Annual Report 2008

Pakistan National Shipping Corporation

PAKISTAN NATIONAL SHIPPING CORPORATION

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CORPORATE INFORMATION

Board	:	**Vice Admiral (Retd) Sikandar V. Naqvi** HI(M) Chairman
		Mrs. Rukhsana Saleem Member
		Mr. Rasheed Y. Chinoy Member
		Mr. Khalid Idrees Member
		Mr. Byram D. Avari Member
		Mr. Jahangir Siddiqui Member
		Mr. Khowaja Obaid Imran Ilyas Member
AUDIT COMMITTEE OF THE BOARD	:	**Mrs. Rukhsana Saleem** Member **Mr. Rasheed Y. Chinoy** Member **Mr. Khowaja Obaid Imran Ilyas** Member
SECRETARY	:	Ms. Zainab Suleman
HEAD OFFICE	:	**PNSC Building,** Moulvi Tamizuddin Khan Road, Karachi - 74000
AUDITORS	:	A. F. Ferguson & Co., Chartered Accountants Ford Rhodes Sidat Hyder & Co., Chartered Accountants
BANKERS	:	Allied Bank Limited Bank Al-Falah Limited Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited JS Bank Limited NIB Bank Meezan Bank Limited Royal Bank of Scotland (formerly ABN-AMRO Bank) Standard Chartered Bank United Bank Limited

Board of Directors

Vice Admiral (R) Sikandar V. Naqvi
Chairman

Mr. Rasheed Y. Chinoy
Director

Mr. Khalid Idrees
Director

Mr. Byram D. Avari
Director

Mrs. Rukhsana Saleem
Director

Mr. Jahangir Siddqui
Director

Mr. Khowaja Obaid Imran Ilyas
Director

Management

Vice Admiral (R) Sikandar V. Naqvi
Chairman & Chief Executive

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

Cdre. S. Mohammad Obaidullah
Executive Director
(Special Project & Planning / Ship Management)

Mr. Imtiaz C. Agboatwala
Executive Director
(Finance / CFO)

Capt. Aftabuddin Siddiqui
Executive Director
(Commercial)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 30th 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 Tuesday, the 21st October 2008 at 10:30 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the Minutes of 29th Annual General Meeting of the shareholders held on 30th November 2007.

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 2008.

3. To consider and approve Board's recommendation to pay 31% Cash Dividend (i.e. Rs. 3.10 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 2008-2009 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

ZAINAB SULEMAN
COMPANY SECRETARY

Dated: September 29,2008

Note:

1. The share Transfer Books of the Corporation will remain closed from 14th October 2008 to 21st October 2008 (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 Cards of the grantors, and the signature on the proxy form has to be the same 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, 2008

The Board of Directors of Pakistan National Shipping Corporation is pleased to present the thirtieth Annual Report together with the Audited Financial Statements for the year ended June 30, 2008.

OVERVIEW

PNSC Group achieved a turnover of Rs 10,754 million as against Rs 9,089 million last year with healthy growth in freight earnings, both dry cargo and liquid cargoes.

Direct fleet expenses increased from Rs 6,480 million to Rs 7,259 million, an increase of 12%, mainly due to higher fuel costs and chartering of foreign flagged vessels.

Healthy Gross Profit of Rs 3,476 million was achieved as against Rs 2,593 million last year.

Other operating expenses and financial costs increased due to inflationary pressures.

Profit before tax of Rs 3,487 million is higher by 22% as compared to last year.

A higher provision for prior year's taxation was made resulting in a net profit of Rs 2,449 million as against Rs 2,337 million last year.

Earning per share of the Pakistan National Shipping Corporation Group of Companies was Rs 18.54 as against Rs 17.69 last year.

During the year, an AFRAMAX oil tanker, named M. T. Quetta was purchased for US$ 72.19 million, which was inducted into PNSC fleet in July 2008.

An unfortunate second fire took place in PNSC Building in August 2007. However, PNSC's operations were not affected.

COMMERCIAL OPERATIONS

During the year under review, PNSC and its vessel-owning subsidiary companies together performed a total of 669 voyages (inclusive of foreign chartered vessels and slot chartered vessels) and lifted 9.451 million freight tons of cargo as compared to 671 voyages and 8.960 million freight tons of cargo, respectively in the previous year.

SECTOR	2007-2008 FREIGHT TONS MILLION	2006-2007 FREIGHT TONS MILLION	2005-2006 FREIGHT TONS MILLION
Liquid	7.561	7.677	8.185
Dry Bulk	0.959	0.343	0.261
Trade Area – East	0.398	0.470	0.493
Trade Area – West	0.533	0.470	0.470
Total	**9.451**	**8.960**	**9.409**

DIVIDEND

The Directors are pleased to recommend payment of cash dividend at 31% (Rs 3.10 per share) (2007: 15% cash i.e. Re 1.50 per share) to the shareholders whose names appear on the Share Register of the Corporation at the close of business on 14th October 2008.

FUTURE PROSPECTS

PNSC intends to acquire two AFRAMAX oil tankers and two dry cargo combi vessels during the fiscal year 2008-09 to augment its current fleet and replace its ageing vessels.

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 prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

(ii) Proper books of accounts of the Corporation have been maintained.

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

(iv) International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

(v) The system of internal control system 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 in summary form is annexed.

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

(x) The total of investments made by Pakistan National Shipping Corporation Employees Contributory Provident Fund, based on the unaudited accounts for the year ended June 30th, 2008 stood at Rs 894.3 million (2007: Rs 974.40 m).

(xi) During the year ended June 30th, 2007, a total of seven meetings of the Board of Directors were held. The position of attendance during respective tenure was as follows:

Name of Directors	Meetings Held *	Meetings Attended
Vice Admiral (R) S. Tauquir H. Naqvi (former CEO)	1	1
Vice Admiral (R) Sikandar V. Naqvi (w.e.f 07.11.07)	6	6
Mr. Jahangir Siddiqui	7	5
Mr Khowaja Obaid Imran Ilyas	6	6
Mr. Kamal Afsar	7	5
Dr. Arshad A. Vohra	7	2
Capt. S. Akhlaq Hussain Abidi	7	7
Mr. Saeed Ahmed Khan	2	Nil
Mr. Javed Mahmood	4	Nil
Mr. Khalid Idrees	1	Nil

* Meetings held during the period concerned directors were on the Board

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

The undersigned took over as Chairman in place of Vice Admiral (R) S. Tauquir H. Naqvi effected 07 Nov. 2007. Effective 31st July 2008, the Board of Directors of PNSC was reconstituted by the Federal Government. As a result, Mr. Kamal Afsar, Capt. S. Akhlaq Hussain Abidi and Dr. Arshad A. Vohra were retired and Mrs. Rukhsana Saleem, Mr. Byram D. Avari and Mr. Rasheed Y. Chinoy were appointed as new directors.

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, 2009.

ACKNOWLEDGMENT

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.

