,589) | 55,292 |
| Tax expense for the year | 152,955 | 195,190 |

## 38. EARNINGS PER SHARE

| | 2006 | 2005 |
|---|---|---|
| Profit after taxation attributable to equity holders of the Corporation | 1,238,079 | 2,703,250 |
| | (Number of shares) | |
| Weighted average number of Ordinary shares in issue during the year | 132,063,380 | 132,063,380 |
| | (Rupees) | |
| Earnings per share - basic and diluted | 9.37 | 20.47 |

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **39. CASH GENERATED FROM OPERATIONS** | | | |
| Profit before taxation | | 1,391,106 | 2,898,541 |
| Adjustments for non-cash charges and other items: | | | |
| Share of loss in an associate | | 4,992 | 6,084 |
| Depreciation (including net impact of adjustment in cost and accumulated depreciation balance) | | 1,117,155 | 376,490 |
| Amortisation | | 3,301 | - |
| Profit on disposal of property, plant and equipment | | (2,157) | (266,571) |
| Stores and spares written off | | - | 6,629 |
| Loss on disposal of stores, spares and bunker on board with the vessel | | - | (12,329) |
| Deficit on vessel disposed during the year included in the revaluation surplus - net of tax | | - | 108,688 |
| Provision for employees' gratuity | | 20,441 | 24,222 |
| Provision for employees' compensated absences | | 35,823 | 14,402 |
| Provision for post retirement medical benefits | | 5,531 | (2,166) |
| Provision / (reversal) against claims for damages | | 17,698 | (31,980) |
| Dividend income | | (1,945) | (2,129) |
| Dividend forfeited | | - | (9,758) |
| Interest / mark-up income | | (261,041) | (64,191) |
| Interest / mark-up expense | | 61,249 | 58,571 |
| Impairment of goodwill | | 24,362 | - |
| Impairment loss on investment in an associate | | 848 | - |
| Irrecoverable balances written off | | - | 194 |
| Loss/(gain) on revaluation of investments | | 2,178 | (10,488) |
| Gain on revaluation of investment properties | | - | (235,289) |
| Unrealised exchange loss on long-term financing | | 7,300 | 29,436 |
| Working capital changes | 39.1 | (120,325) | 423,657 |
| | | 2,306,516 | 3,312,013 |

**39.1 Working capital changes**

| | | 2006 | 2005 |
|---|---|---|---|
| Decrease / (increase) in current assets | | | |
| Stores and spares | | (12,092) | (933) |
| Trade debts | | 81,742 | 270,974 |
| Agents' and owners' balances | | 25,961 | (43,018) |
| Loans and advances | | (4,533) | 9,879 |
| Deposits and prepayments | | 4,101 | 10,073 |
| Other receivables | | (20,166) | 1,916 |
| Incomplete voyages | | (232,537) | (49,787) |
| Insurance claims | | (9,170) | (61,665) |
| | | (166,694) | 137,439 |
| Increase in current liabilities | | | |
| Trade and other payables | | 46,369 | 286,218 |
| | | (120,325) | 423,657 |

**40. CASH AND CASH EQUIVALENTS**

| | | 2006 | 2005 |
|---|---|---|---|
| Cash and bank balances | | 4,327,054 | 4,114,991 |
| | | 4,327,054 | 4,114,991 |

## 41. REMUNERATION OF CHAIRMAN, EXECUTIVE DIRECTORS / DIRECTORS AND OTHER EXECUTIVES

The aggregate amount of remuneration including all benefits payable to the Chairman, Executive Directors / Director and Executives of the Group were as follows:

| | Chairman & Chief Executive | | Executive Directors/Directors | | Other Executives | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| | (Rupees '000) | | | | | |
| Managerial remuneration and allowances | 704 | 224 | 3,803 | 5,686 | 41,331 | 30,751 |
| Retirement benefits | - | - | 142 | 334 | 270 | 380 |
| House rent | - | - | 779 | 1,206 | 10,455 | 8,722 |
| Conveyance | - | - | - | - | 2,908 | 2,543 |
| Entertainment | 12 | 9 | 421 | 419 | - | - |
| Medical | 25 | 58 | 123 | 305 | 1,450 | 1,409 |
| Utilities | 37 | 38 | 406 | 604 | 4,111 | 3,327 |
| Personal staff subsidy | 28 | - | 62 | 43 | 386 | 185 |
| Club membership fee and expenses | 24 | 24 | 68 | 56 | - | - |
| Personal accident insurance | 4 | 4 | 17 | 13 | - | 119 |
| Bonus | - | - | - | - | 614 | - |
| Other allowances | 220 | 142 | 367 | 493 | 19,901 | 16,437 |
| | 1,054 | 499 | 6,188 | 9,159 | 81,426 | 63,873 |
| Number of persons | 1 | 1 | 6 | 6 | 47 | 36 |

41.1 Retirement benefits represent amount contributed towards various retirement benefit plans. The Executives of the Group are entitled to retirement benefits as outlined in note 2.16 to these consolidated financial statements. The Chairman and Chief Executive, Executive Directors and certain Executives are provided with Group owned and maintained cars.

41.2 The aggregate amount charged in the consolidated financial statements for fee to non-executive directors was Rs 0.263 million (2005: Rs 0.036 million).

## 42. FINANCIAL ASSETS AND LIABILITIES

| | 2006 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Interest / mark-up bearing | | | Non Interest / mark-up bearing | | | |
| | Maturity upto one year | Maturity after one year | Subtotal | Maturity upto one year | Maturity after one year | Subtotal | Total |
| | (Rupees '000) | | | | | | |
| **Financial Assets** | | | | | | | |
| Long-term investments | - | - | - | 30,781 | - | 30,781 | 30,781 |
| Loans - Employees | 920 | 2,210 | 3,130 | - | - | - | 3,130 |
| Trade debts | - | - | - | 209,936 | - | 209,936 | 209,936 |
| Agents' and owners' balances | - | - | - | 32,207 | - | 32,207 | 32,207 |
| Deposits | - | - | - | 2,445 | 90 | 2,535 | 2,535 |
| Interest/mark-up accrued | - | - | - | 42,999 | - | 42,999 | 42,999 |
| Other receivables | - | - | - | 65,833 | - | 65,833 | 65,833 |
| Insurance claims | - | - | - | 83,049 | - | 83,049 | 83,049 |
| Cash and bank balances | 3,710,434 | - | 3,710,434 | 616,620 | - | 616,620 | 4,327,054 |
| | 3,711,354 | 2,210 | 3,713,564 | 1,083,870 | 90 | 1,083,960 | 4,797,524 |
| **Financial Liabilities** | | | | | | | |
| Long-term financing | 258,557 | 474,021 | 732,578 | - | - | - | 732,578 |
| Trade and other payables | - | - | - | 930,818 | - | 930,818 | 930,818 |
| Interest accrued | - | - | - | 174 | - | 174 | 174 |
| | 258,557 | 474,021 | 732,578 | 930,992 | - | 930,992 | 1,663,570 |
| **Net financial assets/(financial liabilities)** | 3,452,797 | (471,811) | 2,980,986 | 152,878 | 90 | 152,968 | 3,133,954 |

The effective interest / mark-up rates for the monetary financial assets and liabilities are disclosed in the respective notes.

| | 2005 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Interest / mark-up bearing | | | Non Interest / mark-up bearing | | | |
| | Maturity upto one year | Maturity after one year | Subtotal | Maturity upto one year | Maturity after one year | Subtotal | Total |
| | (Rupees '000) | | | | | | |
| **Financial Assets** | | | | | | | |
| Long-term investments | - | - | - | 32,959 | - | 32,959 | 32,959 |
| Loans - Employees | 1,610 | 3,300 | 4,910 | - | - | - | 4,910 |
| Trade debts | - | - | - | 291,678 | - | 291,678 | 291,678 |
| Agents' and owners' balances | - | - | - | 58,168 | - | 58,168 | 58,168 |
| Deposits | - | - | - | 5,881 | - | 5,881 | 5,881 |
| Interest/mark-up accrued | - | - | - | 9,420 | - | 9,420 | 9,420 |
| Other receivables | - | - | - | 44,841 | - | 44,841 | 44,841 |
| Insurance claims | - | - | - | 73,879 | - | 73,879 | 73,879 |
| Cash and bank balances | 3,950,671 | - | 3,950,671 | 164,320 | - | 164,320 | 4,114,991 |
| | 3,952,281 | 3,300 | 3,955,581 | 681,146 | - | 681,146 | 4,636,727 |
| **Financial Liabilities** | | | | | | | |
| Long-term financing | 256,071 | 725,536 | 981,607 | - | - | - | 981,607 |
| Trade and other payables | - | - | - | 933,806 | - | 933,806 | 933,806 |
| Interest accrued | - | - | - | 180 | - | 180 | 180 |
| | 256,071 | 725,536 | 981,607 | 933,986 | - | 933,986 | 1,915,593 |
| **Net financial assets/(financial liabilities)** | 3,696,210 | (722,236) | 2,973,974 | (252,840) | - | (252,840) | 2,721,134 |

42.1 **Concentration of credit risk**

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs 4,797.524 million (2005: Rs 4,636.727 million) the financial assets which are subject to credit risk amounted to Rs 4,797.510 million (2005: Rs 4,636.575 million). The management of the Group believes that it is not exposed to major concentration of credit risk.

42.2 **Foreign exchange risk management**

Foreign currency risk arises on receivable and payable transactions at foreign ports and on long-term foreign currency loan. Foreign currency risks are not covered as a considered management decision.

42.3 **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Group believes that it is not exposed to any significant level of liquidity risk.

42.4 **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Group has adopted appropriate policies to minimise its exposure to this risk.

42.5 **Fair value of financial assets and financial liabilities**

The carrying value of all financial assets and financial liabilities are estimated to approximate their fair values.

**43. RELATED PARTY DISCLOSURES**

Related parties comprise of companies affiliated to the holding company and their directors, key executives of the holding company and employee funds maintained by the holding company. Transactions with related parties essentially entail dividend income received from related investee companies. Particulars of remuneration to key personnel are disclosed in note 41 of these consolidated financial statements.

The significant transactions carried out by the Group with related parties during the year are given below:

| | **2006** | **2005** |
|---|---|---|
| | **(Rupees in '000)** | |
| Contribution to Provident Fund | 7,561 | 11,942 |
| Directors' fee | 263 | 36 |

## 44. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, whenever necessary, for the purposes of comparison. Major changes made for better presentation during the year are as follows:

| Note | Reclassification from component | Note | Reclassification to component | (Rupees in '000) |
|---|---|---|---|---|
| 17 | Short term investments<br>- held to maturity | 20 | cash and bank balances<br>- term deposits | 2,950,000 |
| 31 | Other operating expenses<br>- exchange loss on foreign currency loan | 35 | Finance cost<br>- exchange loss on foreign currency loan | 29,436 |

44.1 Followings have been reclassified and disclosed separately on the face of the balance sheet this year:

| Note | Reclassification from component | (Rupees in '000) |
|---|---|---|
| 3 | Fixed assets<br>- Intangible assets | 11,552 |
| 19 | Trade and other payables<br>- Provision against damages claims | 103,927 |

44.2 Amortisation has been disclosed as a separate line item in administration and general expenses this year for better presentation.

44.3 Unappropriated profit has been reclassified and shown as part of reserves in these consolidated financial statements.

## 45. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

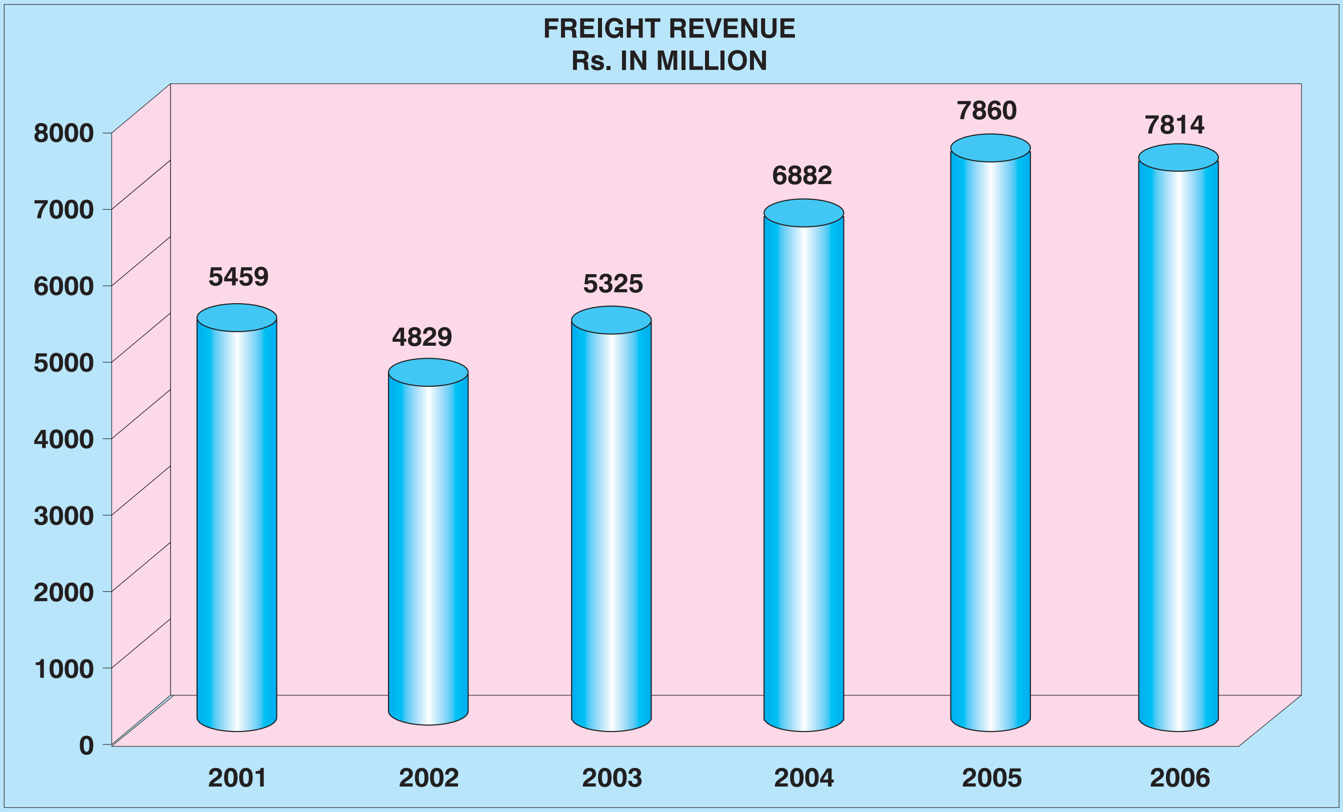
The Board of Directors in its meeting held on September 16, 2006 has proposed a cash dividend in respect of 2006 of Re. 1.00 per share (2005: Rs 2.00 per share). In addition, the directors have also announced a bonus issue of Nil (2005: 10%). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended June 30, 2006 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

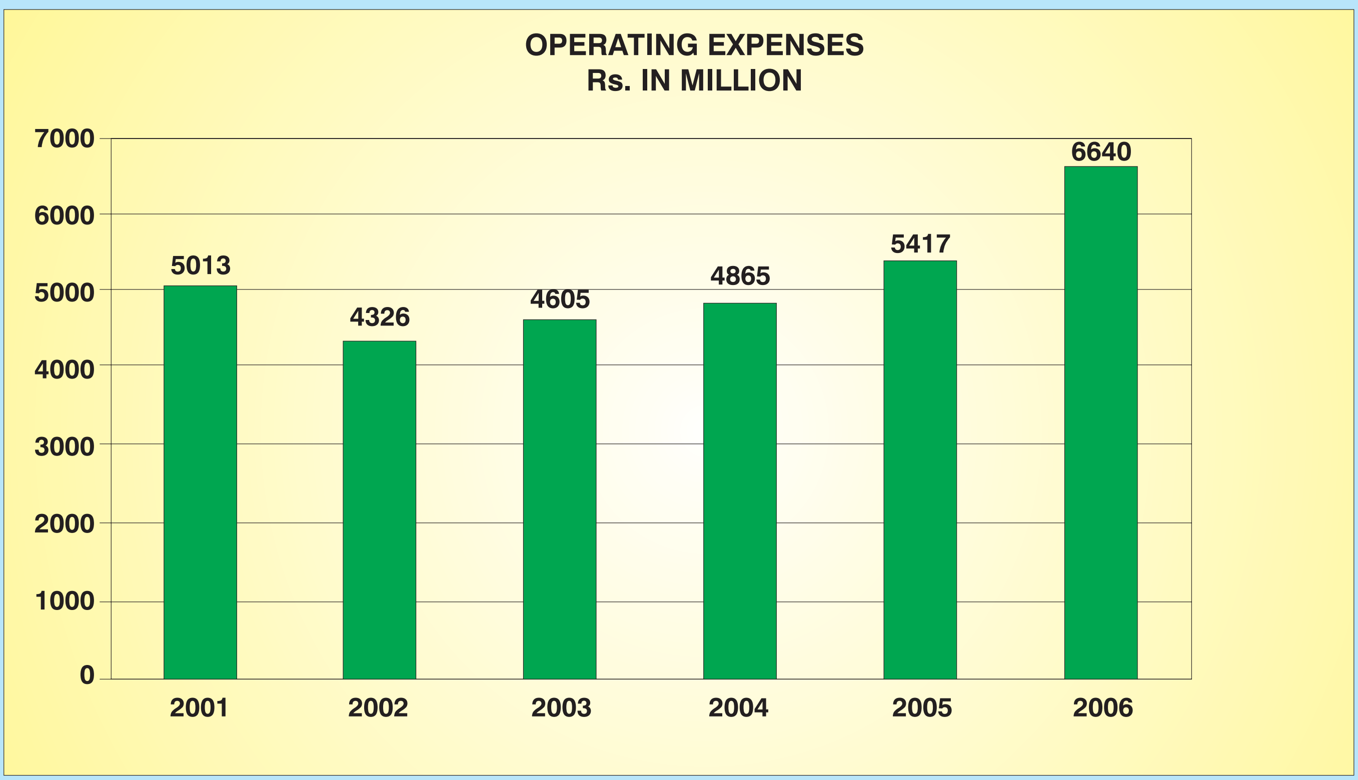
## 46. DATE OF AUTHORISATION

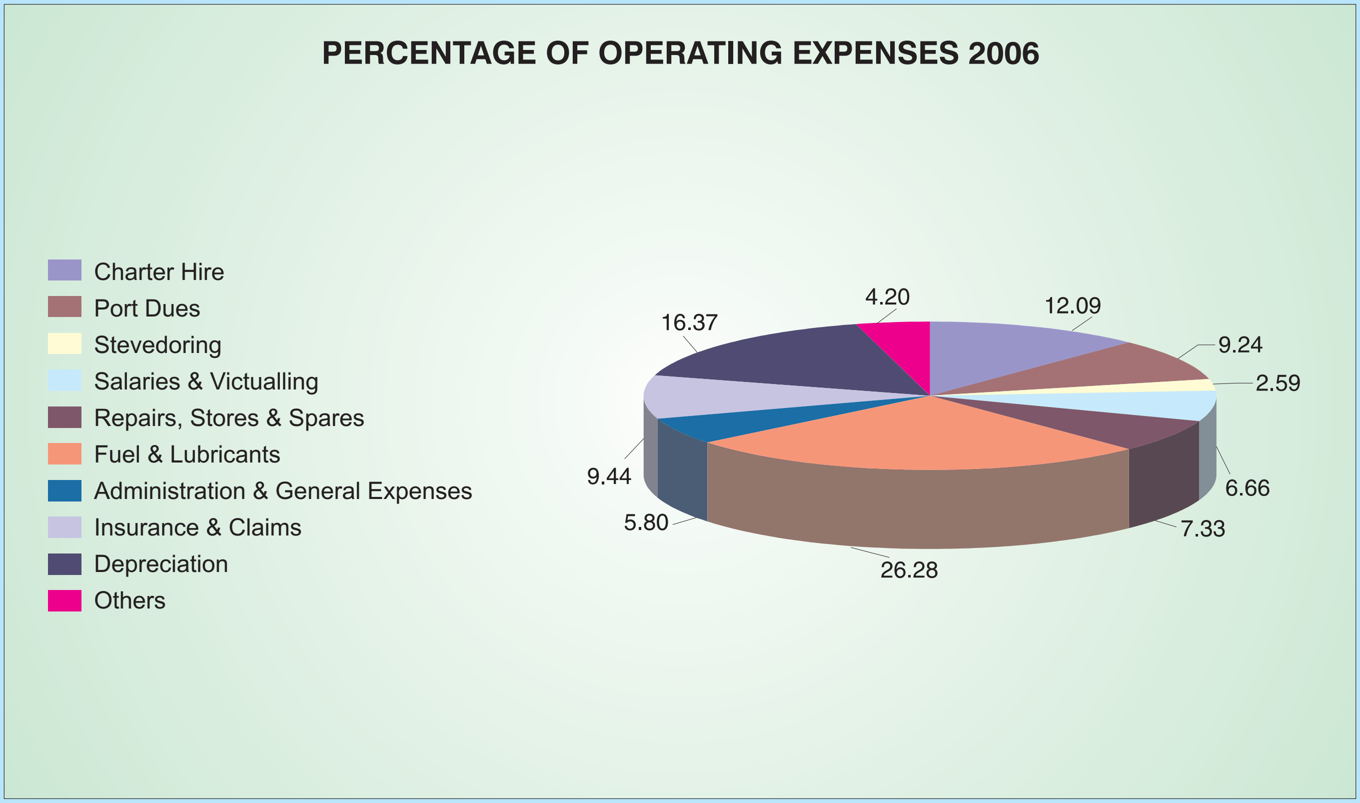
These financial statements were authorised for issue on September 16, 2006 by the Board of Directors.

**Vice Admiral (Retd.) S. Tauquir H. Naqvi**
Chairman & Chief Executive

**S. Haider Abbas Rizvi**
Director

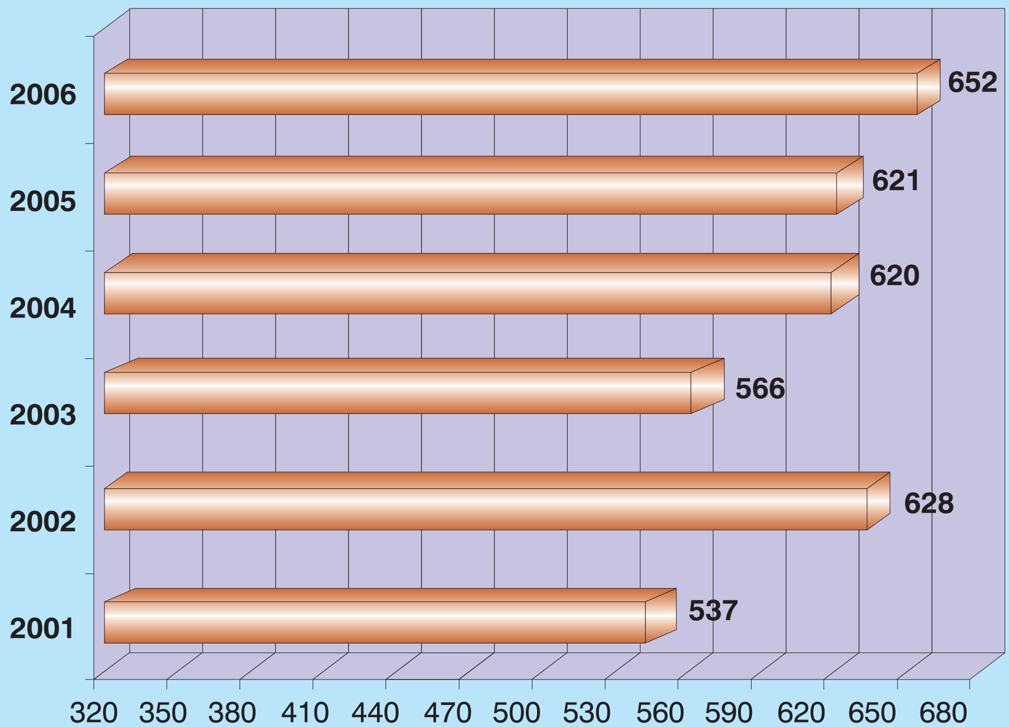

FREIGHT REVENUE
Rs. IN MILLION
8000
7000
6000
5000
4000
3000
2000
1000
0
5459
4829
5325
6882
7860
7814
2001
2002
2003
2004
2005
2006


OPERATING EXPENSES
Rs. IN MILLION
7000
6000
5000
4000
3000
2000
1000
0
5013
4326
4605
4865
5417
6640
2001
2002
2003
2004
2005
2006

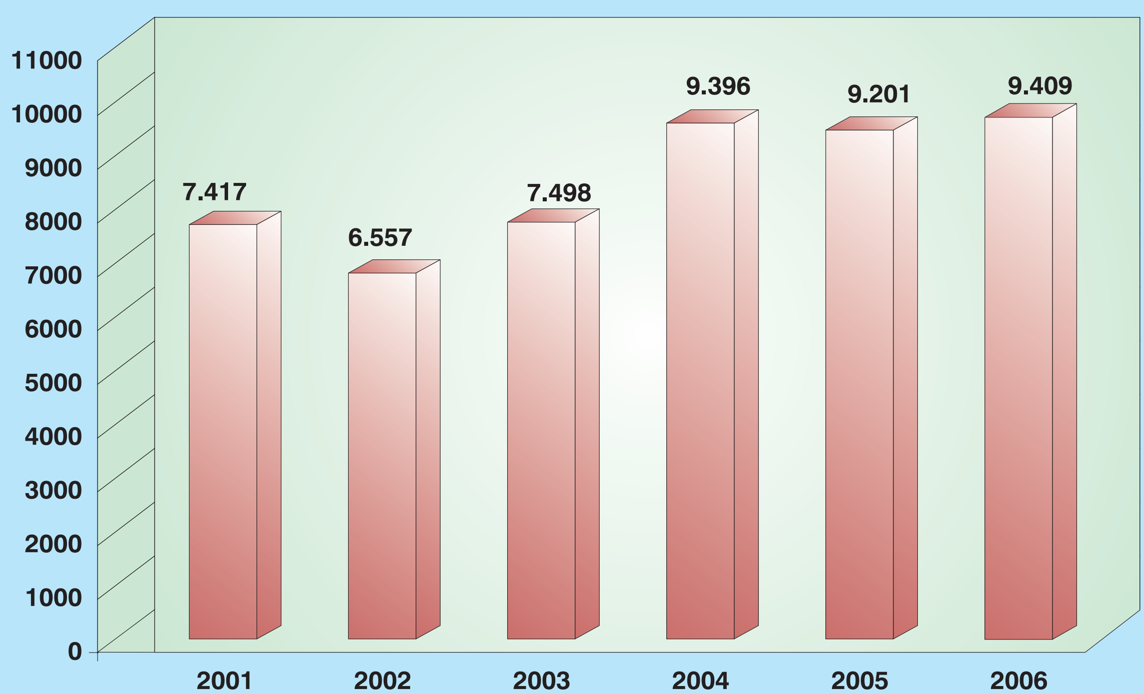

PERCENTAGE OF OPERATING EXPENSES 2006
Charter Hire
Port Dues
Stevedoring
Salaries & Victualling
Repairs, Stores & Spares
Fuel & Lubricants
Administration & General Expenses
Insurance & Claims
Depreciation
Others
4.20
12.09
9.24
2.59
6.66
7.33
26.28
5.80
9.44
16.37


OPERATING PROFIT
Rs. IN MILLION
2600
2500
2400
2300
2200
2100
2000
1900
1800
1700
1600
1500
1400
1300
1200
1100
1000
900
800
700
600
500
400
300
200
100
0
2001
2002
2003
2004
2005
2006
445.01
573.2
799.38
2098.51
2534.49
1284.27

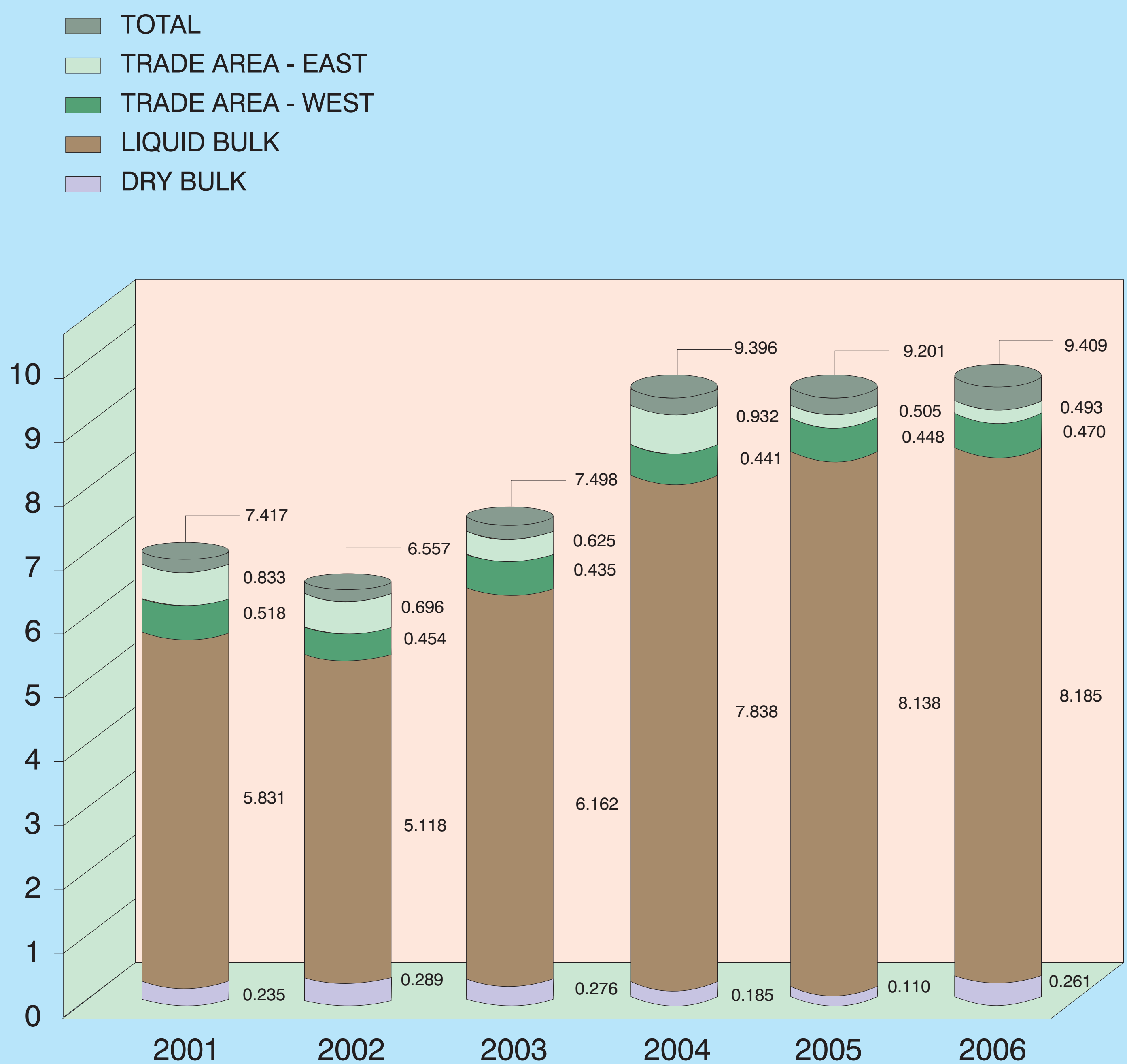
## NO. OF VOYAGES




## CARGO HANDLED
## FREIGHT TONS IN MILLION



# SECTOR WISE CARGO LIFTINGS
## FREIGHT TONS IN MILLION



# REPORT AND ACCOUNTS

# OF

# PAKISTAN NATIONAL SHIPPING CORPORATION HOLDING COMPANY

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
STATE LIFE BUILDING 1-C
1. 1. CHUNDRIGAR ROAD
KARACHI.

FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS
PROGRESSIVE PLAZA
BEAUMONT ROAD
KARACHI.

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan National Shipping Corporation as at June 30, 2005 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Corporation's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Corporation as required by the Companies Ordinance, 1984;

(b) in our opinion:

   (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   (ii) the expenditure incurred during the year was for the purpose of the Corporation's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Corporation;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Corporation's affairs as at June 30, 2006 and of the profit, its changes in equity and cash flows for the year then ended; and

(d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Corporation and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**A. F. Ferguson & Co.**
Chartered Accountants
Karachi

**Ford Rhodes Sidat Hyder & Co.**
Chartered Accountants
Karachi

September 16, 2006

**PAKISTAN NATIONAL SHIPPING CORPORATION**
**BALANCE SHEET**
**AS AT JUNE 30, 2006**

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **NON-CURRENT ASSETS** | | | |
| Fixed assets | | | |
| - Property, plant and equipment | 4 | 631,670 | 627,162 |
| - Intangible assets | 5 | 8,251 | 11,552 |
| Investment properties | 6 | 674,162 | 674,162 |
| Long-term investments in: | | | |
| - Related parties (subsidiaries and associate) | 7 | 8,377,167 | 7,931,326 |
| - Listed companies and other entities | 8 | 30,781 | 32,959 |
| | | 8,407,948 | 7,964,285 |
| Long-term loans and advances | 9 | 1,447,528 | 996,466 |
| Deferred tax - net | 10 | 132,684 | - |
| | | 11,302,243 | 10,273,627 |
| **CURRENT ASSETS** | | | |
| Stores and spares | 11 | 21,504 | 17,665 |
| Trade debts | 12 | 31,308 | 103,700 |
| Agents' and owners' balances | 13 | 12,512 | 38,815 |
| Loans and advances | 14 | 389,052 | 384,519 |
| Deposits and prepayments | 15 | 4,799 | 5,990 |
| Interest / mark-up accrued | 16 | 54,734 | 27,677 |
| Other receivables | 17 | 242,492 | 20,587 |
| Incomplete voyages | 18 | 2,144 | 7,448 |
| Insurance claims | 19 | 9,661 | 2,168 |
| Cash and bank balances | 20 | 4,055,389 | 4,051,579 |
| | | 4,823,595 | 4,660,148 |
| **LESS: CURRENT LIABILITIES AND PROVISIONS** | | | |
| Trade and other payables | 21 | 3,660,150 | 3,332,437 |
| Provision against damage claims | 22 | 121,625 | 103,927 |
| Interest accrued | | 174 | 180 |
| Current portion of long-term financing | 26 | 258,557 | 256,071 |
| Taxation - net | | 161,631 | 61,363 |
| | | 4,202,137 | 3,753,978 |
| **NET CURRENT ASSETS** | | 621,458 | 906,170 |
| | | 11,923,701 | 11,179,797 |
| **SHARE CAPITAL AND RESERVES** | | | |
| Issued, subscribed and paid-up capital | 23 | 1,320,634 | 1,200,576 |
| Reserves | 24 | 6,355,408 | 5,011,625 |
| | | 7,676,042 | 6,212,201 |
| **SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX** | 25 | 3,374,088 | 3,821,963 |
| **NON-CURRENT LIABILITIES** | | | |
| Long-term financing | 26 | 474,021 | 725,536 |
| Deferred liabilities | 27 | 399,550 | 419,772 |
| Deferred tax - net | 10 | - | 325 |
| | | 11,923,701 | 11,179,797 |
| **CONTINGENCIES** | 28 | | |

The annexed notes 1 to 46 form an integral part of these financial statements.