SIKANDAR V. NAQVI HI(M)
VICE ADMIRAL (R)
CHAIRMAN
September 15, 2008

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
STATE LIFE BUILDING 1-C
I. I. 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 reviewed 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 the Corporation for the year ended June 30, 2008.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Karachi

September 15, 2008

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 2008

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 appointed by Federal Government, and two Directors 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 alongwith 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. 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 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.

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

12. The Directors, CEO and Executives do no hold any interest in the shares of the Corporation other than that disclosed in the pattern of shareholding.

13. The Corporation has complied in all material respects with all the corporate and financial reporting requirements of the Code of Corporate Governance.

14. The Board has formed an Audit Committee. It comprises four members, all of whom are non-Executive Directors including the Chairman of the Committee.

15. 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. Meeting of the Audit Committee to review the interim accounts could not be held in the first quarter due to non-availability of members. Accordingly, accounts were taken directly to the Board for review and approval.

16. The Board has set up an internal audit function.

17. 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.

18. 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.

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

SIKANDAR V. NAQVI HI(M)
VICE ADMIRAL (R)
CHAIRMAN / CHIEF EXECUTIVE
September 15, 2008

PAKISTAN NATIONAL SHIPPING CORPORATION
FLEET STRENGTH AS ON JUNE 30, 2008

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
	COMBI VESSELS				
5.	M. V. Islamabad	1983	18,204	12,395	6,747
6.	M. V. Sibi	1981	16,436	13,402	7,693
7.	M. V. Khairpur	1981	16,430	13,402	7,,693
8.	M. V. Sargodha	1980	18,242	12,395	6,747
9.	M. V. Multan	1980	18,257	12,395	6,747
10.	M. V. Malakand	1980	18,224	12,395	6,747
11.	M. V. Hyderabad	1980	18,257	12,395	6,747
12	M. V. Chitral	1980	18,144	12,395	6,747
13.	M. V. Bolan	1980	18,144	12,395	6,747
14.	M. V. Makran	1979	23,490	16,199	8,184
	Total		536,821	325,254	179,307

CONSOLIDATED
REPORT AND ACCOUNTS

OF

PAKISTAN NATIONAL
SHIPPING CORPORATION
GROUP OF COMPANIES

A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
STATE LIFE BUILDING 1-C
I. I. 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, 2008 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. 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, 2008 and the results of their operations for the year then ended.

Without qualifying our opinion we draw attention to note 2.2 to the annexed financial statements and state that we expressed a qualified opinion on financial statements of the Group for the year ended June 30, 2007 due to absence of certain records as a result of destruction by fire at the Group's office premises.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Karachi

September 15, 2008

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2008

	Note	2008	2007
		(Rupees in '000)	
NON-CURRENT ASSETS			
Property, plant and equipment	5	13,624,883	7,069,437
Intangible assets	6	1,649	4,950
Investment properties	7	969,987	966,637
Long-term investments in:			
- Related party (associate)	8	-	-
- Listed companies and an other entity	9	40,229	40,632
Long-term loans	10	1,434	2,027
Long-term deposits		90	90
Deferred tax - net	11	15,316	93,366
		14,653,588	8,177,139
CURRENT ASSETS			
Stores and spares	12	475,663	444,341
Trade debts	13	563,000	557,290
Agents' and owners' balances	14	32,145	41,482
Loans and advances	15	39,495	63,197
Deposits and prepayments	16	9,535	10,616
Interest / mark-up accrued		65,143	84,504
Other receivables	17	137,148	86,193
Incomplete voyages	18	-	17,267
Insurance claims	19	13,847	1,667
Short-term investments	20	3,113,147	6,000,000
Cash and bank balances	21	3,399,105	907,906
		7,848,228	8,214,463
LESS: CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	22	1,201,541	1,051,948
Provision against damage claims	23	130,579	140,645
Incomplete voyages	18	3,931	-
Interest accrued		-	110
Current portion of long-term financing	28	245,607	258,771
Taxation - net		212,372	49,546
		1,794,030	1,501,020
NET CURRENT ASSETS		6,054,198	6,713,443
		20,707,786	14,890,582
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up share capital	24	1,320,634	1,320,634
Reserves	25	11,572,647	9,063,701
		12,893,281	10,384,335
MINORITY INTEREST	26	1,694	1,354
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		12,894,975	10,385,689
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX			
- Group		7,601,880	3,890,025
- Minority		2,148	2,148
	27	7,604,028	3,892,173
NON-CURRENT LIABILITIES			
Long-term financing	28	-	215,643
Deferred liabilities	29	208,783	397,077
		20,707,786	14,890,582
CONTINGENCIES AND COMMITMENTS	30		

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

Vice Admiral (Retd.) Sikandar V. Naqvi
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
		(Rupees in '000)	
REVENUES			
Chartering revenues	31	4,761,142	2,416,960
Freight - net		5,915,303	6,554,591
Rental income		77,083	117,573
		10,753,528	9,089,124
EXPENDITURE			
Fleet expenses - direct	32	7,258,730	6,479,802
- indirect	33	18,331	15,900
		7,277,061	6,495,702
GROSS PROFIT		3,476,467	2,593,422
Administrative and general expenses	34	445,027	468,030
Other operating expenses	35	184,265	143,509
Finance costs	36	174,987	77,353
		804,279	688,892
Other operating income	37	814,973	943,526
PROFIT BEFORE TAXATION		3,487,161	2,848,056
Taxation	38	1,038,281	511,183
PROFIT AFTER TAXATION		2,448,880	2,336,873
Attributable to:			
Equity holders of the Group		2,448,540	2,336,728
Minority interest		340	145
		2,448,880	2,336,873
		(Rupees)	
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION	39	18.54	17.69

Note: The appropriations from profits are set out in the statement of changes in equity.

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

Vice Admiral (Retd.) Sikandar V. Naqvi
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

	Issued, subscribed and paid-up share capital	Capital Reserve	Revenue Reserve General reserves	Revenue Reserve Unappropriated Profit	Minority interest	Total
	----------	----------	----------	(Rupees in '000)	----------	----------
Balance as at July 1, 2006 - restated	1,320,634	131,344	3,629,307	2,395,010	1,209	7,477,504
Final cash dividend for the year ended June 30, 2006 (Rs 1 per Ordinary share)				(132,063)		(132,063)
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity- net of tax	-	-	-	469,982	-	469,982
Transfer of surplus on revaluation of fixed assets disposed off during the year	-	-	-	233,393	-	233,393
Profit after taxation for the year ended June 30, 2007	-	-	-	2,336,728	145	2,336,873
Total income credited to equity				3,040,103	145	3,040,248
Transfer to general reserve	-	-	(3,500,000)	3,500,000	-	-
Balance as at June 30, 2007	1,320,634	131,344	129,307	8,803,050	1,354	10,385,689
Balance as at July 1, 2007	1,320,634	131,344	129,307	8,803,050	1,354	10,385,689
Final cash dividend for the year ended June 30, 2007 (Rs 1.5 per Ordinary share)	-	-	-	(198,095)	-	(198,095)
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity - net of tax	-	-	-	258,501	-	258,501
Profit after taxation for the year ended June 30, 2008	-	-	-	2,448,540	340	2,448,880
Total income credited to equity				2,707,041	340	2,707,381
Balance as at June 30, 2008	1,320,634	131,344	129,307	11,311,996	1,694	12,894,975

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

Vice Admiral (Retd.) Sikandar V. Naqvi
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from / (used in) operations	40	6,193,569	(983,142)
Employees' gratuity paid		(31,945)	(45,248)
Employees' compensated absences paid		(36,833)	(38,878)
Post retirement medical benefits paid		(8,445)	(4,945)
Contribution to plan assets		(235,159)	-
Long-term loans		593	183
Long term deposits		-	-
Finance costs paid		(30,229)	(52,033)
Taxes paid		(787,258)	(606,722)
Net cash generated from / (used in) operating activities		5,064,293	(1,730,785)
Cash flows from investing activities			
Fixed capital expenditure		(3,347,801)	(464,989)
Investment in investment properties		(3,350)	-
Proceeds from disposal of property, plant and equipment		2,712	528,203
Interest / mark-up received		684,374	437,314
Dividend received		1,716	2,269
Net cash (used in) / generated from investing activities		(2,662,349)	502,797
Cash flows from financing activities			
Repayment of long-term financings		(264,857)	(261,171)
Dividend paid		(195,888)	(129,989)
Net cash used in financing activities		(460,745)	(391,160)
Net increase / (decrease) in cash and cash equivalents		1,941,199	(1,619,148)
Cash and cash equivalents at the beginning of the year		2,707,906	4,327,054
Cash and cash equivalents at the end of the year	41	4,649,105	2,707,906

The annexed notes 1 to 49 form an integral part of these consolidated financial statements.

Vice Admiral (Retd.) Sikandar V. Naqvi
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1. THE GROUP AND ITS OPERATIONS

Pakistan National Shipping Corporation (the Corporation), its subsidiary companies and an associate (together 'the Group') were incorporated under the provisions of the Pakistan National Shipping Ordinance, 1979 and the Companies Ordinance, 1984 respectively. The Group is principally engaged in the business of shipping, including charter of vessels, transportation of cargo and other related services. The Group is also engaged in renting out its properties to tenants under long-term lease agreements. The Group's registered office is situated in PNSC Building, Moulvi Tamizuddin Khan Road, Karachi except for Pakistan Co-operative Ship Stores (Private) Limited which is situated at 70/4, Timber Pond, N.M Reclamation Kemari, Karachi.

The Group consists of:
Holding company
Pakistan National Shipping Corporation (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
- Karachi Shipping (Private) Limited
- Khairpur Shipping (Private) Limited
- Lahore Shipping (Private) Limited
- Lalazar Shipping (Private) Limited
- Makran Shipping (Private) Limited
- Malakand Shipping (Private) Limited
- Multan Shipping (Private) Limited
- Pakistan Co-operative Ship Stores (Private) Limited
- Quetta Shipping (Private) Limited
- Sargodha Shipping (Private) Limited
- Shalamar Shipping (Private) Limited
- Sibi Shipping (Private) Limited
- Swat Shipping (Private) Limited

Associate company
- Muhammadi Engineering Works 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 eighteen subsidiary companies. All the fully owned subsidiaries of the Group operate one vessel / tanker each with the exception of Karachi Shipping (Private) Limited, Lahore Shipping (Private) Limited, Quetta Shipping (Private) Limited and Shalamar Shipping (Private) Limited which currently do not own any vessel / tanker.

2. SIGNIFICANT EVENTS

2.1 On August 19, 2007, a fire broke out at the PNSC building and 4th to 10th floors of the building were completely gutted. Approxitmately 93% of the space on the affected floors was rented out. As a result certain assets of the Group were destroyed and the Group has filed insurance claims against the lost assets. (Note 17.1) However, the accounting records and supporting documents of the Group were not affected by the fire. Further, the Group has also assessed that no impairment is required to be recognised in respect of PNSC building.

2.2 On February 18, 2007, a fire broke out at PNSC building (hereinafter referred to as 'the fire incident') which resulted in the destruction of certain records by fire including general ledger for the period October 5, 2006 to December 31, 2006 (which period is part of comparative financial information). The exercise initiated by the Group for recreating books of account for the aforementioned period was abandoned because it was not considered worthwhile to continue that exercise. Further, no transactions / events were identified which would have required adjustments in the books of account of the Group. The Group's management is confident that the non-availability of complete books and records for the aforementioned period shall not have any material impact on current as well as comparative financial information presented in these financial statements.

3. 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.

3.1 Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984 (the Ordinance), provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

3.1.1 **Standards, interpretations and amendments to published approved accounting standards that are effective in 2007-2008**

The following standard has been published and is mandatory for the Group's accounting periods beginning on or after July 1, 2007 or later periods:

IAS 1 'Presentation of Financial Statements - Capital Disclosures, (effective from January 1, 2007) impacts the extent of disclosures as presented in note 44.2 to the financial statements.

Standards, amendments and interpretations effective in 2007-2008 but not relevant:

There are certain new standards and interpretations that were mandatory for accounting periods beginning on or after July 1, 2007 but are considered not to be relevant or have any significant effect on the Group's operations and are therefore not disclosed in these financial statements.

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

The following standards, amendments and interpretations to existing standards have been published and are not mandatory for the Group's accounting periods beginning on or after July 1, 2008 or later periods:

IAS 1 'Presentation of financial statements' (effective from January 1, 2009), issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in the Comprehensive Income statement. Adoption of the above standard will only impact the presentation of the financial statements.

IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn.

IFRS 7, 'Financial instruments: Disclosures' (effective from July 1, 2008) introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the financial instruments.

IFRIC Interpretation 14 - 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The management is in the process of assessing the impact of its adoption on the Group.

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

3.2 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 3.4.1 have been included at revalued amounts; and

- Certain investment properties and other investments as referred to in notes 3.6 and 3.6.1 respectively have been carried at fair value to comply with the requirements of IAS-40 'Investment Property' and IAS-39 'Financial Instruments: Recognition and Measurement'.

3.3 Basis of consolidation

3.3.1 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 date of exchange, 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.

3.3.2 Associates

Associates are all entities over which the Group has significant influence but no control. Investments in associate is accounted for using the equity method of accounting and are initially recognised at cost.

3.4 Fixed assets

3.4.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated losses, if any, except for leasehold land and buildings thereon, beach huts, workshop machinery and equipment and vessels which 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 vessel accumulated to the date the vessels are commissioned into service. It also includes cost of spares capitalised during the year.

It is the practice of subsidiary companies to carry out continuous surveys and repairs on the round-the-year basis to maintain seaworthiness of the vessels. The subsidiary companies are required to carry out repairs and maintenance of the vessels at the dry docks according to the specifications of the 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 thiry six months.