**Vice Admiral (Retd.) S. Tauquir H. Naqvi**
Chairman & Chief Executive

**S. Haider Abbas Rizvi**
Director

## PAKISTAN NATIONAL SHIPPING CORPORATION
## PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED JUNE 30, 2006

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **REVENUES** | | | |
| Chartering revenues | 29 | 1,381,022 | 2,082,227 |
| Services fee | 30 | 257,326 | 231,120 |
| Rental income | | 109,993 | 90,257 |
| | | 1,748,341 | 2,403,604 |
| **EXPENDITURE** | | | |
| Fleet expenses - direct | 31 | 804,878 | 1,534,603 |
| - indirect | 32 | 2,168 | 6,351 |
| | | 807,046 | 1,540,954 |
| **GROSS PROFIT** | | 941,295 | 862,650 |
| Administrative and general expenses | 33 | 145,733 | 217,240 |
| Other operating expenses | 34 | 83,671 | 153,986 |
| Finance costs | 35 | 74,119 | 93,299 |
| | | 303,523 | 464,525 |
| Other operating income | 36 | 436,112 | 546,513 |
| | | 1,073,884 | 944,638 |
| Share of net profit in subsidiaries and associates | | 293,237 | 2,009,593 |
| **PROFIT BEFORE TAXATION** | | 1,367,121 | 2,954,231 |
| Taxation | 37 | 128,529 | 173,078 |
| **PROFIT AFTER TAXATION** | | 1,238,592 | 2,781,153 |
| | | (Rupees) | |
| **EARNINGS PER SHARE - BASIC AND DILUTED** | 38 | 9.38 | 21.06 |

The annexed notes 1 to 46 form an integral part of these financial statements.

Appropriations have been reflected in the statement of changes in equity.

**Vice Admiral (Retd.) S. Tauquir H. Naqvi**
Chairman & Chief Executive

**S. Haider Abbas Rizvi**
Director

# PAKISTAN NATIONAL SHIPPING CORPORATION
## STATEMENT OF CHANGES IN EQUITY
## FOR THE YEAR ENDED JUNE 30, 2006

| | Issued, subscribed and paid-up capital | Capital Reserve | | Revenue reserves | | Total |
|---|---|---|---|---|---|---|
| | | Reserve for issue of bonus shares | Others | General reserve | Unappropriated profit | |
| | (Rupees in '000) | | | | | |
| Balance as at July 1, 2004 | 1,143,406 | - | 126,843 | 500,000 | 1,701,680 | 3,471,929 |
| Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity - net of tax | - | - | - | - | 73,460 | 73,460 |
| Profit after taxation for the year ended June 30, 2005 | - | - | - | - | 2,781,153 | 2,781,153 |
| Final cash dividend for the year ended June 30, 2004 (Re 1 per Ordinary share) | - | - | - | - | (114,341) | (114,341) |
| Transfer to reserve for issue of bonus shares | - | 57,170 | - | - | (57,170) | - |
| Transfer to general reserve | - | - | - | 1,000,000 | (1,000,000) | - |
| Issue of bonus shares (5%) | 57,170 | (57,170) | - | - | - | - |
| Balance as at June 30, 2005 | 1,200,576 | - | 126,843 | 1,500,000 | 3,384,782 | 6,212,201 |
| Balance as at July 1, 2005 | 1,200,576 | - | 126,843 | 1,500,000 | 3,384,782 | 6,212,201 |
| Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity - net of tax | - | - | - | - | 465,364 | 465,364 |
| Profit after taxation for the year ended June 30, 2006 | - | - | - | - | 1,238,592 | 1,238,592 |
| Final cash dividend for the year ended June 30, 2005 (Rs 2 per Ordinary share) | - | - | - | - | (240,115) | (240,115) |
| Transfer to reserve for issue of bonus shares | - | 120,058 | - | - | (120,058) | - |
| Transfer to general reserve | - | - | - | 2,000,000 | (2,000,000) | - |
| Issue of bonus shares (10%) | 120,058 | (120,058) | - | - | - | - |
| Balance as at June 30, 2006 | 1,320,634 | - | 126,843 | 3,500,000 | 2,728,565 | 7,676,042 |

The annexed notes 1 to 46 form an integral part of these financial statements.

**Vice Admiral (Retd.) S. Tauquir H. Naqvi**
Chairman & Chief Executive

**S. Haider Abbas Rizvi**
Director

**PAKISTAN NATIONAL SHIPPING CORPORATION**
**CASH FLOW STATEMENT**
**FOR THE YEAR ENDED JUNE 30, 2006**

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 39 | 1,089,826 | 2,238,469 |
| Employees' gratuity paid | | (36,169) | (15,314) |
| Employees' compensated absences paid | | (38,697) | (44,626) |
| Post retirement medical benefits paid | | (7,151) | (5,129) |
| Long-term loans and advances - net | | (451,062) | 65,016 |
| Finance costs paid | | (61,255) | (58,553) |
| Taxes paid | | (152,470) | (119,419) |
| Net cash generated from operating activities | | 343,022 | 2,060,444 |
| **Cash flows from investing activities** | | | |
| Fixed capital expenditure | | (29,280) | (20,008) |
| Investment in subsidiaries | | (169,125) | - |
| Investment in unlisted companies - others | | - | 20 |
| Proceeds from disposal of property, plant and equipment | | 2,147 | 2 |
| Interest / mark-up received | | 348,140 | 126,198 |
| Dividend received | | 1,945 | 2,129 |
| Net cash generated from investing activities | | 153,827 | 108,341 |
| **Cash flows from financing activities** | | | |
| Repayment of long-term financing | | (256,329) | (254,851) |
| Dividend paid | | (236,710) | (96,980) |
| Net cash used in financing activities | | (493,039) | (351,831) |
| Net increase in cash and cash equivalents | | 3,810 | 1,816,954 |
| Cash and cash equivalents at July 1 | | 4,051,579 | 2,234,625 |
| Cash and cash equivalents at June 30 | 40 | 4,055,389 | 4,051,579 |

The annexed notes 1 to 46 form an integral part of these financial statements.

**Vice Admiral (Retd.) S. Tauquir H. Naqvi**
Chairman & Chief Executive

**S. Haider Abbas Rizvi**
Director

# PAKISTAN NATIONAL SHIPPING CORPORATION
# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED JUNE 30, 2006

## 1. THE CORPORATION AND ITS OPERATIONS

1.1 Pakistan National Shipping Corporation (the Corporation) was established under the provisions of the Pakistan National Shipping Corporation Ordinance, 1979 and is principally engaged in the business of shipping, including charter of vessels, transportation of cargo and other related services and providing commercial, technical, administrative, financial and other services to third parties in relation to the business of shipping. The Corporation is also engaged in renting out its properties to tenants under long-term lease arrangements. The Corporation is listed on the Karachi and Lahore Stock Exchanges. The Corporation's registered office is situated in PNSC Building, Moulvi Tamizuddin Khan Road, Karachi.

The Corporation had applied for delisting from the Lahore and Islamabad Stock Exchanges which was approved by the Securities and Exchange Commission of Pakistan (SECP). The Lahore Stock Exchange (LSE) had filed an appeal in the Lahore High Court against the order of the SECP and the court has decided in favour of LSE. Consequently, the Corporation has filed an appeal in the Supreme Court against the order of the High Court and at present the matter of delisting from LSE is pending subject to final decision by the Supreme Court.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements have been consistently applied to all years presented, unless otherwise stated, as set out below.

2.1 Statement of compliance

These financial statements are the separate financial statements of the Corporation and have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 (the Ordinance). Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Ordinance. Wherever, the requirements of the Ordinance or the directives issued by SECP differ with the requirements of these standards, the requirements of the Ordinance or the requirements of the said directives take precedence.

2.1.1 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

Following amendments to existing standards applicable to the Corporation have been published that are mandatory for the Corporation's accounting periods beginning on or after January 1, 2006 or later periods:

| | |
|---|---|
| IAS 1 Presentation of Financial Statements – Capital disclosures | effective from January 1, 2007 |
| IAS 19 (Amendments) – Employee Benefits | effective from January 1, 2006 |
| IAS 39 Financial Instruments: Recognition and Measurement – Fair value option | effective from January 1, 2006 |

Adoption of the above amendments may only impact the extent of disclosures presented in the financial statements. The Corporation intends to adopt these amendments from the date when they become effective.

In addition to above, a new series of standards called "International Financial Reporting Standards (IFRS)" have been introduced and seven IFRSs have been issued by the International Accounting Standards Board (IASB). Out of these, following four IFRSs have been adopted by the Institute of Chartered Accountants of Pakistan (ICAP), however, since these have not been adopted by the SECP therefore, the same do not form part of the approved local financial reporting framework:

IFRS 2 Share-based Payment

IFRS 3 Business Combinations

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

IFRS 6 Exploration for and Evaluation of Mineral Resources

2.2 Basis of preparation

These financial statements have been prepared under the historical cost convention except as follows:

- Certain property, plant and equipment as referred to in note 2.3.1 have been included at revalued amounts; and
- Certain investments and investment properties as referred to in notes 2.6.2 and 2.5 respectively have been carried at fair value to comply with the requirements of IAS-39 'Financial Instruments: Recognition and Measurement' and IAS-40 'Investment Property'.

2.3 Fixed assets

2.3.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation except for leasehold land and buildings thereon and workshop machineries and equipment. Leasehold land and buildings thereon and workshop machineries and equipment are stated at revalued amounts less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The revaluation of related assets is carried out with sufficient regularity to ensure that the carrying amounts do not differ materially from those which would have been determined using fair values at the balance sheet date.

The value assigned to leasehold land is not depreciated as the leases are expected to be renewed for further periods on payment of relevant rentals. Annual lease rentals are charged to income and premium paid at the time of renewal, if any, is amortised over the remaining period of the lease.

Cost in relation to vessel includes cost of acquisition and other related expenses incidental to the purchase of vessels accumulated to the date the vessels are commissioned into service.

Depreciation is charged to income applying the straight line method whereby the depreciable amount of an asset is written off over its estimated useful life.

Depreciation on additions is charged from the month in which the asset is available for use and continued to be depreciated until it is derecognised that is upto the month of disposal even if during

that period the asset is in idle condition. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.
No depreciation is charged if the asset's residual value exceeds its carrying amount.

Residual values, useful lives and methods of depreciation are reviewed at each balance sheet date and adjusted if expectations differ significantly from previous estimates.

Useful lives are determined by the management based on expected usage of asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors.

Surplus on revaluation is credited to the surplus on revaluation of fixed assets account except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case surplus is recognised in profit or loss account. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset in which case the deficit is taken to surplus on revalution of fixed assets account. An annual transfer from the surplus on revaluation of fixed assets account to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and the depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the assets and the net amount is restated to revalued amount of the assets. Upon disposal, any revaluation reserve relating to the particular assets being sold is transferred to retained earnings.

Major renewals, replacements and improvements are capitalised and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to income as and when incurred. Gains and losses on disposals of the assets are included in income currently.

2.3.2 Capital work-in-progress

Capital work-in-progress is stated at cost incurred to date less impairment in value, if any. It consists of expenditure incurred and advances made in respect of operating fixed assets in the course of their installation and acquisition.

2.3.3 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Cost in relation to intangible assets presently held by the Corporation includes cost of computer software and other expenses incidental to the purchase of computer software.

Costs associated with maintaining computer software are recognised as an expense as and when incurred.

Intangible assets are amortised from the month when these assets are available for use using the straight line method whereby the cost of intangible asset is amortised over the period which takes into account the economic benefits that will be available to the Corporation.

2.4 Impairment of assets

The Corporation assesses at each balance sheet date whether there is any indication that the assets may be impaired. If such indications exist, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment charge is recognised in income except for impairment loss on revalued assets, which is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for the same asset.

2.5 Investment properties

Properties held for long-term rental yields which are not occupied by the Corporation are classified as investment properties.

Investment properties are carried at fair value which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The valuation of these properties is carried out with sufficient regularity.

Gains and losses arising from a change in the fair value of investment properties are included in the income currently.

2.6 Investments

2.6.1 Subsidiaries and associates

The investments in subsidiaries and associates are accounted for on the basis of the equity method of accounting less any accumulated impairment losses.

Consequent to revisions in the International Accounting Standard No. 27 'Consolidated and Separate Financial Statements' (IAS-27) made applicable in Pakistan to the financial statements covering accounting periods beginning on or after January 1, 2005, investments in subsidiaries and associates should be carried in the separate financial statements of the investor, at cost or at fair value in accordance with IAS-39 'Financial Instruments: Recognition and Measurement'.

However, the Corporation believes that due to the typical group structure of its subsidiaries and the manner in which the operations are conducted, the equity method of accounting would result in more appropriate presentation of its financial statements and, therefore, an exemption was sought from the SECP for complying with the revised requirements of IAS-27. In response to the Corporation's request, the SECP has through its letter referenced EMD/233/474/2002 dated July 31, 2006, granted one time permission to the Corporation to continue to account for investments in subsidiaries on the basis of the equity method only for the purpose of its financial statements for the year ended June 30, 2006.

Had the investments in subsidiaries and associates been carried at cost, the long-term investments, revenue reserves and surplus on revaluation of fixed assets at the end of the year would have been lower by Rs 6,843.096 million (2005: Rs 6,541.170 million), Rs 4,005.415 million (2005: Rs 3,188.774 million) and Rs 2,837.681 million (Rs 3,287.319 million) respectively and deferred tax asset would have been higher by Rs Nil (2005: Rs 65.077 million) whereas profit after taxation for the year would have been lower by Rs 293.237 million (2005: Rs 1,968.344 million).

The Corporation will, nonetheless, be required to prepare its financial statements for the year ending June 30, 2007 in accordance with the requirements of IAS-27.

2.6.2 Other investments

The management determines the appropriate classification of these investments in accordance with the requirements of IAS-39 'Financial Instruments: Recognition and Measurement', at the time of purchase depending on the purpose for which the investments are acquired and re-evaluates this classification on a regular basis. The existing investment portfolio of the Corporation has been categorised as 'financial assets through profit or loss' and 'available for sale financial assets'.

Effective July 1, 2005 the Corporation has redesignated its investment in quoted securities held under the head 'available for sale' to 'financial assets at fair value through profit or loss'. However, the Corporation continues to hold its investment in unquoted securities under the head 'available for sale financial assets'. This change has been made in accordance with the requirements of revised IAS-39 which became applicable to the Corporation effective July 1, 2005. There is, however, no change in the measurement basis and recognition of unrealised gains/losses as a result of the said redesignation.

'Financial assets through profit or loss' are initially recognised at fair value and are subsequently re-measured to fair value using quoted market prices. Gains/losses arising upon remeasurement are recognised in profit and loss account.

'Available for sale financial assets' that are quoted securities, are initially recognised at fair value inclusive of transaction costs and are subsequently re-measured to fair value using quoted market prices. Investment in unquoted securities are initially recognised and subsequently carried at fair value or at cost where fair value cannot be reliably measured. Gains/losses arising upon remeasurement of 'available for sale financial assets' are recognised directly in equity through the statement of changes in equity.

Investments are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

Impairment of investment is recognised when there is a permanent diminution in their value.

2.7 Long-term loans and advances

These are initially recognised at cost inclusive of transaction costs and are subsequently measured at amortised cost less provision for impairment losses. (note 9.4)

2.8 Stores and spares

Stores are valued at average cost while spares are valued at cost determined on first-in first-out basis. Stores and spares in transit are valued at cost incurred upto the balance sheet date.

Certain spares having low value and high consumption levels are charged to income at the time of purchase.

Provision for obsolete and slow moving stores and spares is determined based on assessment regarding their future usability.

2.9 Trade debts

Trade debts comprise freight, hire and other short-term receivables which are carried at original invoice amount less estimates made for doubtful receivables based on review of all outstanding amounts at year end. Balances considered bad and irrecoverable are written off when identified.

2.10 Taxation

2.10.1 Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and rebates available, if any, or one half of one percent of turnover, whichever is higher.

2.10.2 Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities and their tax bases after adjusting for the impact of Final Tax Regime (FTR).

The carrying amount of deferred tax asset is reviewed at each balance sheet date and is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax liabilities are recognised for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Income tax relating to items recognised directly in equity is recognised in equity and not in the profit and loss account.