Depreciation is charged to income applying the straight line method whereby the depreciable amount of an asset is depreciated 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 the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factor.

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. Surplus on revaluation cannot be distributed to shareholders until it is transferred to retained earnings. 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 the 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.

3.4.2 Capital work-in-progress

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

3.4.3 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 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.

3.5 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.

3.6 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

3.6.1 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 at fair value through profit or loss', investments 'held to maturity' and 'available for sale financial assets'.

Consistent with the prior year, the Group classifies its investments in quoted securities as 'financial assets at fair value through profit or loss' and investment in unquoted securities under the head 'available for sale financial assets'.

Investments at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains or losses recognised directly in the profit and loss account. Transaction costs are charged to profit and loss account when incurred.

Available for sale investments

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale. They are initially measured at fair value plus directly attributable transaction costs. After initial measurement, these are stated at fair values (except for unquoted investments where active market does not exist) with unrealised gains or losses recognised directly in equity until the investment is disposed or determined to be impaired. At the time of disposal, the cumulative gain or loss previously recorded in equity is recognised in the profit and loss account.

Fair value of investments

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques.

The Group has investment in term deposit receipts having original maturity of six months or less and consistent with prior years these are recognised at cost.

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.

3.7 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 10.4).

3.8 Stores and spares

Stores are valued at weighted 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.

3.9 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.

3.10 Taxation

3.10.1 Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or on one-half percent of turnover under section 113 of the Income Tax Ordinance, 2001, whichever is higher.

The provision for current taxation of subsdiary companies is based on Final Tax Regime (FTR) under clause 21(a) of Part II of the Second Schedule to the Income Tax Ordinance, 2001.

3.10.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the 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 benefit will be realised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3.11 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.

3.12 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 whether billed or not.

3.13 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.

3.14 Dividend and other appropriation

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

3.15 Staff retirement benefits

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

3.15.2 Defined benefit gratuity scheme

During the year the Group has introduced a funded retirement gratuity scheme for its permanent employees other than those who joined the Group after October 16, 1984 and are entitled only to the contributory provident fund benefits. Further, the Group also operates an unfunded retirement gratuity scheme for contractual employees. 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 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.

3.15.3 Post-retirement medical benefits

The Group provides lump sum medical allowance to its retired permanent employees in accordance with the service regulations.

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.

The Group has entered into an arrangement with an insurance company whereby the insurance company is required to administer the scheme for the post retirement medical benefits of the Group employees. The Group retains the constructive and legal obligation to discharge the liability to its employees. Accordingly, the plan is treated as a defined benefit plan.

3.16 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.

3.17 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 maturities of three months or less.

3.18 Foreign currency translation

These financial statements are presented in Pakistan Rupees (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.

3.19 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. Expenses pertaining to the voyage, till the discharging is complete is accounted for in the incomplete voyage. 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.

- 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.

3.20 Borrowing costs

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

3.21 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 financing and trade and other payables. The recognition methods adopted for each of the financial instruments is disclosed in the relevant notes of accounting policies.

3.22 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 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.

4. 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 Group'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 valuation of property, plant and equipment and investment properties (note 5 and 7).

(b) Assumptions and estimations used in determining the residual values and useful lives of property, plant and equipment (note 5).

(c) Assumptions and estimations used in determining the useful life of intangible asset (note 6).

(d) Assumptions and estimations in recognition of deferred tax and taxation (note 11 and 38).

(e) Assumptions and estimations used in determining the provision for slow moving stores and spares (note 12).

(f) Assumptions and estimations in accounting for incomplete voyages (note 18).

(g) Assumptions and estimations in accounting for provision against damage claims (note 23).

(h) Assumptions and estimations in accounting for defined benefit plans (note 29).

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	2008	2007
		(Rupees in '000)	
5. PROPERTY, PLANT AND EQUIPMENT			
Fixed assets	5.1	10,915,926	7,053,286
Capital work-in-progress	5.9	2,708,957	16,151
		13,624,883	7,069,437

5.1 The following is a statement of fixed assets:

	Leasehold land	Buildings on Leasehold land	Vessel fleet: Cost or revaluation	Vessel fleet: Dry docking / class renewal	Vessel fleet: Total	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
	Rupees in '000															
As 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
Less: 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
Year ended June 30, 2007																
Opening 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
Additions	2,969	16,718	68,589	360,904	429,493	2,789	5,194	4,821	-	-	1,604	-	-	858	6,961	471,407
Surplus on revaluation	169,876	78,296	632,462	-	632,462	-	-	-	-	-	-	-	2,723	-	-	883,357
Adjustments																
Cost or revalued amount	-	-	(1,540,099)	(3,003)	(1,543,102)	-	-	-	-	-	-	-	-	-	(1,702)	(1,544,804)
Accumulated depreciation	-	-	1,540,099	-	1,540,099	-	-	-	-	-	-	-	-	-	-	1,540,099
	-	-	-	(3,003)	(3,003)	-	-	-	-	-	-	-	-	-	(1,702)	(4,705)
Disposals / revaluation adjustments* adjustments *																
Cost or revalued amount	(15,333)	(51,107)	(657,246)	(105,363)	(762,609)	(3,136)	(3,793)	(3,781)	-	-	(3,214)	-	(348)	-	-	(843,321)
Less: accumulated depreciation	-	48,947	245,233	101,851	347,084	3,136	3,687	3,766	-	-	1,533	-	348	-	-	408,501
	(15,333)	(2,160)	(412,013)	(3,512)	(415,525)	-	(106)	(15)	-	-	(1,681)	-	-	-	-	(434,820)
Write off																
Cost or revalued amount	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,431)	-	(1,431)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	469	-	469
	-	-	-	-	-	-	-	-	-	-	-	-	-	(962)	-	(962)
Destroyed due to fire																
Cost or revalued amount	-	(10,676)	-	-	-	-	(6,738)	(12,368)	-	-	-	-	-	-	(14,890)	(44,672)
Accumulated depreciation	-	9,988	-	-	-	-	5,149	9,771	-	-	-	-	-	-	12,693	37,601
	-	(688)	-	-	-	-	(1,589)	(2,597)	-	-	-	-	-	-	(2,197)	(7,071)
Depreciation charge for the year	-	(14,276)	(891,458)	(335,023)	(1,226,481)	(6,074)	(670)	(592)	-	-	(5,903)	-	-	(1,070)	(2,609)	(1,257,675)
Closing net book value	644,560	180,772	5,279,354	888,912	6,168,266	18,101	5,128	5,031	-	-	18,831	-	2,723	5,294	4,580	7,053,286
As at June 30, 2007																
Cost or revalued amount	644,560	184,388	5,337,644	1,475,186	6,812,830	53,914	8,277	7,619	7	18	36,653	3,468	2,723	13,986	7,352	7,775,795
Less: accumulated depreciation	-	3,616	58,290	586,274	644,564	35,813	3,149	2,588	7	18	17,822	3,468	-	8,692	2,772	722,509
Net book value	644,560	180,772	5,279,354	888,912	6,168,266	18,101	5,128	5,031	-	-	18,831	-	2,723	5,294	4,580	7,053,286