2.11 Insurance claims

Cost of repairs recoverable as hull claims are taken to insurance claims receivable. Other claimable expenses relating to hull are charged to income currently and claims filed thereagainst are taken to income when such claims are accepted by the underwriters.

Afloat medical expenses, cargo claims and other relevant amounts recoverable from underwriters are taken to insurance claims receivable.

2.12 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services.

2.13 Provisions

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2.14 Dividend and other appropriation

Dividend is recognised as a liability in the period in which it is declared.

2.15 Staff retirement benefits

2.15.1 Defined contributory provident fund

The Corporation operates a contributory provident fund for permanent employees, for which contributions are charged to income for the year.

2.15.2 Defined benefit gratuity scheme

The Corporation operates an unfunded retirement gratuity scheme for permanent employees other than those who joined the Corporation after October 16, 1984 and are entitled only to the contributory provident fund benefits. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to income currently. Actuarial valuations are carried out using the Projected Unit Credit Method.

The Corporation's crew members are also entitled to gratuity in accordance with the Pakistan Maritime Board Regulations. However, these employee benefits are recognised upon payment as the amounts involved are not material.

The unrecognised actuarial gains or losses arising at each valuation date are recognised as income or expense in the following year.

The benefit is payable on completion of prescribed qualifying period of service under these schemes.

2.15.3 Medical benefits

The Corporation provides lump sum medical allowance and free hospitalisation benefits to its retired employees in accordance with the service regulations. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to income currently.

The unrecognised actuarial gains or losses arising at each valuation date are recognised as income or expense in the following year.

The benefit is payable on completion of prescribed qualifying period of service under these schemes.

2.16 Employees' compensated absences

The Corporation accounts for the liability in respect of employees' compensated absences in the year in which these are earned. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to income currently. The unrecognised actuarial gains or losses at each valuation date are recognised immediately.

2.17 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents include cash in hand, cheques in hand, deposits held with banks and other short term highly liquid investments with original maturities of three months or less.

2.18 Foreign currency translation

These financial statements are presented in Pak Rupees, which is the Corporation's functional and presentation currency. Transactions in foreign currencies are recorded in Pakistan rupees at the exchange rates approximating those prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are reported in Pakistan rupees at the exchange rates approximating those prevalent at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value was determined.

2.19 Revenue recognition

- Earnings in respect of voyages other than time charter voyages are accounted for on the basis of completed voyages. Voyages are taken as complete when a vessel arrives at the last port of discharge on or before the balance sheet date. Freight revenue, direct and indirect operating expenses associated with the incomplete voyages are deferred until completion of voyage and are classified in the balance sheet as 'Incomplete voyages'. Diesel, fuel and lubricants on board are valued at cost determined on a first-in-first out basis. With respect to time charter voyages, chartering revenue is accounted for on the basis of number of days to the balance sheet date.

- Fee for technical, commercial, administrative and financial services are recognised as revenue when the services are rendered.

- Rental income is recognised as revenue on a straight line basis over the term of the respective lease arrangements.

- Dividend income is recognised when the Corporation's right to receive the dividend is established.

- Profit from bank accounts and return on investments is recognised on a time proportion basis.

2.20 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

2.21 Financial instruments

Financial instruments carried on the balance sheet include investments, loans and advances, trade debts, agents' and owners' balances, deposits, other receivables, insurance claims, cash and bank balances, long-term borrowings and trade and other payables. The recognition methods adopted for each of the financial instrument is disclosed in the relevant notes of accounting policies.

2.22 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet, when the Corporation has a legally enforceable right to offset the recognised amounts and it intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

## 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

(a) Assumption and estimation in recognition of taxation and deferred tax (note 37 and 10).

(b) Assumption and estimation in valuation of property, plant and equipment and investment properties (note 4 and 6).

(c) Assumptions and estimations used in determining the residual values and useful lives of property, plant and equipment (note 4).

(d) Assumption and estimation in accounting for defined benefit plans (note 27).

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.

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 4. PROPERTY, PLANT AND EQUIPMENT

| | Note | 2006 | 2005 |
|---|---|---|---|
| - Operating fixed assets | 4.1 | 604,506 | 610,255 |
| - Capital work-in-progress | 4.7 | 27,164 | 16,907 |
| | | 631,670 | 627,162 |

4.1 The following is a statement of operating fixed assets:

| | Leasehold land (notes 4.2 & 4.3) | Buildings on leasehold land | Vessel (note 4.4) | Vehicles | Office machines and appliances | Furniture and fixtures | Motor launch and jetty | Equipment on board | Container fittings | Beach huts | Workshop machinery and equipment | Computer equipment | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ---------- Rupees in '000 ---------- | | | | | | | | | | | | |
| **At July 1, 2004** | | | | | | | | | | | | | |
| Cost or revalued amount | 281,260 | 120,261 | 1,440 | 41,066 | 10,214 | 15,566 | 18 | 787 | 3,468 | 348 | 10,448 | 14,627 | 499,503 |
| Accumulated depreciation | - | 57,406 | 1,440 | 23,092 | 8,085 | 11,599 | 18 | 81 | 3,468 | 322 | 6,923 | 6,945 | 119,379 |
| Net book value | 281,260 | 62,855 | - | 17,974 | 2,129 | 3,967 | - | 706 | - | 26 | 3,525 | 7,682 | 380,124 |
| Year ended June 30, 2005 | | | | | | | | | | | | | |
| Opening net book value | 281,260 | 62,855 | - | 17,974 | 2,129 | 3,967 | - | 706 | - | 26 | 3,525 | 7,682 | 380,124 |
| Additions | - | 344 | - | 3 | 552 | 71 | - | - | - | - | 1,085 | 1,046 | 3,101 |
| Surplus on revaluation | 190,455 | 77,681 | - | - | - | - | - | - | - | - | 3,359 | - | 271,495 |
| Disposals/revaluation adjustments * | | | | | | | | | | | | | |
| Cost or revalued amount | - | (56,188)* | - | (2) | (45) | (16) | - | - | - | - | (3,335) | - | (59,586) |
| Accumulated depreciation | - | 56,188* | - | 2 | 45 | 14 | - | - | - | - | 3,335 | - | 59,584 |
| | - | - | - | - | - | (2) | - | - | - | - | - | - | (2) |
| Depreciation charge for the year | - | (32,754) | - | (3,840) | (501) | (758) | - | (118) | - | (26) | (3,611) | (2,855) | (44,463) |
| Closing net book value | 471,715 | 108,126 | - | 14,137 | 2,180 | 3,278 | - | 588 | - | - | 4,358 | 5,873 | 610,255 |
| **At June 30, 2005** | | | | | | | | | | | | | |
| Cost or revalued amount | 471,715 | 142,098 | 1,440 | 41,067 | 10,721 | 15,621 | 18 | 787 | 3,468 | 348 | 11,557 | 15,673 | 714,513 |
| Accumulated depreciation | - | 33,972 | 1,440 | 26,930 | 8,541 | 12,343 | 18 | 199 | 3,468 | 348 | 7,199 | 9,800 | 104,258 |
| Net book value | 471,715 | 108,126 | - | 14,137 | 2,180 | 3,278 | - | 588 | - | - | 4,358 | 5,873 | 610,255 |
| Year ended June 30, 2006 | | | | | | | | | | | | | |
| Opening net book value | 471,715 | 108,126 | - | 14,137 | 2,180 | 3,278 | - | 588 | - | - | 4,358 | 5,873 | 610,255 |
| Additions | - | 546 | - | 12,755 | 479 | 908 | - | - | - | - | 3,025 | 1,310 | 19,023 |
| Disposals/revaluation adjustments * | | | | | | | | | | | | | |
| Cost or revalued amount | - | - | - | (2,965) | - | - | - | - | - | - | (22) | - | (2,987) |
| Accumulated depreciation | - | - | - | 2,965 | - | - | - | - | - | - | 22 | - | 2,987 |
| | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation charge for the year | - | (13,891) | - | (5,506) | (509) | (778) | - | (118) | - | - | (914) | (3,056) | (24,772) |
| Closing net book value | 471,715 | 94,781 | - | 21,386 | 2,150 | 3,408 | - | 470 | - | - | 6,469 | 4,127 | 604,506 |
| **At June 30, 2006** | | | | | | | | | | | | | |
| Cost or revalued amount | 471,715 | 142,644 | 1,440 | 50,857 | 11,200 | 16,529 | 18 | 787 | 3,468 | 348 | 14,560 | 16,983 | 730,549 |
| Accumulated depreciation | - | 47,863 | 1,440 | 29,471 | 9,050 | 13,121 | 18 | 317 | 3,468 | 348 | 8,091 | 12,856 | 126,043 |
| Net book value | 471,715 | 94,781 | - | 21,386 | 2,150 | 3,408 | - | 470 | - | - | 6,469 | 4,127 | 604,506 |
| **Annual rate of depreciation** | | 2.5 to 20 | 4 | 20 | 15 | 10 to 15 | 10 to 15 | 10 to 15 | 15 | 15 | 5 to 10 | 25 | |

4.2 The latest revaluation of 'leasehold land', 'buildings on leasehold land' and 'workshop machinery & equipment' were carried out in February and March 2005 respectively by Pee Dee & Associates on the basis of their professional assessment of present market values. The latest revaluation resulted in a surplus of Rs 271.495 million over the then written down values of Rs 353.875 million which had been incorporated in the books of the Corporation as at May 1, 2005. Of the total revaluation surplus arisen in prior year, Rs 559.031 million (2005: Rs 568.529 million) remains undepreciated at June 30, 2006.

4.3 Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

| | 2006 | 2005 |
|---|---|---|
| | (Rupees in '000) | |
| Leasehold land and buildings on leasehold land | 12,187 | 13,077 |
| Workshop machinery and equipment | 4,938 | 2,593 |
| | 17,125 | 15,670 |

4.4 Cost and accumulated depreciation of vessel amounting to Rs 1.440 million relates to M.V Ilyas Bux. This vessel was seized by the Indian authorities during the 1965 war and the Corporation does not have the physical possession or control over the vessel.

4.5 No item of property, plant and equipment having book value exceeding Rs 50,000 was disposed off during the year by the Corporation.

4.6 The depreciation charge for the year has been allocated as follows:

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Fleet expenses - indirect | 32 | 914 | 3,612 |
| Administrative and general expenses | 33 | 23,858 | 40,851 |
| | | 24,772 | 44,463 |

**4.7 Capital work-in-progress**

This represents renovation cost in respect of the PNSC building and mainly includes civil works and advances to suppliers.

## 5. INTANGIBLE ASSETS

Following is the statement of intangible assets which represents computer software.

| | Note | (Rupees in '000) |
|---|---|---|
| **As at July 1, 2004** | | |
| Cost | | 16,503 |
| less: accumulated amortisation | | (1,650) |
| Net book value | | 14,853 |
| **Year ended June 30, 2005** | | |
| Opening net book value | | 14,853 |
| less: amortisation charge for the year | 33 | (3,301) |
| Closing net book value | | 11,552 |
| **As at June 30, 2005** | | |
| Cost | | 16,503 |
| less: accumulated amortisation | | (4,951) |
| Net book value | | 11,552 |

| | Note | (Rupees in '000) |
|---|---|---|
| **Year ended June 30, 2006** | | |
| Opening net book value | | 11,552 |
| less: amortisation charge for the year | 33 | (3,301) |
| Closing net book value | | 8,251 |
| | | |
| **As at June 30, 2006** | | |
| Cost | | 16,503 |
| Accumulated amortisation | | (8,252) |
| Net book value | | 8,251 |
| | | |
| **Annual rate of amortisation** | | 20 |

## 6. INVESTMENT PROPERTIES

| | 2006 | 2005 |
|---|---|---|
| | (Rupees in '000) | |
| Leasehold land | 644,980 | 644,980 |
| Buildings on leasehold land | 29,182 | 29,182 |
| | 674,162 | 674,162 |

6.1 A revaluation of the Corporation's investment properties has been carried out by Pee Dee & Associates as of August 25, 2006 on the basis of their professional assessment of the present market value. According to the revaluation report there are no significant changes in the values determined by the valuer in the last valuation conducted as of April 1, 2005.

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

## Equity method

| No. of shares - ordinary 2006 | No. of shares - ordinary 2005 | Name of the company | Country of incorporation | Share of net assets (note 7.1) 2006 | Share of net assets (note 7.1) 2005 | Latest available audited financial statements for the year ended | Percentage holding | Face value per share | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | (Rupees '000) | | | | (Rupees) | (Rupees '000) | |
| **(i) Subsidiary companies - unlisted** | | | | | | | | | | |
| 6,936,000 | 6,936,000 | Sargodha Shipping (Private) Limited | Pakistan | 462,632 | 457,579 | June 30, 2006 | 100 | 10 | 462,632 | 457,579 |
| 4,636,000 | 4,636,000 | Malakand Shipping (Private) Limited | Pakistan | 444,901 | 447,460 | June 30, 2006 | 100 | 10 | 444,901 | 447,460 |
| 9,436,000 | 9,436,000 | Chitral Shipping (Private) Limited | Pakistan | 517,076 | 492,556 | June 30, 2006 | 100 | 10 | 517,076 | 492,556 |
| 7,286,000 | 7,286,000 | Kaghan Shipping (Private) Limited | Pakistan | 22,374 | 106,290 | June 30, 2006 | 100 | 10 | 22,374 | 106,290 |
| 6,786,000 | 6,786,000 | Shalamar Shipping (Private) Limited | Pakistan | 1,289,029 | 998,604 | June 30, 2006 | 100 | 10 | 1,289,029 | 998,604 |
| 14,686,000 | 14,686,000 | Lalazar Shipping (Private) Limited | Pakistan | 528,266 | 579,940 | June 30, 2006 | 100 | 10 | 528,266 | 579,940 |
| 13,236,000 | 13,236,000 | Swat Shipping (Private) Limited | Pakistan | 979,127 | 721,890 | June 30, 2006 | 100 | 10 | 979,127 | 721,890 |
| 15,686,000 | 15,686,000 | Islamabad Shipping (Private) Limited | Pakistan | 537,203 | 529,970 | June 30, 2006 | 100 | 10 | 537,203 | 529,970 |
| 5,686,000 | 5,686,000 | Hyderabad Shipping (Private) Limited | Pakistan | 566,124 | 530,767 | June 30, 2006 | 100 | 10 | 566,124 | 530,767 |
| 9,636,000 | 9,636,000 | Sibi Shipping (Private) Limited | Pakistan | 213,304 | 423,166 | June 30, 2006 | 100 | 10 | 213,304 | 423,166 |
| 16,736,000 | 16,736,000 | Khairpur Shipping (Private) Limited | Pakistan | 402,813 | 401,705 | June 30, 2006 | 100 | 10 | 402,813 | 401,705 |
| 10,000,000 | 10,000,000 | Bolan Shipping (Private) Limited | Pakistan | 356,219 | 380,225 | June 30, 2006 | 100 | 10 | 356,219 | 380,225 |
| 9,486,000 | 9,486,000 | Makran Shipping (Private) Limited | Pakistan | 355,138 | 404,754 | June 30, 2006 | 100 | 10 | 355,138 | 404,754 |
| 6,936,000 | 6,936,000 | Multan Shipping (Private) Limited | Pakistan | 565,557 | 556,470 | June 30, 2006 | 100 | 10 | 565,557 | 556,470 |
| 36,000 | 36,000 | Johar Shipping (Private) Limited | Pakistan | 840,625 | 753,554 | June 30, 2006 | 100 | 10 | 840,625 | 753,554 |
| 1,200 | 1,200 | Pakistan Co-operative Ship Stores (Private) Limited | Pakistan | 4,105 | 4,016 | June 30, 2006 | 55 | 100 | 4,105 | 4,016 |
| 3,354,166 | 1,677,083 | National Tanker Company (Private) Limited (note 7.2) | Pakistan | 292,314 | 141,532 | June 30, 2006 | 100 | 10 | 316,676 | 141,532 |
| 36,000 | - | Pak Nippon Car Liner (Private) Limited | Pakistan | 360 | - | June 30, 2006 | 100 | 10 | 360 | - |
| | | | | | | | | | 8,401,529 | 7,930,478 |
| | | Less: Accumulated impairment losses (note 7.2) | | | | | | | 24,362 | - |
| | | | | | | | | | 8,377,167 | 7,930,478 |
| **(ii) Associated undertakings - unlisted** | | | | | | | | | | |
| 12,250 | 12,250 | Muhammadi Engineering Works Limited | Pakistan | 1,600 | 1,600 | Dec. 31, 1982 | 49 | 100 | 1,600 | 1,600 |
| | | | | | | | | | 1,600 | 1,600 |
| | | Less: Accumulated impairment losses | | | | | | | 1,600 | 752 |
| | | | | | | | | | - | 848 |
| | | | | | | | | | 8,377,167 | 7,931,326 |

7.1 The net assets of the subsidiary companies have been determined after taking into account the effect of undepreciated surplus on revaluation of property, plant and equipment of these companies aggregating Rs 2,837.681 million (2005: Rs 3,287.319 million) (note 25.2).

7.2 During the year on, May 11, 2006, the Corporation acquired further 50 percent shares of National Tanker Company (Private) Limited (NTCL) and hence it became a wholly owned subsidiary of the Corporation. Prior year's amounts relating to NTCL have also been reclassified as investments in subsidiary companies. Subsequent to year end NTCL's name has been changed to Karachi Shipping

(Private) Limited. Further, impairment loss against the investment in NTCL amounting to Rs 24.362 million was recognised as at June 30, 2006.

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **8. LONG-TERM INVESTMENTS IN LISTED COMPANIES AND OTHER ENTITIES** | | | |
| **Financial assets designated as at fair value through profit or loss** | | | |
| **Listed companies** | | | |
| 6,930 (2005: 6,930) ordinary shares of Rs 10 each fully paid of Siemens (Pakistan) Engineering Company Limited. Market value Rs 8.177 million (2005: Rs 4.747 million) | | 8,177 | 4,747 |
| 72,828 (2005: 72,828) ordinary shares of Rs 10 each fully paid of Pakistan State Oil Company Limited. Market value Rs 22.504 million (2005: Rs 28.112 million) | | 22,504 | 28,112 |
| | | 30,681 | 32,859 |
| **Available for sale financial assets** | | | |
| **Other entities - carried at cost** | | | |
| 10,000 (2005: 10,000) ordinary shares of Rs 10 each of Pakistan Tourism Development Corporation Limited | | 100 | 100 |
| | | 100 | 100 |
| | | 30,781 | 32,959 |

## 9. LONG-TERM LOANS AND ADVANCES

| | Note | 2006 | 2005 |
|---|---|---|---|
| Loans | | | |
| Considered good | | | |
| due from | | | |
| - Related parties | 9.1 | 993,167 | 1,357,083 |
| - Employees | 9.2 | 3,130 | 4,910 |
| | | 996,297 | 1,361,993 |
| Less: due within one year from | | | |
| - Related parties | 9.1 | 363,917 | 363,917 |
| - Employees | 9.2 | 920 | 1,610 |
| | | 364,837 | 365,527 |
| Advances | | | |
| Advance to Kaghan Shipping (Private) Limited | 9.3 | 816,068 | - |
| | | 1,447,528 | 996,466 |

9.1 Long-term loans due from related parties

| Name of the company | Original amount of loan advanced | No. of installments/ repayment period | Rate of mark-up | 2006 | 2005 |
|---|---|---|---|---|---|
| | (Rupees in '000) | | | (Rupees in '000) | |
| Shalamar Shipping (Private) Limited | 325,000 | 8 half yearly installments upto March, 2008 | 1.75% above 6 monthly treasury bill rate with floor of 4.25% | 162,500 | 243,750 |
| Swat Shipping (Private) Limited | 460,000 | 12 half yearly installments upto May 2010 | - as above - | 306,667 | 383,333 |
| Johar Shipping (Private) Limited | 516,000 | 12 half yearly installments upto May 2010 | - as above - | 344,000 | 430,000 |
| Lalazar Shipping (Private) Limited | 360,000 | 6 half yearly installments upto December 2007 | - as above - | 180,000 | 300,000 |
| | | | | 993,167 | 1,357,083 |
| Less: Due within one year (note 14) | | | | (363,917) | (363,917) |
| | | | | 629,250 | 993,166 |

9.1.1 The above represent unsecured loans advanced to subsidiary companies to finance purchase of oil tankers. In accordance with the loan agreements entered into with the respective subsidiary companies the Corporation has the right, at its discretion, to secure the outstanding balance of the loans at any time by way of mortgage of the oil tankers.

9.1.2 The maximum aggregate amount of principal loan balances due from the subsidiary companies at the end of any month during the year was Rs 1,357.083 million (2005: Rs 1,661.000 million).

| | | Note | 2006 | 2005 |
|---|---|---|---|---|
| | | | (Rupees in '000) | |
| 9.2 | Long-term loans due from employees | | | |
| | Considered good | 9.2.1 | 3,130 | 4,910 |
| | Less: Recoverable within twelve months | 14 | 920 | 1,610 |
| | | | 2,210 | 3,300 |

9.2.1 It comprises vehicle and house building loans amounting to Rs 0.073 million (2005: Rs 0.190 million) and Rs 3.057 million (2005: Rs 4.717 million) respectively.

9.2.1.1 Vehicle loans represent loans to employees for purchase of vehicles and are secured against employees' personal guarantees and charge on vehicles. These loans are interest free and are recoverable over 72 monthly installments.

9.2.1.2 House building loans represent loans to employees for purchase of land, residential accommodation and construction and renovation of houses. These loans are recoverable over 180 monthly installments. An amount of Rs 2.802 million (2005: Rs 3.831 million) is secured against mortgage. Interest on such loans to officers is charged at various rates while no interest is being charged on loans given to other employees.

9.3 An amount of Rs 924.600 million was advanced to Kaghan Shipping (Private) Limited mainly for purchase of vessel, out of which Rs 816.068 million is outstanding as at June 30, 2006. The modalities of adjustment / recovery of advance are in the process of being finalised.

9.4 Long-term loans and advances are being carried at cost because the effect of carrying these balances at amortised cost would not have been material.

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **10. DEFERRED TAX - NET** | | | |
| Deductible temporary differences arising in respect of: | | | |
| - Accelerated depreciation | | 3,790 | 1,413 |
| - Short-term provisions and deferred liabilities | | 151,518 | 97,230 |
| | | 155,308 | 98,643 |
| Taxable temporary differences arising in respect of: | | | |
| - Surplus on revaluation of property, plant and equipment | 25.1 | 22,624 | 33,885 |
| - Dividends from subsidiary companies | 10.1 | - | 65,083 |
| | | 22,624 | 98,968 |
| | | 132,684 | (325) |

10.1 Deferred tax liability of Rs 65.083 million relating to expected dividends from the subsidiary companies has been reversed during the current year because the Corporation now believes that as the distribution of profits from the subsidiary companies in the form of dividends is not expected in the foreseeable future, this timing difference is not likely to reverse.

| | 2006 | 2005 |
|---|---|---|
| | (Rupees in '000) | |
| **11. STORES AND SPARES** | | |
| Stores | | |
| - at depots | 19,288 | 15,950 |
| - at buildings | 204 | 239 |
| | 19,492 | 16,189 |
| Spares | | |
| - at buildings | 2,012 | 1,476 |
| | 21,504 | 17,665 |

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 12. TRADE DEBTS

| | Note | 2006 | 2005 |
|---|---|---|---|
| Freight and hire | | | |
| - Considered good | | 31,308 | 103,700 |
| - Considered doubtful | 12.1 | 58,879 | 60,947 |
| | | 90,187 | 164,647 |
| Less: Provision for doubtful receivables | | 58,879 | 60,947 |
| | | 31,308 | 103,700 |

12.1 This includes receivable from National Tanker Company (Private) Limited - (a related party) amounting to Rs 7.618 million (2005: Rs 7.618 million).

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 13. AGENTS' AND OWNERS' BALANCES

| | 2006 | 2005 |
|---|---|---|
| Considered good | 12,512 | 38,815 |
| Considered doubtful | 14,037 | 13,902 |
| | 26,549 | 52,717 |
| Less: Provision for doubtful balances | 14,037 | 13,902 |
| | 12,512 | 38,815 |

## 14. LOANS AND ADVANCES

| | Note | 2006 | 2005 |
|---|---|---|---|
| Considered good | | | |
| Loans due from: | | | |
| - Related parties | 9.1 | 363,917 | 363,917 |
| - Employees | 9.2 | 920 | 1,610 |
| | | 364,837 | 365,527 |
| Advances to: | | | |
| - Directors | | - | 20 |
| - Executives | | 9 | 2,650 |
| - Other employees | | 18,353 | 12,000 |
| - Contractors and suppliers | | 3,246 | 3,765 |
| - Others | | 2,607 | 557 |
| | | 389,052 | 384,519 |

14.1 The maximum aggregate amounts due from the chief executive, directors and executives at the end of any month during the year were Rs Nil, Rs 0.022 million and Rs 0.362 million (2005: Rs Nil, Rs 0.465 million and Rs 2.650 million) respectively.

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **15. DEPOSITS AND PREPAYMENTS** | | | |
| **Deposits** | | | |
| Trade: | | | |
| - Considered good | | 2,398 | 4,329 |
| - Considered doubtful | | 184 | 184 |
| | | 2,582 | 4,513 |
| Less: Provision for doubtful trade deposits | | 184 | 184 |
| | | 2,398 | 4,329 |
| Others: | | | |
| - Considered good | | 1,541 | 1,505 |
| - Considered doubtful | | 185 | 185 |
| | | 1,726 | 1,690 |
| Less: Provision for doubtful deposits - Others | | 185 | 185 |
| | | 1,541 | 1,505 |
| Prepayments | | 860 | 156 |
| | | 4,799 | 5,990 |
| **16. INTEREST / MARK-UP ACCRUED** | | | |
| Interest accrued on long-term loans to related parties | | 17,564 | 18,257 |
| Interest mark-up accrued on term deposit accounts | | 37,170 | 9,420 |
| | | 54,734 | 27,677 |
| **17. OTHER RECEIVABLES** | | | |
| Rent receivable: | | | |
| - Considered good | | 11,857 | 8,742 |
| - Considered doubtful | | 7,864 | 6,958 |
| | | 19,721 | 15,700 |
| Less: Provision for doubtful rent receivable | | 7,864 | 6,958 |
| | | 11,857 | 8,742 |
| Receivable from subsidiaries - unsecured, considered good | 17.1 | 211,830 | - |
| Others: | | | |
| - Considered good | | 18,805 | 11,845 |
| - Considered doubtful | | 3,716 | 3,716 |
| | | 22,521 | 15,561 |
| Less: Provision for doubtful receivables - others | | 3,716 | 3,716 |
| | | 18,805 | 11,845 |
| | | 242,492 | 20,587 |

17.1 This comprises interest free current account balances receivable from:

| | 2006 | 2005 |
|---|---|---|
| Makran Shipping (Private) Limited | 3,610 | - |
| Lalazar Shipping (Private) Limited | 207,696 | - |
| Pak Nippon Car Liner (Private) Limited | 524 | - |
| | 211,830 | - |

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |

**18. INCOMPLETE VOYAGES**

| | Note | 2006 | 2005 |
|---|---|---|---|
| Cost | | | |
| Charter hire and related expenses | | 3,377 | 11,381 |
| Less: Net freight | | 1,233 | 3,933 |
| | | 2,144 | 7,448 |

**19. INSURANCE CLAIMS**

| | Note | 2006 | 2005 |
|---|---|---|---|
| Considered good | | 9,661 | 2,168 |
| Considered doubtful | 19.1 | 163,240 | 162,805 |
| | | 172,901 | 164,973 |
| Less: Provision for doubtful claims | | 163,240 | 162,805 |
| | | 9,661 | 2,168 |

19.1 This includes amounts aggregating Rs 154.547 million (2005: Rs 153.562 million) net of insurance premium which are recoverable from the P&I Club, Oceanus Mutual Underwriting Association (Bermuda) Limited. The Club has gone into liquidation, therefore, a provision has been made for this amount in these financial statements.

**20. CASH AND BANK BALANCES**

| | Note | 2006 | 2005 |
|---|---|---|---|
| Cash at bank: | | | |
| - in current accounts | | | |
| • Local currency | | 311,224 | 74,971 |
| • Foreign currency | | 255,335 | 59,338 |
| | | 566,559 | 134,309 |
| - in saving accounts | 20.1 | | |
| • Local currency | | 521,814 | 899,503 |
| • Foreign currency | | 67,005 | 67,618 |
| | | 588,819 | 967,121 |
| - in term deposit accounts | | | |
| • Local currency | 20.2 | 2,900,000 | 2,950,000 |
| Cash in hand | | 11 | 149 |
| | | 4,055,389 | 4,051,579 |

20.1 This includes Rs 9.921 million (2005: Rs 9.826 million) and Rs 4.550 million (2005: Rs 2.951 million) held as security by United National Bank Limited, London and Habib Bank Limited, P.N.S.C. Branch, respectively, against guarantees issued on behalf of the Corporation.

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |

20.2 Term deposit accounts include:

| | | |
|---|---|---|
| - Certificates of deposit | 200,000 | 150,000 |
| - Investment plus deposit certificates | - | 500,000 |
| - Special musharika deposit scheme | 250,000 | 150,000 |
| - Corporate deposit receipts | 700,000 | - |
| - Term deposit account | 100,000 | 1,000,000 |
| - Term deposit receipts | 1,650,000 | 1,150,000 |
| | 2,900,000 | 2,950,000 |

20.2.1 The mark-up on term deposit accounts ranges from 9.5% to 10.5% per annum (2005: 6% to 7.35% per annum).

## 21. TRADE AND OTHER PAYABLES

| | Note | 2006 | 2005 |
|---|---|---|---|
| Creditors | | 111,637 | 89,186 |
| Payable to subsidiary companies | 21.1 | 3,049,319 | 2,836,294 |
| Agents' and owners' balances | | 131,504 | 89,177 |
| Accrued liabilities | | 97,178 | 103,712 |
| Deposits | 21.2 | 22,204 | 16,393 |
| Workers' Profits Participation Fund | 21.3 | 209,790 | 155,622 |
| Unclaimed dividends | | 6,874 | 3,469 |
| Other liabilities | | 31,644 | 38,584 |
| | | 3,660,150 | 3,332,437 |

21.1 This includes interest free current account balances payable to:

| | | |
|---|---|---|
| Bolan Shipping (Private) Limited | 74,680 | 126,924 |
| Chitral Shipping (Private) Limited | 258,520 | 217,882 |
| Hyderabad Shipping (Private) Limited | 243,219 | 236,883 |
| Islamabad Shipping (Private) Limited | 238,499 | 228,225 |
| Kaghan Shipping (Private) Limited | - | 101,540 |
| Khairpur Shipping (Private) Limited | 110,964 | 116,962 |
| Makran Shipping (Private) Limited | - | 73,198 |
| Malakand Shipping (Private) Limited | 186,516 | 152,361 |
| Multan Shipping (Private) Limited | 293,702 | 180,209 |
| Sargodha Shipping (Private) Limited | 178,131 | 144,349 |
| Sibi Shipping (Private) Limited | 1,378 | 139,240 |
| Shalamar Shipping (Private) Limited | 842,962 | 466,131 |
| Swat Shipping (Private) Limited | 385,425 | 280,728 |
| Lalazar Shipping (Private) Limited | - | 36,177 |
| Johar Shipping (Private) Limited | 235,323 | 335,485 |
| | 3,049,319 | 2,836,294 |

21.2 These deposits are interest free and are repayable on demand or on completion of specific contracts.

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **21.3 Workers' Profits Participation Fund** | | | |
| Balance as at July 1 | | 155,622 | 98,255 |
| Allocation for the year | 34 | 72,100 | 155,622 |
| Interest on funds utilised during the year | 35 | 2,787 | 2,597 |
| | | 230,509 | 256,474 |
| Less: amount paid | | 20,719 | 100,852 |
| Balance as at June 30 | | 209,790 | 155,622 |

## 22. PROVISION AGAINST DAMAGE CLAIMS

| | 2006 | 2005 |
|---|---|---|
| Balance as at July 1 | 103,927 | 135,907 |
| Charged during the year | 17,698 | - |
| Amount written back during the year | - | (31,980) |
| Balance as at June 30 | 121,625 | 103,927 |

## 23. SHARE CAPITAL

### 23.1 Authorised Capital

| 2006 | 2005 | | 2006 | 2005 |
|---|---|---|---|---|
| (No. of shares) | | | | |
| 200,000,000 | 200,000,000 | Ordinary shares of Rs 10 each | 2,000,000 | 2,000,000 |

### 23.2 Issued, subscribed and paid-up capital

| 2006 | 2005 | | 2006 | 2005 |
|---|---|---|---|---|
| (No. of shares) | | | | |
| 24,130,789 | 24,130,789 | Ordinary shares of Rs 10 each issued as fully paid to shareholders of former NSC and PSC in consideration of their shareholdings in those companies | 241,308 | 241,308 |
| 25,900,000 | 25,900,000 | Ordinary shares of Rs 10 each issued as fully paid to the Government of Pakistan (GoP) for cash received in 1985 | 259,000 | 259,000 |
| 64,309,800 | 64,309,800 | Ordinary shares of Rs 10 each issued as fully paid to the GoP on financial restructuring of the Corporation in the year 1989-90 | 643,098 | 643,098 |
| 17,722,791 | 5,717,029 | Ordinary shares of Rs 10 each issued as fully paid bonus shares | 177,228 | 57,170 |
| 132,063,380 | 120,057,618 | | 1,320,634 | 1,200,576 |

23.2.1 A summary of the movement in ordinary share capital is given below:

| | Ordinary shares Number | Ordinary shares Amount |
|---|---|---|
| **Issued, subscribed and paid-up capital** | | **Rupees in '000** |
| **Balance as at July 1, 2004** | 114,340,589 | 1,143,406 |
| Ordinary shares of Rs 10 each issued during the year as bonus shares | 5,717,029 | 57,170 |
| **Balance as at June 30, 2005** | 120,057,618 | 1,200,576 |
| Ordinary shares of Rs 10 each issued during the year as bonus shares | 12,005,762 | 120,058 |
| **Balance as at June 30, 2006** | 132,063,380 | 1,320,634 |

23.3 At June 30, 2006 GoP held 117,706,724 (2005: 107,006,113) ordinary shares in the Corporation.

## 24. RESERVES

| | Note | 2006 (Rupees in '000) | 2005 (Rupees in '000) |
|---|---|---|---|
| Capital reserves | 24.1 | 126,843 | 126,843 |
| Revenue reserves (including unappropriated profit) | | 6,228,565 | 4,884,782 |
| | | 6,355,408 | 5,011,625 |

24.1 This includes amount transferred from shareholders' equity at the time of merger of former National Shipping Corporation (NSC) and Pakistan Shipping Corporation (PSC).