	Leasehold land	Buildings on Leasehold land	Vessel fleet Cost or revaluation	Vessel fleet Dry docking / class renewal	Total	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
	Rupees in '000															
Year ended June 30, 2008																
Opening net book value	644,560	180,772	5,279,354	888,912	6,168,266	18,101	5,128	5,031	-	-	18,831	-	2,723	5,294	4,580	7,053,286
Additions	-	1,593	68,647	560,082	628,729	15,888	2,163	1,650	-	-	910	-	-	1,013	3,049	654,995
Surplus on revaluation	-	-	3,960,209	-	3,960,209	-	-	-	-	-	-	-	-	-	-	3,960,209
Transfers																
Cost	-	-	(8,620)	-	(8,620)	-	-	-	-	-	8,620	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	(8,620)	-	(8,620)	-	-	-	-	-	8,620	-	-	-	-	-
Disposals / revaluation adjustments *																
Cost	-	-	(269,483)	-	(269,483)	(3,450)	-	-	-	-	-	-	-	-	-	(272,933)
Accumulated depreciation	-	-	269,483	-	269,483	3,450	-	-	-	-	-	-	-	-	-	272,933
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write off																
Cost or revalued amount	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,958)	-	(1,958)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	1,786	-	1,786
	-	-	-	-	-	-	-	-	-	-	-	-	-	(172)	-	(172)
Destroyed due to fire																
Cost or revalued amount	-	-	-	-	-	-	-	(73)	-	-	-	-	-	-	-	(73)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(73)	-	-	-	-	-	-	-	(73)
Depreciation charge for the year	-	(22,648)	(329,262)	(378,836)	(708,098)	(9,803)	(1,111)	(850)	-	-	(6,928)	-	-	(975)	(1,906)	(752,319)
Closing net book value	644,560	159,717	8,970,328	1,070,158	10,040,486	24,186	6,180	5,758	-	-	21,433	-	2,723	5,160	5,723	10,915,926
As at June 30, 2008																
Cost or revalued amount	644,560	185,981	9,088,397	2,035,268	11,123,665	66,352	10,440	9,196	7	18	46,183	3,468	2,723	13,041	10,401	12,116,035
Less: accumulated depreciation	-	26,264	118,069	965,110	1,083,179	42,166	4,260	3,438	7	18	24,750	3,468	-	7,881	4,678	1,200,109
Net book value	644,560	159,717	8,970,328	1,070,158	10,040,486	24,186	6,180	5,758	-	-	21,433	-	2,723	5,160	5,723	10,915,926
Annual rate of depreciation	-	3 to 20	see note 5.4	20 to 40	-	20	15	10 to 15	-	10 to 15	10 to 15	15	15	5 to 10	25	

5.2 The latest revaluation of Group's vessels (held in the books of the subsidiary companies) was carried out as of June 30, 2008 by Optima Ship Brokers (2007: June 30, 2007 by Optima Ship Brokers) 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. The latest revaluation resulted in a surplus of Rs 3,960.209 million (2007: Rs 632.462 million) over the then written down values of Rs 5,010.119 million (2007: Rs 4,646.892 million) which has been incorporated in the books of the Group as at June 30, 2008.

5.3 The revaluation of the 'leasehold land', 'buildings on leasehold land' and 'beach huts' were carried out as of June 30, 2007 by Pee Dee & Associates on the basis of their professional assessment of present market values. The revaluation resulted in a surplus of Rs 250.895 million over the then written down values of Rs 577.160 million which had been incorporated in the books of the Group as at June 30, 2007. Of the total revaluation surplus an amount of Rs 796.580 million (2007: Rs 817.283 million) remains undepreciated at June 30, 2008.

5.4 The management revised the estimated useful life of its vessels held by various subsidiary companies in prior years. 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 March, 2006 to October, 2011.

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

	2008	2007
	(Rupees in '000)	
Leasehold land and buildings on leasehold land	22,766	24,240
Vessel Fleet	2,358,353	3,297,017
Workshop machinery and equipment	4,271	4,232
	2,385,390	3,325,489

5.6 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.

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

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

	Note	2008	2007
		(Rupees in '000)	
Fleet expenses - direct	32	708,334	1,211,743
Fleet expenses - indirect	33	975	1,070
Administrative and general expenses	34	36,434	24,335
Incomplete voyages	18	6,576	20,527
		752,319	1,257,675

5.9 Capital work-in-progress

	2008	2007
Buildings on leasehold land	120,677	4,325
Advance for the purchase of vessel for Quetta Shipping (Private) Limited	2,548,297	-
Beach huts	25030	9814
Computer equipment	-	1061
Advance for the purchase of vehicles	13,455	-
Office machines and appliances	-	400
Workshop machinery and equipment	1498	551
	2,708,957	16,151

5.9.1 During the year capital work in progress amounting to Rs Nil (2007: Rs 4.595 million) has been written off due to destruction by fire.

6. INTANGIBLE ASSETS

6.1 The following is a statement of intangible asset:

	Note	Cost: As at July 1	Cost: Additions	Cost: As at June 30	Accumulated amortisation: As at July 1	Accumulated amortisation: Charge for the year	Accumulated amortisation: As at June 30	Net book value as at June 30	Annual rate of amortisation %
		(Rupees in '000)							
Computer software									
2008	6.2	16,503	-	16,503	11,553	3,301	14,854	1,649	20
2007		16,503	-	16,503	8,252	3,301	11,553	4,950	20

6.2 This represents cost of a software "Ship Management Expert System" (SES).

7. INVESTMENT PROPERTIES

	Leasehold land	Buildings on leasehold land	Total
	(Rupees in '000)		
Balance as at July 1, 2006	644,980	29,182	674,162
Surplus on revaluation of investment properties	265,720	26,755	292,475
Balance as at June 30, 2007	910,700	55,937	966,637
Balance as at July 1, 2007	910,700	55,937	966,637
Additions during the year	-	3,350	3,350
Balance as at June 30, 2008	910,700	59,287	969,987

7.1 A revaluation of the Group's investment properties has been out by Pee Dee & Associates as of June 30, 2007 on the basis of their professional assessment of the present market value.