## 25. SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX

| | Note | 2006 (Rupees in '000) | 2005 (Rupees in '000) |
|---|---|---|---|
| Surplus arising on revaluation of fixed assets - net of tax | 25.1 | 536,407 | 534,644 |
| Surplus arising on revaluation of fixed assets of subsidiary companies | 25.2 | 2,837,681 | 3,287,319 |
| | | 3,374,088 | 3,821,963 |

25.1 **Surplus on revaluation of fixed assets - net of tax**

| | 2006 | 2005 |
|---|---|---|
| Balance as at July 1 | 568,529 | 328,706 |
| Surplus arising on revaluation of fixed assets during the year | - | 271,495 |
| | 568,529 | 600,201 |
| Transferred to unappropriated profit : | | |
| Surplus relating to incremental depreciation charged during the year on related assets - net of tax | 7,037 | 20,587 |
| Related deferred tax liability | 2,461 | 11,085 |
| | 9,498 | 31,672 |
| | 559,031 | 568,529 |
| Less: Related deferred tax liability on : | | |
| - Revaluation as at July 1 | 33,885 | 16,606 |
| - Surplus arising due to revaluation | - | 28,364 |
| - Incremental depreciation charged during the year on related assets transferred to profit and loss account | (2,461) | (11,085) |
| - Effect of ratio allocation of revenue under FTR | (8,800) | - |
| | 22,624 | 33,885 |
| Balance as at June 30 | 536,407 | 534,644 |

| | 2006 | 2005 |
|---|---|---|
| | (Rupees in '000) | |
| **25.2 Surplus on revaluation of fixed assets of subsidiary companies** | | |
| Balance as at July 1 | 3,287,319 | 3,340,192 |
| Surplus arising on revaluation of fixed assets during the year | 8,689 | - |
| Transferred to unappropriated profit : | | |
| Surplus relating to incremental depreciation charged during the year on related assets | 458,327 | 52,873 |
| | 2,837,681 | 3,287,319 |

## 26. LONG-TERM FINANCING

| | 2006 | 2005 |
|---|---|---|
| Balance as at June 30 | 732,578 | 981,607 |
| Less: current portion of long-term financing | 258,557 | 256,071 |
| | 474,021 | 725,536 |

26.1 This represents balance of long-term financing obtained from National Bank of Pakistan-Bahrain amounting to US$ 12.143 million (2005: US$ 16.428 million). The loan is repayable in 7 yearly installments commencing from December 2003 and carries mark-up at the rate of 2.95% above 6 months LIBOR per annum (2005: 2.95% above 6 months LIBOR per annum) payable on half yearly basis. This loan is secured by a guarantee given by the Government of Pakistan through State Bank of Pakistan. According to the loan agreement, the Corporation can prepay the loan by giving one month irrevocable advance notice.

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **27. DEFERRED LIABILITIES** | | | |
| Employees' gratuity | 27.1.1 | 218,932 | 234,660 |
| Post retirement medical benefits | 27.1.1 | 86,474 | 88,094 |
| Employees' compensated absences | 27.2.1 | 94,144 | 97,018 |
| | | 399,550 | 419,772 |

## 27.1 Retirement benefit schemes

The fair value of the scheme's assets and liabilities for past services of the employees at the latest valuation date were as follows:

| | Note | 2006 Employees' gratuity | 2006 Post retirement medical benefits | 2005 Employees' gratuity | 2005 Post retirement medical benefits |
|---|---|---|---|---|---|
| | | ---- (Rupees in '000) ---- | | | |
| 27.1.1 Movement in the net liability recognised in the balance sheet: | | | | | |
| Net recognised liability as at July 1 | | 234,660 | 88,094 | 225,752 | 95,389 |
| Charge for the year | 27.1.2 | | | | |
| - Parent company | | 1,466 | 419 | 4,144 | (391) |
| - Charged to subsidiaries | | 18,975 | 5,112 | 20,078 | (1,775) |
| | | 20,441 | 5,531 | 24,222 | (2,166) |
| | | 255,101 | 93,625 | 249,974 | 93,223 |
| Less: payments made during the year | | (36,169) | (7,151) | (15,314) | (5,129) |
| Net recognised liability as at June 30 | | 218,932 | 86,474 | 234,660 | 88,094 |
| Present value of defined benefit obligation | | 223,611 | 76,674 | 216,568 | 82,808 |
| Unrecognised actuarial (loss)/gain | | (4,679) | 9,800 | 18,092 | 5,286 |
| | | 218,932 | 86,474 | 234,660 | 88,094 |

27.1.2 The following amounts have been charged to the profit and loss account during the current year in respect of the defined benefit obligation:

| | Note | 2006 Employees' gratuity | 2006 Post retirement medical benefits | 2005 Employees' gratuity | 2005 Post retirement medical benefits |
|---|---|---|---|---|---|
| | | ---- (Rupees in '000) ---- | | | |
| Current service cost | | 8,073 | 3,441 | 8,227 | 3,823 |
| Interest cost | | 19,581 | 7,376 | 17,469 | 6,592 |
| Actuarial gain recognised during the year | | (7,213) | (5,286) | (1,474) | (12,581) |
| | | 20,441 | 5,531 | 24,222 | (2,166) |
| Less: charged to subsidiaries | 27.1.1 | (18,975) | (5,112) | (20,078) | 1,775 |
| | | 1,466 | 419 | 4,144 | (391) |

27.1.3 As stated in note 2.15.2 of these financial statements, the Corporation operates an unfunded gratuity scheme, and post retirement medical benefit scheme. Provision is maintained against these schemes based on the actuarial recommendations. Actuarial valuation of these benefits are carried out at least once in every two years and the latest valuations were carried out as at June 30, 2006. Projected Unit Credit Method using the following significant assumptions were used for the actuarial valuation of the defined benefit obligation schemes.

- Expected rate of increase in salary level is 7% (2005: 6%) per annum
- Expected discount rate of 9% (2005: 8%) per annum
- Expected medical cost trend rate 7% (2005: 6%) per annum

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **27.2 Employees' compensated absences** | | | |
| 27.2.1 Movement in the net liability recognised in the balance sheet: | | | |
| Net recognised liability as at July 1 | | 97,018 | 127,242 |
| Charge for the year | 27.2.2 | | |
| - Parent company | | 2,675 | (22,918) |
| - Charged to subsidiaries | | 33,148 | 37,320 |
| | | 35,823 | 14,402 |
| | | 132,841 | 141,644 |
| Less: payments made during the year | | (38,697) | (44,626) |
| Net recognised liability as at June 30 | | 94,144 | 97,018 |

27.2.2 The following amounts have been charged to the profit and loss account during the current year in respect of the employees' compensated absences obligation:

| | Note | 2006 | 2005 |
|---|---|---|---|
| Current service cost | | 32,646 | 36,967 |
| Interest cost | | 8,132 | 8,440 |
| Actuarial gain recognised during the year | | (4,955) | (31,005) |
| | | 35,823 | 14,402 |
| Less: charged to subsidiaries | 27.2.1 | (33,148) | (37,320) |
| | | 2,675 | (22,918) |

27.2.3 The expenses in respect of employees' compensated absences have been charged on the basis of actuarial recommendations and are in accordance with the Administrative and Financial Services Agreement with subsidiary companies, as mentioned in note 30.1.

## 28. CONTINGENCIES

28.1 The contingent liability in respect of claims not admitted by the Corporation as at June 30, 2006 amount to Rs 1,139.196 million (2005: Rs 987.181 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo, damages to cargo and miscellaneous claims lodged by workers and others. These include Rs 34.485 million (2005: Rs 32.806 million) approximately in respect of insurance claims which, if accepted, will be borne by the Corporation as the P&I Club, Oceanus Mutual Underwriting Association (Bermuda) Limited has gone into liquidation. Out of the remaining claims, a sum of Rs 351.354 million (2005: Rs 270.824 million) approximately would be recoverable from the P&I Club, Steamship Mutual Underwriting Association, in the event these claims are accepted by the Corporation. As a matter of prudence, the management has made a total provision of Rs 121.625 million (2005:Rs 103.927 million) against the aforementioned claims in these financial statements as referred to in note 19.1 thereto.

28.2 The Corporation has not accepted liability in respect of customs duty approximating Rs 2.500 million (2005: Rs 2.500 million) relating to the sale of the vessel M.V. Bhambore during the year ended June 30, 1978. The duty was claimed from the Corporation and the matter has been taken up with the appropriate Government agencies.

28.3 The former owners of East & West Steamship Company, Chittagong Steamship Corporation Limited and Trans Oceanic Steamship Company Limited had initiated litigation that involved the Government of Pakistan and the Corporation.

Following the Supreme Court's adjudication of the East & West Steamship Company's matter in favour of the former owners, the Government provisionally assessed additional compensation due to the former owners at approximately Rs 97.012 million (2005: Rs 97.012 million). Although a major portion of this amount has been settled by the Government, the Government holds the Corporation liable for this amount by virtue of the net assets of the East & West Steamship Company having become vested in the Corporation.

In case of Chittagong Steamship Corporation Limited and Trans Oceanic Steamship Company Limited, the litigations relating to compensation to the former owners and the legal suits are pending in the High Court of Sindh. The amount claimed is approximately Rs 1.300 million and Rs 66.800 million (2005: Rs 1.300 million and Rs 66.800 million) respectively.

The Corporation disclaims any liability in respect of the above mentioned amounts and any accretions to it upto final determination and settlement of the matter.

28.4 In respect of the claims filed or likely to be filed against the Corporation for any cause, including, short delivery of cargo, oil pollution, environmental damage arising out of the grounding and break-up of M.T. Tasman Spirit, negotiation for an out of court settlement were held with the owners of M.T. Tasman Spirit by the Committee set up by the Federal Government. However, the owners of M.T. Tasman Spirit decided to reactivate the arbitration proceedings against the Corporation in London in respect of unsafe port claim and as a result, the 'stand still agreement' between the owners of M.T. Tasman Spirit and the Government of Pakistan came to an end in May 2005. During the year, arbitration proceedings have commenced, however, in the management's opinion, it is unlikely to succeed and no significant financial liability is likely to result against the Corporation.

28.5 While framing the tax assessment for the income year ended June 30, 1990, the assessing officer had made an addition to income of Rs 3,974.455 million, being the remission of liabilities due to the Federal Government under the scheme of financial restructuring of the Corporation. The resultant tax liability including additional taxes for late payment of tax amounted to Rs 1,293.748 million, part of which was paid by the Corporation and the remaining amount of Rs 1,233.694 million was directly discharged at source by the Federal Government. During the year ended June 30, 2002, the ITAT had given its decision in favour of the Corporation on the appeal filed against the above order. However, the effect of the above decision has not been given by the income tax authorities so far.

28.6 While framing the assessments for the assessment years 2001-2002 and 2002-2003 the income tax assessing authorities had made certain add backs having tax impact of Rs. 103.614 million. The Corporation filed appeals against the subject assessment orders and the Commissioner of Income Tax (Appeal) in his orders has upheld certain disallowances and has given decisions in favour of the Corporation on certain matters. The management of the Corporation is confident that the matters in appeals shall be eventually decided in its favour.

| | 2006 | 2005 |
|---|---|---|
| | (Rupees in '000) | |

## 29. CHARTERING REVENUES

| | 2006 | 2005 |
|---|---|---|
| Foreign flag vessels: | | |
| Time charter revenue | - | 600,894 |
| Voyage charter revenue | 533,883 | 868,564 |
| Slot charter revenue | 847,139 | 612,769 |
| | 1,381,022 | 2,082,227 |

## 30. SERVICES FEE

| | 2006 | 2005 |
|---|---|---|
| Technical and commercial services fee | 192,994 | 173,340 |
| Administrative and financial services fee | 64,332 | 57,780 |
| | 257,326 | 231,120 |

30.1 The Corporation has entered into agreements with each of its subsidiary companies for rendering of services as Technical and Commercial Services Provider of the vessel and Administrative and Financial Services Provider. Under the terms of these agreements, the Corporation provides specified services on actual cost basis. The Corporation also collects freight / hire due to the subsidiary companies in respect of trading of the vessel and makes payment on behalf of the subsidiaries for all expenses incurred in the provision of related services or in relation to the proper and efficient operation of their vessels. In consideration, it is entitled to Technical and Commercial Service Fee and Administrative and Financial Service Fee at mutually agreed rates of 3% and 1% (2005: 3% and 1%) respectively of the total income derived from commercial trading of the vessels operated by each of the subsidiary companies. In addition, the Corporation also charges indirect fleet expenses, administration and general expenses to the subsidiaries under mutually agreed terms.

## 31. FLEET EXPENSES - DIRECT

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Stevedoring and transhipment expenses | | - | 52 |
| Port, light, canal and customs dues | | - | 1,665 |
| Charter hire and related expenses | 31.1 | 802,552 | 1,527,800 |
| Fleet communication expenses | | - | 18 |
| Agency commission and brokerage | | - | 134 |
| Claims | | 2,326 | 4,829 |
| Sundry expenses | | - | 105 |
| | | 804,878 | 1,534,603 |

31.1 Charter Hire and related expenses

| | 2006 | 2005 |
|---|---|---|
| Foreign flag vessels: | | |
| - Time charter expenses | - | 414,231 |
| - Voyage charter expenses | 458,520 | 885,291 |
| - Slot charter expenses | 344,032 | 228,278 |
| | 802,552 | 1,527,800 |

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **32. FLEET EXPENSES - INDIRECT** | | | |
| Conference establishment expenses | | 1,385 | 866 |
| Salaries and allowances - regional office | 32.1 | 3,376 | 3,978 |
| Agents' and other general expenses | 32.3 | 8,109 | 10,029 |
| Depreciation | 4.6 | 914 | 3,612 |
| General establishment expenses - regional office | | 588 | 715 |
| | | 14,372 | 19,200 |
| Less: charged to subsidiaries | 32.2 | 12,204 | 12,849 |
| | | 2,168 | 6,351 |

32.1 This includes Rs 0.149 million (2005: Rs 0.185 million) in respect of provident fund contribution.

32.2 These expenses have been charged on mutually agreed terms and on actual cost basis in accordance with the Administrative and Financial Services Agreement as mentioned in note 30.1.

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **32.3 Agents' and other general expenses** | | | |
| Printing and stationery | | 1,066 | 964 |
| Advertisement and publicity | | 1,717 | 2,901 |
| Telephone, telex and postage | | 4,859 | 5,486 |
| Bank charges and commission | | 393 | 583 |
| Other miscellaneous expenses | | 74 | 95 |
| | | 8,109 | 10,029 |

| | Note | 2006 | 2005 |
|---|---|---|---|
| **33. ADMINISTRATIVE AND GENERAL EXPENSES** | | | |
| Salaries and allowances | 33.1 | 200,578 | 196,104 |
| General establishment expenses | 33.2 | 76,029 | 62,263 |
| Rent, rates and taxes | | 5,777 | 7,078 |
| Scholarship and training expenses | | 738 | 539 |
| Insurance | | 2,382 | 1,548 |
| Depreciation | 4.6 | 23,858 | 40,851 |
| Amortisation | 5 | 3,301 | 3,301 |
| Directors' fee | | 263 | 36 |
| Legal and professional charges | | 4,801 | 6,006 |
| Impairment loss on investments in related parties | 7 | 25,210 | - |
| Provision for doubtful debts against: | | | |
| - trade | | 7,577 | 48,769 |
| - others | | 20,095 | 31,965 |
| | | 370,609 | 398,460 |
| Less: expenses charged to subsidiaries | 33.3 | 224,876 | 181,220 |
| | | 145,733 | 217,240 |

33.1 This includes Rs 7.412 million (2005: Rs 7.802 million) in respect of provident fund contribution.

| | 2006 | 2005 |
|---|---|---|
| | (Rupees in '000) | |
| **33.2 General establishment expenses** | | |
| Repairs and maintenance | 4,940 | 4,641 |
| Medical cost | 8,496 | 9,175 |
| Contribution to employees welfare fund | 7 | 8 |
| Contribution to group term insurance | 1,085 | 1,180 |
| Security charges | 1,930 | 1,743 |
| Travelling and conveyance | 5,509 | 4,108 |
| Entertainment and canteen subsidy | 2,753 | 2,553 |
| Books, periodicals and subscriptions | 4,288 | 2,417 |
| Uniform and liveries | 376 | 288 |
| Printing and stationery | 2,927 | 2,548 |
| Telephone, telex and postage | 6,494 | 6,491 |
| Light, power and water | 10,983 | 7,113 |
| Computer expenses | 6,747 | 3,318 |
| Advertisement and publicity | 2,979 | 2,722 |
| Vehicle running and repairs | 11,725 | 9,141 |
| Ship inspection expenses | 1,234 | 1,955 |
| Sundry expenses | 3,556 | 2,862 |
| | 76,029 | 62,263 |

33.3 These expenses have been allocated on mutually agreed terms and on actual cost basis in accordance with the Administrative and Financial Services Agreement as mentioned in note 30.1 to these financial statements.