8. LONG TERM INVESTMENTS IN RELATED PARTY (ASSOCIATE)
Equity method

(No. of shares - ordinary) 2008	(No. of shares - ordinary) 2007	Name of the company	Country of incorporation	Share of net assets 2008	Share of net assets 2007	Latest available audited financial statements for the year ended	Percentage holding	Face value per share	2008	2007
				(Rupees in '000)				(Rupees)	(Rupees in '000)	
Associate - unlisted										
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							1,600	1,600
									-	-

	Note	2008	2007
		(Rupees in '000)	

9. LONG-TERM INVESTMENTS IN LISTED COMPANIES AND AN OTHER ENTITY

Financial assets designated as 'at fair value through profit or loss'

Listed companies

	Note	2008	2007
6,930 (2007: 6,930) ordinary shares of Rs 10 each fully paid of Siemens (Pakistan) Engineering Company Limited. Market value per share Rs 1,405.8 (2007: Rs 1,735 per share)		9,742	12,024
72,828 (2007: 72,828) ordinary shares of Rs 10 each fully paid of Pakistan State Oil Company Limited. Market value per share Rs 417.24 (2007: Rs 391.45 per share)		30,387	28,508
		40,129	40,532
Available for sale financial assets			
Other entity - carried at cost			
10,000 (2007: 10,000) ordinary shares of Rs 10 each of Pakistan Tourism Development Corporation Limited		100	100
		40,229	40,632

10. LONG-TERM LOANS

	Note	2008	2007
Considered good			
Due from employees	10.1	1,993	2,787
Less: recoverable within twelve months	15	559	760
		1,434	2,027

10.1 It comprises of house building and vehicle loans amounting to Rs 1.458 million (2007: Rs 2.083 million) and Rs 0.535 million (2007: Rs 0.704 million) respectively.

10.2 Vehicle loans represent loans to employees for purchase of vehicles and are secured against employees' personal guarantees and charge on vehicles. Such loans are recoverable over 36 or 48 monthly installments on which interest is being charged at the rate of 11% per annum (2007: 11% per annum).

10.3 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 0.761 million (2007: Rs 1.997 million) is secured against mortgages of the employees' properties. Interest on such loans to officers is charged at various rates while no interest is being charged on loans given to other employees.

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

	Note	2008	2007
		(Rupees in '000)	

11. DEFERRED TAX - NET

	Note	2008	2007
Deductible temporary differences arising in respect of:			
- accelerated depreciation		1,381	6,484
- short-term provisions and deferred liabilities		50,008	138,521
		51,389	145,005
Taxable temporary differences arising in respect of:			
- surplus on revaluation of fixed assets	27	36,073	51,639
		15,316	93,366

11.1 The management is confident that sufficient future taxable profits will be available against which deferred tax asset will be adjusted.

12. STORES AND SPARES

	Note	2008	2007
		(Rupees in '000)	
Stores			
- at depots		15,218	12,615
- at buildings		282	250
- on board		27,732	28,253
		43,232	41,118
Spares			
- at buildings		1,439	1,424
- on board		103,509	85,797
		104,948	87,221
Less: provision for spares		33,293	33,295
		71,655	53,926
Bunker on board		360,776	349,297
		475,663	444,341

13. TRADE DEBTS

	2008	2007
Freight and hire - unsecured		
- Considered good	563,000	557,290
- Considered doubtful	84,592	98,260
	647,592	655,550
Less: Provision for doubtful debts	84,592	98,260
	563,000	557,290

	Note	2008	2007
		(Rupees in '000)	
14. AGENTS' AND OWNERS' BALANCES			
Considered good			
- secured		12,427	12,021
- unsecured		19,718	29,461
		32,145	41,482
Considered doubtful		15,994	14,048
		48,139	55,530
Less: Provision for doubtful balances		15,994	14,048
		32,145	41,482
15. LOANS AND ADVANCES			
Considered good			
Loans:			
Due from employees	10	559	760
Advances to:			
- Other employees		23,807	31,927
- Contractors and suppliers		6,836	21,377
- Others		8,293	9,133
		39,495	63,197

15.1 The maximum aggregate amount due from the executives at the end of any month during the year is Rs Nil (2007: the amount could not be ascertained because the related information was not available due to fire incident).

	Note	2008	2007
		(Rupees in '000)	
16. DEPOSITS AND PREPAYMENTS			
Deposits			
Trade:			
- Considered good		2,197	2,225
- Considered doubtful		184	184
		2,381	2,409
Less: provision for doubtful deposits		184	184
		2,197	2,225
Others:			
- Considered good		4,318	4,812
- Considered doubtful		185	185
		4,503	4,997
Less: provision for doubtful deposits		185	185
		4,318	4,812
Prepayments		3,020	3,579
		9,535	10,616

	Note	2008	2007
		(Rupees in '000)	
17. OTHER RECEIVABLES			
Rent receivable			
- Considered good		12,235	12,393
- Considered doubtful		7,089	8,243
		19,324	20,636
Less: provision for doubtful rent receivable		7,089	8,243
		12,235	12,393
Insurance claim for destroyed items	17.1	4,946	7,071
Others			
Considered good		142,664	66,729
- Considered doubtful		461	23,158
		143,125	89,887
Less: provision for doubtful receivables - others		23,158	23,158
		119,967	66,729
		137,148	86,193

17.1 This represents net book values of items destroyed due to fire (note 2). The Group has filed insurance claim against the assets lost, and, accordingly, the carrying value of such assets has been recorded as other receivables in these financial statements. The Group is confident that the insurance claim would be settled at an amount in excess of the carrying value of the assets.

	Note	2008	2007
		(Rupees in '000)	
18. INCOMPLETE VOYAGES			
Cost			
Salaries and allowances		9,568	10,743
Diesel, fuel and lubricants		130,439	33,944
Stores and spares issued		3,314	4,396
Insurance		5,266	16,828
Charter hire and related expenses		5,086	2,577
Depreciation	5.8	6,576	20,527
Other fleet expenses - direct and indirect		1,424	1,407
		161,673	90,422
Less: net freight		165,604	73,155
		(3,931)	17,267
19. INSURANCE CLAIMS			
Considered good		13,847	1,667
Considered doubtful		2,850	5,424
		16,697	7,091
Less: provision for doubtful claims		2,850	5,424
		13,847	1,667

	Note	2008	2007
		(Rupees in '000)	

20. SHORT-TERM INVESTMENTS

	Note	2008	2007
Term deposits with banks having maturity of:			
- three to six months		1,863,147	4,200,000
- three months or less	41	1,250,000	1,800,000
		3,113,147	6,000,000

20.1 The mark-up on term deposits ranges from 9.5% to 11.75% per annum (2007: 10% to 11.3% per annum).

21. CASH AND BANK BALANCES

	Note	2008	2007
		(Rupees in '000)	
Cash at bank:			
- in current accounts			
• local currency		2,614,613	676,375
• foreign currency		458,811	105,076
		3,073,424	781,451
- in saving accounts	21.1 & 21.2		
• local currency		305,993	85,334
• foreign currency		19,627	41,055
		325,620	126,389
Cash in hand		61	66
		3,399,105	907,906

21.1 This includes Rs 11.314 million (2007: Rs 9.930 million) and Rs 3.961 million (2007: Rs 3.961 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.