## 34. OTHER OPERATING EXPENSES

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Irrecoverable balances written off | | - | 194 |
| Workers' Profits Participation Fund | 21.3 | 72,100 | 155,622 |
| Donations | 34.1 | 2,614 | 14,153 |
| Auditors' remuneration | 34.2 | 2,219 | 3,182 |
| Employees' gratuity | 27.1.2 | 1,466 | 4,144 |
| Post retirement medical benefits | 27.1.2 | 419 | (391) |
| Employees' compensated absences | 27.2.2 | 2,675 | (22,918) |
| Loss on revaluation of investments | | 2,178 | - |
| | | 83,671 | 153,986 |

34.1 Donations were not made to any donee in which the Corporation or a director or his spouse had any interest.

34.2 **Auditors' remuneration**

| | 2006 | | | 2005 | | |
|---|---|---|---|---|---|---|
| | A. F. Ferguson & Co. | Ford Rhodes Sidat Hyder & Co. | Total | A. F. Ferguson & Co. | Ford Rhodes Sidat Hyder & Co. | Total |
| | (Rupees '000) | | | | | |
| Audit fee | 280 | 280 | 560 | 224 | 224 | 448 |
| Review of half yearly financial statements | 150 | 150 | 300 | 150 | 150 | 300 |
| Review of compliance with the best practices of the code of corporate governance | 40 | 40 | 80 | 40 | 40 | 80 |
| Fee for audit of the consolidated financial statements | 50 | 50 | 100 | - | - | - |
| Tax advisory services | 1,000 | - | 1,000 | 2,197 | - | 2,197 |
| Out of pocket expenses | 99 | 80 | 179 | 80 | 77 | 157 |
| | 1,619 | 600 | 2,219 | 2,691 | 491 | 3,182 |

## 35. FINANCE COSTS

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Interest on: | | | |
| - Long-term financing | | 61,249 | 58,571 |
| - Workers' Profits Participation Fund | 21.3 | 2,787 | 2,597 |
| Bank charges and commission | | 2,783 | 2,695 |
| Unrealised exchange loss on long-term financing | | 7,300 | 29,436 |
| | | 74,119 | 93,299 |

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **36. OTHER OPERATING INCOME** | | | |
| Interest/mark-up on loans and advances to: | | | |
| - Employees | | 773 | 898 |
| - Subsidiary companies | | 116,335 | 77,948 |
| | | 117,108 | 78,846 |
| Income from savings term deposit accounts | | 258,089 | 62,411 |
| Scrap sales | | 148 | 477 |
| Profit on disposal of fixed assets | | 2,147 | - |
| Dividend income | | 1,945 | 2,129 |
| Provisions no longer required written back | | 10,566 | 99,854 |
| Gain on revaluation of investments | | - | 10,488 |
| Gain on revaluation of investment properties | | - | 235,289 |
| Insurance claims | 36.1 | 8,113 | 26,961 |
| Liabilities no longer payable written back | | 3,705 | 11,173 |
| Sundries | | 34,291 | 18,885 |
| | | 436,112 | 546,513 |

| | | |
|---|---|---|
| 36.1 This represents recoveries from hull, cargo and other claims according to: | | |
| - the insurance policies | 8,113 | 25,520 |
| - others | - | 1,441 |
| | 8,113 | 26,961 |

## 37. TAXATION

| | 2006 | 2005 |
|---|---|---|
| Tax charge for | | |
| - current year | 306,290 | 123,729 |
| - prior years | (53,574) | 51,462 |
| | 252,716 | 175,191 |
| Deferred | (124,209) | (2,181) |
| | 128,507 | 173,010 |
| Taxes paid abroad relating to current year | 22 | 68 |
| | 128,529 | 173,078 |

| | 2006 | 2005 |
|---|---|---|
| | (Rupees in '000) | |

**37.1 Relationship between tax expense and accounting profit**

| | 2006 | 2005 |
|---|---|---|
| Accounting profit before tax | 1,367,121 | 2,954,231 |
| Tax rate | 35% | 35% |
| Tax on accounting profit | 478,492 | 1,033,981 |
| Tax effect in respect of temporary differences associated with investments in subsidiaries whose timing of reversal is controlled by the Corporation | (141,066) | (663,166) |
| Tax effect in respect of taxable difference on surplus on revaluation of investment properties | - | (82,351) |
| Tax effect of lower tax rates on certain incomes: | | |
| - Tax saving due to lower tax rates | (128,156) | (123,047) |
| - Tax liability under final tax regime | 7,554 | 13,485 |
| | (120,602) | (109,562) |
| Others (including the impact arising as a consequence of change in allocation ratio of revenue chargeable under FTR and non-FTR tax regime) | (34,743) | (57,354) |
| | (296,411) | (912,433) |
| | 182,081 | 121,548 |
| Tax effects of adjustments in respect of taxes paid abroad | 22 | 68 |
| Tax effects of adjustments in respect of prior years | (53,574) | 51,462 |
| Tax expense for the year | 128,529 | 173,078 |

## 38. EARNINGS PER SHARE

| | 2006 | 2005 |
|---|---|---|
| Profit after taxation attributable to ordinary shareholders | 1,238,592 | 2,781,153 |
| | (Number of shares) | |
| Weighted average ordinary shares in issue during the year | 132,063,380 | 132,063,380 |
| | (Rupees) | |
| Earnings per share - basic and diluted | 9.38 | 21.06 |

| | Note | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |

## 39. CASH GENERATED FROM OPERATIONS

| | Note | 2006 | 2005 |
|---|---|---|---|
| Profit before taxation | | 1,367,121 | 2,954,231 |
| Adjustments for non-cash charges and other items: | | | |
| Share of profit in subsidiaries and associates | | (293,237) | (2,009,593) |
| Impairment loss on investments in related parties | | 25,210 | - |
| Depreciation | | 24,772 | 44,463 |
| Amortisation | | 3,301 | 3,301 |
| Profit on disposal of property, plant and equipment | | (2,147) | - |
| Provision for employees' gratuity | | 1,466 | 4,144 |
| Provision/(reversal) for employees' compensated absences | | 2,675 | (22,918) |
| Provision/(reversal) for post retirement medical benefits | | 419 | (391) |
| Provision/(reversal) against claims for damages | | 17,698 | (31,980) |
| Dividend income | | (1,945) | (2,129) |
| Dividend forfeited | | - | (9,758) |
| Interest / mark-up income | | (375,197) | (141,257) |
| Interest / mark-up expense | | 61,249 | 58,571 |
| Irrecoverable balances written off | | - | 194 |
| Loss/(gain) on revaluation of investments | | 2,178 | (10,488) |
| Gain on revaluation of investment properties | | - | (235,289) |
| Unrealised exchange loss on long-term financing | | 7,300 | 29,436 |
| Working capital changes | 39.1 | 248,963 | 1,607,932 |
| | | 1,089,826 | 2,238,469 |

### 39.1 Working capital changes

| | 2006 | 2005 |
|---|---|---|
| Decrease / (increase) in current assets | | |
| Stores and spares | (3,839) | (3,621) |
| Trade debts | 72,392 | 123,433 |
| Agents' and owners' balances | 26,303 | (24,948) |
| Loans and advances | (4,533) | (19,622) |
| Deposits and prepayments | 1,191 | 10,068 |
| Other receivables | (221,905) | 13,253 |
| Incomplete voyages | 5,304 | (4,205) |
| Insurance claims | (7,493) | 7,392 |
| | (132,580) | 101,750 |
| Increase in current liabilities | | |
| Trade and other payables | 381,543 | 1,506,182 |
| | 248,963 | 1,607,932 |

## 40. CASH AND CASH EQUIVALENTS

| | 2006 | 2005 |
|---|---|---|
| Cash and bank balances | 4,055,389 | 4,051,579 |
| | 4,055,389 | 4,051,579 |

## 41. REMUNERATION OF CHAIRMAN, EXECUTIVE DIRECTORS / DIRECTORS AND OTHER EXECUTIVES

The aggregate amount of remuneration including all benefits payable to the Chairman, Executive Directors / Directors and Executives of the Corporation were as follows:

| | Chairman & Chief Executive | | Executive Directors/Directors | | Other Executives | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| | (Rupees '000) | | | | | |
| Managerial remuneration and allowances | 704 | 224 | 3,803 | 5,686 | 41,331 | 30,751 |
| Retirement benefits | - | - | 142 | 334 | 270 | 380 |
| House rent | - | - | 779 | 1,206 | 10,455 | 8,722 |
| Conveyance | - | - | - | - | 2,908 | 2,543 |
| Entertainment | 12 | 9 | 421 | 419 | - | - |
| Medical | 25 | 58 | 123 | 305 | 1,450 | 1,409 |
| Utilities | 37 | 38 | 406 | 604 | 4,111 | 3,327 |
| Personal staff subsidy | 28 | - | 62 | 43 | 386 | 185 |
| Club membership fee and expenses | 24 | 24 | 68 | 56 | - | - |
| Personal accident insurance | 4 | 4 | 17 | 13 | - | 119 |
| Bonus | - | - | - | - | 614 | - |
| Other allowances | 220 | 142 | 367 | 493 | 19,901 | 16,437 |
| | 1,054 | 499 | 6,188 | 9,159 | 81,426 | 63,873 |
| Number of persons | 1 | 1 | 6 | 6 | 47 | 36 |

41.1 Retirement benefits represent amount contributed towards various retirement benefit plans. The Executives of the Corporation are entitled to retirement benefits as outlined in note 2.15 to these financial statements. The Chairman and Chief Executive, Executive Directors and certain Executives are provided with Corporation owned and maintained cars.

41.2 The aggregate amount charged in the financial statements for fee to non-executive directors was Rs 0.263 million (2005: Rs 0.036 million).

41.3 A portion of the above amounts of remuneration is allocated to the subsidiary companies on mutually agreed terms and conditions.

## 42. FINANCIAL ASSETS AND LIABILITIES

**2006**

| | Interest / mark-up bearing | | | Non interest / mark-up bearing | | | |
|---|---|---|---|---|---|---|---|
| | Maturity upto one year | Maturity after one year | Subtotal | Maturity upto one year | Maturity after one year | Subtotal | Total |
| | ------ (Rupees in '000) ------ | | | | | | |
| **Financial Assets** | | | | | | | |
| Long-term investments | - | - | - | 30,781 | - | 30,781 | 30,781 |
| Long-term loans - Related parties | 363,917 | 629,250 | 993,167 | - | - | - | 993,167 |
| - Others | 920 | 2,210 | 3,130 | - | - | - | 3,130 |
| Trade debts | - | - | - | 31,308 | - | 31,308 | 31,308 |
| Agents' and owners' balances | - | - | - | 12,512 | - | 12,512 | 12,512 |
| Deposits | - | - | - | 2,398 | - | 2,398 | 2,398 |
| Interest/mark-up accrued | - | - | - | 54,734 | - | 54,734 | 54,734 |
| Other receivables | - | - | - | 242,492 | - | 242,492 | 242,492 |
| Insurance claims | - | - | - | 9,661 | - | 9,661 | 9,661 |
| Cash and bank balances | 3,488,819 | - | 3,488,819 | 566,570 | - | 566,570 | 4,055,389 |
| | 3,853,656 | 631,460 | 4,485,116 | 950,456 | - | 950,456 | 5,435,572 |
| **Financial Liabilities** | | | | | | | |
| Long-term financing | 258,557 | 474,021 | 732,578 | - | - | - | 732,578 |
| Trade and other payables | - | - | - | 3,450,360 | - | 3,450,360 | 3,450,360 |
| Interest accrued | - | - | - | 174 | - | 174 | 174 |
| | 258,557 | 474,021 | 732,578 | 3,450,534 | - | 3,450,534 | 4,183,112 |
| **Net financial assets/(financial liabilities)** | 3,595,099 | 157,439 | 3,752,538 | (2,500,078) | - | (2,500,078) | 1,252,460 |

**2005**

| | Interest / mark-up bearing | | | Non interest / mark-up bearing | | | |
|---|---|---|---|---|---|---|---|
| | Maturity upto one year | Maturity after one year | Subtotal | Maturity upto one year | Maturity after one year | Subtotal | Total |
| | ------ (Rupees in '000) ------ | | | | | | |
| **Financial Assets** | | | | | | | |
| Long-term investments | - | - | - | 32,959 | - | 32,959 | 32,959 |
| Long-term loans - Related parties | 363,917 | 993,166 | 1,357,083 | - | - | - | 1,357,083 |
| - Others | 1,610 | 3,300 | 4,910 | - | - | - | 4,910 |
| Trade debts | - | - | - | 103,700 | - | 103,700 | 103,700 |
| Agents' and owners' balances | - | - | - | 38,815 | - | 38,815 | 38,815 |
| Deposits | - | - | - | 4,329 | - | 4,329 | 4,329 |
| Interest/mark-up accrued | - | - | - | 27,677 | - | 27,677 | 27,677 |
| Other receivables | - | - | - | 20,587 | - | 20,587 | 20,587 |
| Insurance claims | - | - | - | 2,168 | - | 2,168 | 2,168 |
| Cash and bank balances | 3,917,121 | - | 3,917,121 | 134,458 | - | 134,458 | 4,051,579 |
| | 4,282,648 | 996,466 | 5,279,114 | 364,693 | - | 364,693 | 5,643,807 |
| **Financial Liabilities** | | | | | | | |
| Long-term financing | 256,071 | 725,536 | 981,607 | - | - | - | 981,607 |
| Trade and other payables | - | - | - | 3,176,815 | - | 3,176,815 | 3,176,815 |
| Interest accrued | - | - | - | 180 | - | 180 | 180 |
| | 256,071 | 725,536 | 981,607 | 3,176,995 | - | 3,176,995 | 4,158,602 |
| **Net financial assets/(financial liabilities)** | 4,026,577 | 270,930 | 4,297,507 | (2,812,302) | - | (2,812,302) | 1,485,205 |

The effective interest / mark-up rates for the monetary financial assets and liabilities are disclosed in the respective notes.

### 42.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs 5,435.572 million (2005: Rs 5,643.807 million) the financial assets which are subject to credit risk amounted to Rs 5,435.561 million (2005: Rs 5,643.658 million). The management of the Corporation believes that it is not exposed to major concentration of credit risk.

### 42.2 Foreign exchange risk management

Foreign currency risk arises on receivable and payable transactions at foreign ports and on long-term foreign currency loan. Foreign currency risks are not covered as a considered management decision.

### 42.3 Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Corporation believes that it is not exposed to any significant level of liquidity risk.

### 42.4 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Corporation has adopted appropriate policies to minimise its exposure to this risk.

### 42.5 Fair value of financial assets and financial liabilities

The carrying value of all financial assets and financial liabilities are estimated to approximate their fair values.