21.2 The mark-up on savings accounts ranges from 2.5% to 7% per annum (2007: 1% to 8% per annum).

22. TRADE AND OTHER PAYABLES

	Note	2008	2007
		(Rupees in '000)	
Creditors		151,837	225,814
Agents' and owners' balances		97,614	120,578
Accrued liabilities		653,964	437,950
Deposits	22.1	26,318	24,075
Workers' Profits Participation Fund	22.2	85,329	58,540
Unclaimed dividends		11,155	8,948
Other liabilities			
- freight		121,380	121,380
- others		53,944	54,663
		175,324	176,043
		1,201,541	1,051,948

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

	Note	2008	2007
		(Rupees in '000)	
22.2 Workers' Profits Participation Fund			
As at July 1		58,540	40,848
Allocation for the year	35	51,789	45,288
Interest on fund utilised during the year	36	-	1,873
		110,329	88,009
Less: payments made during the year		25,000	29,469
As at June 30		85,329	58,540

22.2.1 During the year, the Corporation has obtained an opinion from its legal advisor who has advised that any amount erroneously allocated to Workers' Profits Participation Fund (the Fund) and payment in this respect made in prior years to the Fund can be adjusted in subsequent years by making an adjustment from the amount payable on profits for that year. Upto June 30, 2001 total shipping income of the Corporation was considered for the purpose of computation of the amount allocable to the Fund and the amount so determined was allocated and paid to the Fund. During the year, the Corporation has carried out an exercise and determined that in prior years an aggregate amount of Rs 45.784 million was allocated and paid in excess to the Fund in respect of foreign voyages. Keeping in view, the aforementioned opinion of legal advisor the Corporation intends to adjust the amount of Rs 45.784 million from the payment to be made to the Fund in respect of accumulated liability of Rs 58.540 million as at June 30, 2007. However, the Corporation has, on grounds of prudence, not adjusted the aforementioned amount of Rs 45.784 million while calculating charge for the year and continues to carry the subject amount as liability to the fund in the financial statements.

	Note	2008	2007
		(Rupees in '000)	
23. PROVISION AGAINST DAMAGE CLAIMS			
As at July 1		140,645	121,625
(Reversal) / Charged during the year		(10,066)	19,020
As at June 30	30.1	130,579	140,645

24. SHARE CAPITAL

24.1 Authorised Capital

2008	2007		2008	2007
(No. of shares)				
200,000,000	200,000,000	Ordinary shares of Rs 10 each	2,000,000	2,000,000

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

2008	2007		2008	2007
(No. of shares)			(Rupees in '000)	
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 holding company in the year 1989-90	643,098	643,098
17,722,791	17,722,791	Ordinary shares of Rs 10 each issued as fully paid bonus shares	177,228	177,228
132,063,380	132,063,380		1,320,634	1,320,634

24.3 As at June 30, 2008 GoP held 117,706,724 (2007: 117,706,724) ordinary shares of the Group.

25. RESERVES

	Note	2008	2007
		(Rupees in '000)	
Capital reserves	25.1	131,344	131,344
Revenue reserve (including unappropriated profit)		11,441,303	8,932,357
		11,572,647	9,063,701

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

26. MINORITY INTEREST

	2008	2007
	(Rupees in '000)	
Share of minority in:		
- share capital	99	99
- share premium account	1	1
- general reserve	18	18
- opening balance of un-appropriated profit	1,236	1,091
- profit for the year	340	145
	1,694	1,354

	Note	2008	2007
		(Rupees in '000)	

27. SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX

	2008	2007
As at July 1	3,943,812	3,767,031
Surplus arising on revaluation of fixed assets during the year	3,960,209	883,357
	7,904,021	4,650,388
Transferred to unappropriated profit:		
Surplus relating to incremental depreciation charged during the year on related assets - net of tax	258,501	469,982
Related deferred tax liability	5,419	3,201
	263,920	473,183
Transferred to retained earning in respect of surplus realised on disposal of fixed assets	-	233,393
	7,640,101	3,943,812
Less: Related deferred tax liability on :		
- Revaluation as at July 1	51,639	22,624
- Surplus arising due to revaluation of fixed assets during the year	-	26,394
- Incremental depreciation charged during the year on related assets transferred to profit and loss account	(5,419)	(3,201)
- Effect of allocation ratio of revenue under FTR	(10,147)	5,822
	36,073	51,639
As at June 30	7,604,028	3,892,173
Less: Surplus on revaluation of fixed assets attributable to minority interest	2,148	2,148
	7,601,880	3,890,025

28. LONG-TERM FINANCING

	2008	2007
Balance as at June 30	245,607	474,414
Less: current portion of long-term financing	245,607	258,771
	-	215,643

28.1 This represents balance of long-term financing obtained from National Bank of Pakistan, Bahrain amounting to US$ 3.571 million (2007: US$ 7.857 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 (2007: 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.

29. DEFERRED LIABILITIES

	Note	2008	2007
		(Rupees in '000)	
Employees' gratuity			
- funded	29.1.3	10,181	-
- unfunded	29.1.3	5,892	205,754
		16,073	205,754
Post retirement medical benefits	29.1.3	86,753	82,613
Employees' compensated absences	29.2.4	105,957	108,710
		208,783	397,077

29.1 Retirement benefit schemes

29.1.1 As stated in notes 3.15.2 and 3.15.3 of these financial statements, the Corporation operates a funded retirement gratuity scheme for permanent employees, an unfunded retirement gratuity scheme for contractual employees and an unfunded post retirement medical benefit scheme for all the employees. Liability 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, 2008 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the defined benefit obligation schemes:

	2008		2007	
	Employees' gratuity (funded and unfunded)	Post retirement medical benefits	Employees' gratuity	Post retirement medica benefits
Discount rate	12%	12%	10%	10%
Increase in salary	10%	10%	8%	8%
Rate of return on plan assets	12%	N/A	N/A	N/A
Medical escalation rate	N/A	9%	N/A	7%
Death rates	based on LIC (1975-79) Ultimate mortality tables.			

29.1.2 The disclosures made in note 29.1.3 to 29.1.12 are based on the information included in the actuarial valuation report as of June 30, 2008.

29.1.3 Balance sheet reconciliation

	2008			2007		
	Employees' gratuity		Post retirement medical benefits	Employees' gratuity		Post retirement medical benefits
	Funded	Unfunded		Funded	Unfunded	
	(Rupees in '000)					
Present value of defined benefit obligation	235,540	6,977	87,407	-	246,776	84,594
Fair value of plan assets (note 29.1.8)	(235,159)	-	-	-	-	-
	381	6,977	87,407	-	246,776	84,594
Unrecognised net actuarial gain / (loss)	9,800	(1,085)	(654)	-	(41,022)	(1,981)
Recognised Liability	10,181	5,892	86,753	-	205,754	82,613

29.1.4 Movement in present value of defined benefit obligation

As at July 1	-	246,776	84,594	-	223,611	76,674
Transfer from unfunded to funded	246,776	(246,776)	-	-	-	-
Current service cost	8,393	1,978	2,439	-	7,905	4,129
Past service cost	-	4,255	-	-	-	-
Interest cost	23,537	590	8,165	-	19,486	6,755
Actuarial (gain) / loss	(12,152)	1,085	654	-	41,022	1,981
Benefits paid	(31,014)	(931)	(8,445)	-	(45,248)	(4,945)
As at June 30	235,540	6,977	87,407	-	246,776	84,594