## 43. RELATED PARTY DISCLOSURES

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. Particulars of remuneration to key personnel are disclosed in note 41 of these financial statements.

| Related party | Relationship with the company | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Long-term loan advanced** | | | |
| Lalazar Shipping (Private) Limited | Subsidiary | - | 360,000 |
| **Repayment of long-term loans and interest thereon** | | | |
| Shalamar Shipping (Private) Limited | Subsidiary | 99,864 | 94,615 |
| Swat Shipping (Private) Limited | Subsidiary | 109,848 | 97,239 |
| Lalazar Shipping (Private) Limited | Subsidiary | 148,011 | 80,604 |
| Johar Shipping (Private) Limited | Subsidiary | 123,222 | 109,076 |
| | | 480,945 | 381,534 |
| **Investments made** | | | |
| National Tanker Company (Private) Limited | Subsidiary | 168,765 | - |
| Pak Nippon Car Liner Shipping (Private) Limited | Subsidiary | 360 | - |
| | | 169,125 | - |
| **Freight income** | | | |
| National Tanker Company (Private) Limited | Subsidiary | - | 22,980 |
| | | - | 22,980 |
| **Service fee charged** | | | |
| Bolan Shipping (Private) Limited | Subsidiary | 10,198 | 11,979 |
| Chitral Shipping (Private) Limited | Subsidiary | 11,657 | 14,388 |
| Hyderabad Shipping (Private) Limited | Subsidiary | 14,321 | 15,625 |
| Islamabad Shipping (Private) Limited | Subsidiary | 11,760 | 10,351 |
| Kaghan Shipping (Private) Limited | Subsidiary | 3,185 | - |
| Khairpur Shipping (Private) Limited | Subsidiary | 12,461 | 7,980 |
| Makran Shipping (Private) Limited | Subsidiary | 10,619 | 10,848 |
| Malakand Shipping (Private) Limited | Subsidiary | 11,206 | 13,783 |
| Multan Shipping (Private) Limited | Subsidiary | 13,223 | 16,163 |
| Sargodha Shipping (Private) Limited | Subsidiary | 10,446 | 14,838 |
| Sibi Shipping (Private) Limited | Subsidiary | 5,855 | 9,379 |
| Shalamar Shipping (Private) Limited | Subsidiary | 45,433 | 30,613 |
| Swat Shipping (Private) Limited | Subsidiary | 39,385 | 26,212 |
| Lalazar Shipping (Private) Limited | Subsidiary | 26,911 | 19,676 |
| Johar Shipping (Private) Limited | Subsidiary | 30,666 | 29,285 |
| | | 257,326 | 231,120 |

| Related party | Relationship with the company | 2006 | 2005 |
|---|---|---|---|
| | | (Rupees in '000) | |
| **Rental income** | | | |
| National Tanker Company (Private) Limited | Subsidiary | 3,609 | 3,609 |
| **Interest charged on loans** | | | |
| Shalamar Shipping (Private) Limited | Subsidiary | 18,668 | 14,369 |
| Swat Shipping (Private) Limited | Subsidiary | 33,386 | 22,423 |
| Lalazar Shipping (Private) Limited | Subsidiary | 26,831 | 16,003 |
| Johar Shipping (Private) Limited | Subsidiary | 37,450 | 25,153 |
| | | 116,335 | 77,948 |
| **Expenses charged** | | | |
| Bolan Shipping (Private) Limited | Subsidiary | 11,235 | 12,390 |
| Chitral Shipping (Private) Limited | Subsidiary | 11,650 | 12,048 |
| Hyderabad Shipping (Private) Limited | Subsidiary | 12,995 | 10,548 |
| Islamabad Shipping (Private) Limited | Subsidiary | 12,594 | 10,611 |
| Kaghan Shipping (Private) Limited | Subsidiary | 7,091 | - |
| Khairpur Shipping (Private) Limited | Subsidiary | 12,413 | 8,423 |
| Makran Shipping (Private) Limited | Subsidiary | 12,078 | 10,705 |
| Malakand Shipping (Private) Limited | Subsidiary | 10,916 | 11,156 |
| Multan Shipping (Private) Limited | Subsidiary | 13,672 | 12,178 |
| Sargodha Shipping (Private) Limited | Subsidiary | 9,220 | 13,006 |
| Sibi Shipping (Private) Limited | Subsidiary | 15,241 | 10,686 |
| Shalamar Shipping (Private) Limited | Subsidiary | 30,615 | 21,244 |
| Swat Shipping (Private) Limited | Subsidiary | 26,898 | 21,066 |
| Lalazar Shipping (Private) Limited | Subsidiary | 26,306 | 18,420 |
| Johar Shipping (Private) Limited | Subsidiary | 24,156 | 21,588 |
| | | 237,080 | 194,069 |

| Related party | Relationship with the company | 2006 (Rupees in '000) | 2005 |
|---|---|---|---|
| **Delivery of stores and spares** | | | |
| Bolan Shipping (Private) Limited | Subsidiary | 1,658 | 1,242 |
| Chitral Shipping (Private) Limited | Subsidiary | 1,314 | 1,073 |
| Hyderabad Shipping (Private) Limited | Subsidiary | 994 | 1,535 |
| Islamabad Shipping (Private) Limited | Subsidiary | 1,366 | 839 |
| Kaghan Shipping (Private) Limited | Subsidiary | 57 | - |
| Khairpur Shipping (Private) Limited | Subsidiary | 1,850 | 377 |
| Makran Shipping (Private) Limited | Subsidiary | - | 783 |
| Malakand Shipping (Private) Limited | Subsidiary | 1,251 | 1,139 |
| Multan Shipping (Private) Limited | Subsidiary | 1,330 | 1,249 |
| Sargodha Shipping (Private) Limited | Subsidiary | 1,242 | 1,160 |
| Sibi Shipping (Private) Limited | Subsidiary | 705 | 760 |
| Shalamar Shipping (Private) Limited | Subsidiary | 1,507 | 928 |
| Swat Shipping (Private) Limited | Subsidiary | 1,128 | 1,528 |
| Lalazar Shipping (Private) Limited | Subsidiary | 2,290 | 1,328 |
| Johar Shipping (Private) Limited | Subsidiary | 1,413 | 2,359 |
| | | 18,105 | 16,300 |
| **Retirement benefit costs charged** | | | |
| Bolan Shipping (Private) Limited | Subsidiary | 2,777 | 3,573 |
| Chitral Shipping (Private) Limited | Subsidiary | 2,937 | 3,504 |
| Hyderabad Shipping (Private) Limited | Subsidiary | 3,080 | 3,506 |
| Islamabad Shipping (Private) Limited | Subsidiary | 2,926 | 3,503 |
| Kaghan Shipping (Private) Limited | Subsidiary | 1,516 | - |
| Khairpur Shipping (Private) Limited | Subsidiary | 2,951 | 3,089 |
| Makran Shipping (Private) Limited | Subsidiary | 2,962 | 3,472 |
| Malakand Shipping (Private) Limited | Subsidiary | 2,803 | 3,500 |
| Multan Shipping (Private) Limited | Subsidiary | 3,168 | 3,896 |
| Sargodha Shipping (Private) Limited | Subsidiary | 2,517 | 4,128 |
| Sibi Shipping (Private) Limited | Subsidiary | 3,409 | 3,664 |
| Shalamar Shipping (Private) Limited | Subsidiary | 6,833 | 5,343 |
| Swat Shipping (Private) Limited | Subsidiary | 6,491 | 5,345 |
| Lalazar Shipping (Private) Limited | Subsidiary | 6,690 | 4,018 |
| Johar Shipping (Private) Limited | Subsidiary | 6,175 | 5,082 |
| | | 57,235 | 55,623 |
| **Contribution to Provident Fund** | | 7,561 | 11,942 |
| **Key management personnel compensation - (note 41)** | | 7,242 | 9,658 |

43.1 Outstanding balance due from / due to related parties have been disclosed in the respective notes to these financial statements.

43.2 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 mentioned in note 30.1 to these financial statements which are settled through a current account with each of the subsidiary companies.

## 44. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, whenever necessary, for the purposes of comparison. Major changes made for better presentation during the year are as follows:

| Note | Reclassification from component | Note | Reclassification to component | (Rupees in '000) |
|---|---|---|---|---|
| 17 | Short term investment - held to maturity | 20 | cash and bank balances - term deposits | 2,950,000 |
| 31 | Other operating expenses - exchange loss on foreign currency loan | 35 | Finance cost - exchange loss on foreign currency loan | 29,436 |

44.1 Followings have been reclassified and disclosed separately on the face of the balance sheet this year:

| Note | Reclassification from component | (Rupees in '000) |
|---|---|---|
| 3 | Fixed assets - Intangible assets | 11,552 |
| 19 | Trade and other payables - Provision against damage claims | 103,927 |

44.2 Amortisation has been disclosed as a separate line item in administration and general expenses this year for better presentation.

44.3 Unappropriated profit has been reclassified and shown as part of reserves in these financial statements.

44.4 Prior year balances of investment in National Tanker Company (Private) Limited have been reclassified from 'investment in associates' to 'investment in subsidiaries'.

## 45. NON-ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Corporation in its meeting held on September 16, 2006 has proposed a cash dividend in respect of 2006 of Re. 1.00 per share (2005: Rs 2.00 per share). In addition, the directors have also announced a bonus issue of Nil (2005: 10%). This appropriation will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended June 30, 2006 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

## 46. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 16, 2006 by the Board of Directors of the Corporation.

| | |
|---|---|
| **Vice Admiral (Retd.) S. Tauquir H. Naqvi**<br>Chairman & Chief Executive | **S. Haider Abbas Rizvi**<br>Director |

# PAKISTAN NATIONAL SHIPPING CORPORATION
# SIX YEARS AT A GLANCE

(Rupees in '000)

| | 2005-2006 | 2004-2005 | 2003-2004 | 2002-2003 | 2001-2002 | 2000-2001 |
|---|---|---|---|---|---|---|
| | | | Restated | | Restated | |
| **Operation** | | | | | | |
| Operating revenues | 1,748,341 | 2,403,604 | 2,735,500 | 3,631,429 | 4,625,330 | 5,458,665 |
| Operating expenses | 952,779 | 1,758,194 | 2,040,579 | 2,785,264 | 4,012,273 | 5,013,656 |
| Operating profit | 795,562 | 645,410 | 694,921 | 846,165 | 613,057 | 445,009 |
| Other income / adjustments | 729,349 | 2,556,106 | 1,424,329 | 123,704 | 234,023 | 215,934 |
| Other expenses / adjustments | 157,790 | 247,285 | 253,682 | 233,646 | 344,494 | 915,361 |
| Profit / (loss) before taxation | 1,367,121 | 2,954,231 | 1,865,568 | 736,223 | 502,586 | (254,418) |
| Taxation | 128,529 | 173,078 | 231,959 | 269,295 | 172,299 | 45,085 |
| Profit / (loss) after taxation | 1,238,592 | 2,781,153 | 1,633,609 | 466,928 | 330,287 | (299,503) |
| **Assets** | | | | | | |
| Fixed Assets | 612,757 | 621,807 | 394,977 | 369,801 | 1,023,688 | 2,601,643 |
| Capital work-in-progress | 27,164 | 16,907 | - | 23,848 | - | - |
| Investment properties | 674,162 | 674,162 | 438,873 | 438,873 | - | - |
| Long term investments | 8,407,948 | 7,964,285 | 2,604,032 | 1,066,003 | 200,915 | 41,910 |
| Long term loans / receivables | 1,447,528 | 996,466 | 1,061,482 | 7,476 | 515,575 | 18,973 |
| Deferred tax asset - net | 132,684 | - | 25,858 | 177,703 | 401,593 | - |
| | 11,302,243 | 10,273,627 | 4,525,222 | 2,083,704 | 2,141,771 | 2,662,526 |
| Current Assets | 4,823,595 | 4,660,148 | 2,930,079 | 3,008,799 | 2,633,612 | 1,629,657 |
| Current Liabilities | (4,202,137) | (3,753,978) | (2,265,596) | (1,042,329) | (705,255) | (991,252) |
| Net current assets | 621,458 | 906,170 | 664,483 | 1,966,470 | 1,928,357 | 638,405 |
| Total Net Assets | 11,923,701 | 11,179,797 | 5,189,705 | 4,050,174 | 4,070,128 | 3,300,931 |
| **Financed by** | | | | | | |
| Paid-up Capital | 1,320,634 | 1,200,576 | 1,143,406 | 1,143,406 | 1,143,406 | 1,143,406 |
| Capital Reserve | 3,626,843 | 1,626,843 | 626,843 | 126,843 | 126,843 | 126,843 |
| Unappropriated profit/(accumulated loss) | 2,728,565 | 3,384,782 | 1,701,680 | 560,604 | (411,349) | (1,326,394) |
| Share-holders' equity | 7,676,042 | 6,212,201 | 3,471,929 | 1,830,853 | 858,900 | (56,145) |
| Surplus on revaluation of fixed assets | 3,374,088 | 3,821,963 | 312,100 | 319,567 | 971,630 | 972,520 |
| Long term loans / liabilities | 474,021 | 725,536 | 957,293 | 1,488,343 | 1,806,600 | 1,929,000 |
| Deferred liabilities | 399,550 | 419,772 | 448,383 | 411,411 | 432,998 | 455,556 |
| Deferred tax liability - net | - | 325 | - | - | - | - |
| **Statistics and ratios** | | | | | | |
| Profit / (loss) before tax as % of: | | | | | | |
| i) Revenues | 78.20% | 122.91% | 68.20% | 20.27% | 10.87% | -4.66% |
| ii) Paid-up capital | 103.52% | 246.07% | 163.16% | 64.39% | 43.96% | -22.25% |
| iii) Total Net Assets | 11.47% | 26.42% | 35.95% | 18.18% | 12.35% | -7.71% |
| Current assets to current liabilities | 1.15 | 1.24 | 1.29 | 2.89 | 3.73 | 1.64 |
| **Number of Shares** | 132,063,380 | 120,057,618 | 114,340,589 | 114,340,589 | 114,340,589 | 114,340,589 |
| **Earnings / (loss) per share** | Rs 9.38 | Rs 21.06 | Rs 13.61 | Rs 4.08 | Rs 2.89 | Rs (2.62) |
| **Break up value per share** | Rs 58.12 | Rs 51.74 | Rs 30.36 | Rs 16.01 | Rs 7.51 | Rs (0.49) |
| **Share prices** | | | | | | |
| **High** | Rs 139.70 | Rs 150.00 | Rs 67.90 | Rs 23.00 | Rs 5.50 | Rs 3.15 |
| **Low** | Rs 57.00 | Rs 50.50 | Rs 15.85 | Rs 3.75 | Rs 1.50 | Rs 1.65 |
| **Dividend per share** | | | | | | |
| Cash | Re. 1.00 | Rs 2.00 | Re. 1.00 | Re. 0.75 | - | - |
| Bonus | - | Re. 1.00 | Re. 0.50 | - | - | - |

## PAKISTAN NATIONAL SHIPPING CORPORATION
### Pattern of Shareholding as at June 30, 2006

| NO. OF SHAREHOLDERS | SHAREHOLDING FROM | SHAREHOLDING TO | SHARES HELD |
|---|---|---|---|
| 10993 | 1 | 100 | 377,831 |
| 3554 | 101 | 500 | 849,502 |
| 1086 | 501 | 1000 | 809,286 |
| 930 | 1001 | 5000 | 1,983,109 |
| 125 | 5001 | 10000 | 903,668 |
| 39 | 10001 | 15000 | 481,738 |
| 25 | 15001 | 20000 | 427,169 |
| 13 | 20001 | 25000 | 301,273 |
| 6 | 25001 | 30000 | 171,532 |
| 5 | 30001 | 35000 | 161,972 |
| 5 | 35001 | 40000 | 182,767 |
| 7 | 40001 | 45000 | 304,048 |
| 2 | 45001 | 50000 | 98,782 |
| 3 | 50001 | 55000 | 158,663 |
| 1 | 55001 | 60000 | 59,000 |
| 2 | 60001 | 65000 | 125,000 |
| 1 | 75001 | 80000 | 80,000 |
| 2 | 100001 | 105000 | 207,807 |
| 1 | 115001 | 120000 | 120,000 |
| 1 | 130001 | 135000 | 135,000 |
| 1 | 135001 | 140000 | 137,021 |
| 2 | 155001 | 160000 | 317,642 |
| 1 | 165001 | 170000 | 165,841 |
| 1 | 170001 | 175000 | 172,095 |
| 1 | 220001 | 225000 | 222,500 |
| 1 | 235001 | 240000 | 235,916 |
| 1 | 290001 | 295000 | 292,344 |
| 1 | 340001 | 345000 | 344,190 |
| 1 | 350001 | 355000 | 353,700 |
| 1 | 445001 | 450000 | 446,101 |
| 1 | 650001 | 655000 | 654,900 |
| 1 | 745001 | 750000 | 746,603 |
| 1 | 885001 | 890000 | 886,261 |
| 1 | 1440001 | 1445000 | 1,443,394 |
| 1 | 117705001 | 117710000 | 117,706,724 |
| **16,817** | | | **132,063,379** |

| CATEGORY OF SHAREHOLDERS | NO | SHARES HELD | % |
|---|---|---|---|
| N.B.P. Trustee Department | 1 | 887,418 | 0.67 |
| Investment Corporation of Pakistan | 1 | 91,615 | 0.07 |
| National Investment Trust | 1 | 1,519 | 0.00 |
| Mr. Mohammad Khusrow Khowaja, Director PNSC | 1 | 126 | 0.00 |
| Mrs. Samina K. Khowaja w/o Mr. M. Khusrow Khowaja | 1 | 115 | 0.00 |
| Mr. Jahangir Siddiqui, Director PNSC | 1 | 5,716 | 0.00 |
| Other Individuals (less than 10% interest) | 12,751 | 8,899,964 | 6.74 |
| State Life Insurance Corporation of Pakistan | 1 | 1,446,527 | 1.10 |
| Pakistan Re-insurance Corporation | 1 | 1,467 | 0.00 |
| Insurance Companies | 8 | 15,995 | 0.01 |
| Banks | 12 | 837,449 | 0.64 |
| Mutual Funds | 6 | 1,226,600 | 0.93 |
| Modaraba Companies | 6 | 33,896 | 0.03 |
| Joint Stock Companies | 100 | 427,891 | 0.32 |
| S.E.C.P | 1 | 13 | 0.00 |
| Federal Government | 1 | 117,706,724 | 89.13 |
| Foreign/ Non-Resident Investors | 3,899* | 441,919 | 0.33 |
| Others | 25 | 38,425 | 0.03 |
| | **16,817** | **132,063,379** | **100.00** |

* (Including 3654 Shareholders whose current domicile is not known)

N. B: The above two statements include 2090 shareholders holding 10,620,179 shares through Central Depository Company of Pakistan Limited.

## PAKISTAN NATIONAL SHIPPING CORPORATION

| |
|---|
| Please quote your<br><br>Folio No. / CDC Account No. |

### Proxy form

I/we ____________________________________________

of ____________________________________________

being shareholder of the Pakistan National Shipping Corporation holding ______________________

Share (s) hereby appoint Mr./Miss/Mrs. ______________________________

S/o. D/o. W/o. ____________________________________________

of ____________________________________________

or failing him/her Mr./Miss/Mrs. ______________________________

S/o. D/o. W/o. ____________________________________________

of ____________________________________________

as my / our proxy to vote for me / us and on my / our behalf at the meeting of the shareholders of the Corporation to be held at Karachi on the 19th day of October 2006 at 9:30 a.m. and at any adjournment thereof.

Dated this ______________________ day of ____________________2006

| |
|---|
| Revenue<br>Stamp<br>of<br>Rs. 5 |

Signature of the shareholder ____________________

Address ______________________________

______________________________

Folio No. / CDC Account No. ____________________

Transfer Receipt No. ______________________