29.1.5 Movement in fair value of plan assets

As at July 1	-	-	-	-	-	-
Expected return on plan assets	2,352	-	-	-	-	-
Contribution	235,159	-	-	-	-	-
Actuarial loss	(2,352)	-	-	-	-	-
As at June 30	235,159	-	-	-	-	-

	2008			2007		
	Employees' gratuity		Post retirement medical benefits	Employees' gratuity		Post retirement medical benefits
	Funded	Unfunded		Funded	Unfunded	
	(Rupees in '000)					
29.1.6 Expenses						
Current service cost	8,393	1,978	2,439	-	7,905	4,129
Past service cost	-	4,255	-	-	-	-
Interest cost	23,537	590	8,165	-	19,486	6,755
Expected return on plan assets	(2,352)	-	-	-	-	-
Recognition of actuarial loss / (gain)	41,022	-	1,981	-	4,679	(9,800)
	70,600	6,823	12,585	-	32,070	1,084
29.1.7 Actual return on plan assets						
Expected return on plan assets	2,352	-	-	-	-	-
Actuarial loss on plan assets	(2,352)	-	-	-	-	-
Actual return on plan assets	-	-	-	-	-	-

29.1.8 Plan assets comprise of cash at bank amounting to Rs 235.159 million (2007: Rs Nil).

29.1.9 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the Group.

29.1.10 Principal actuarial assumptions used are disclosed in note 29.1.1 to these financial statements.

29.1.11 Amounts for the current period and previous four annual periods of the present value of defined benefit obligation and fair value of plan assets are as follows:

Employee gratuity	2008	2007	2006	2005	2004
	(Rupees in '000)				
Present value of defined benefit obligation	242,517	246,776	223,611	227,447	195,471
Fair value of plan assets	(235,159)	-	-	-	-
Surplus / (deficit)	7,358	246,776	223,611	227,447	195,471
Experience (gain) / loss on defined benefit obligation	(11,067)	41,022	4,679	(18,092)	(30,281)
Experience gain / (loss) on plan assets	(2,352)	-	-	-	-
Post retirement medical benefits					
Present value of defined benefit obligation	87,407	84,594	76,674	82,808	77,836
Experience adjustment on defined benefit obligation	654	1,981	(9,800)	(5,286)	(17,553)

29.1.12 Assumed medical cost escalation rate have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed medical cost escalation rate would have the following effects:

	One percentage point increase	One percentage point decrease
	(Rupees in '000)	
Effect on aggregate of service cost and interest cost	330	(310)
Effect on defined benefit obligation	2,347	(2,204)

29.2 **Employees' compensated absences**

29.2.1 As stated in note 3.16, the Group operates an employees' compensated absences scheme. Provision is maintained against this scheme based on the actuarial recommendations. Actuarial valuation is carried out at least once in every two years and the latest valuation was carried out as at June 30, 2008 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the scheme:

	2008	2007
Discount rate	12%	10%
Increase in salary	10%	8%

29.2.2 The disclosures made in notes 29.2.3 to 29.2.8 are based on the information included in the actuarial valuation as of June 30, 2008.

29.2.3 Balance sheet reconciliation

	2008	2007
	(Rupees in '000)	
Present value of defined benefit obligation (recognised)	105,957	108,710

29.2.4 Movement in present value of defined benefit obligation

As at July 1	108,710	94,144
Current service cost	28,363	32,646
Past service cost	3,306	-
Interest cost	11,978	8,148
Actuarial (gain) / loss	(9,567)	12,650
Benefits paid	(36,833)	(38,878)
As at June 30	105,957	108,710

29.2.5 Expenses

Current service cost	28,363	32,646
Interest cost	11,978	8,148
Recognition of actuarial (gain) / loss	(9,567)	12,650
Past service cost	3,306	-
	34,080	53,444

29.2.6 Principal actuarial assumptions used are disclosed in note 29.2.1 to these financial statements.

29.2.7 Amounts for the current period and previous four annual periods of the present value of defined benefit obligation are as follows:

	2008	2007	2006	2005	2004
	(Rupees in '000)				
Present value of defined benefit obligation	105,957	108,710	94,144	97,018	127,242

29.2.8 The expenses in respect of employees' compensated absences have been charged on the basis of actuarial recommendations.

29.3 Expected retirement benefits costs for the next year are as follows:

	Rupees in '000
Gratuity	2,794
Post retirement medical benefits	12,924
Compensated absences	39,977

29.4 During the year the Group contributed Rs 8.099 million (2007: 8.541 million) to the provident fund.

30. CONTINGENCIES AND COMMITMENTS

Contingencies

30.1 Amount in respect of claims not admitted by the Group as at June 30, 2008 aggregate to Rs 668.804 million (2007: Rs 737.779 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 14.257 million (2007: Rs 13.070 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 172.707 million (2007: Rs 234.831 million) approximately would be recoverable from the P&I Club, Steamship Mutual Underwriting Association (Bermuda) Limited, in the event these claims are accepted by the Group. As a matter of prudence, the management has made a total provision of Rs 130.579 million (2007: Rs 140.645 million) against the aforementioned claims in these financial statements (note 23).

30.2 The Group has not accepted liability in respect of customs duty approximating Rs 2.500 million (2007: 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.

30.3 The former owners of East & West Steamship Company, Chittagong Steamship Group 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 (2007: Rs 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 amounts claimed are approximately Rs 1.300 million and Rs 66.800 million (2007: 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 matters.

30.4 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 1,293.694 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 Corporation on the appeal filed against the above order. However, the department filed an appeal with the Honourable High Court against the order of ITAT. The Honourable High Court has decided the said appeal against the Group. The leave to appeal filed by the Group has been accepted by the Honourable Supreme Court and suspended the decision of Honourable High Court. The Honourable Supreme Court will hear the appeal in due course.

30.5 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 (Appeals) 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. Accordingly, no provision for the above has been made in these financial statements.

30.6 Final Tax Regime (FTR) has been considered by the TO. During the year the tax department has also issued notices to the Group in respect of tax years 2003, 2005, 2006 and 2007 whereby the Group has been asked to explain as to why the apportionment of expenses, for the purpose of determination of taxable income of these years, should not been made in accordance with section 67 of the Income Tax Ordinance, 2001. The basis of apportionment of expenses adopted by the TO in its order for the tax year 2004 is in accordance with the provisions of section 67 of the Income Tax Ordinance, 2001 (the Ordinance) and Rule 13 of the Income Tax Rules 2002 (the Rules). The management of the Group contends that the basis of apportionment of expenses made by the TO in accordance with section 67 of the Ordinance and Rule 13 of the Rules cannot be legally applied. In the event assessments for tax years 2003, 2005, 2006 and 2007 are revised by the TO by adopting the basis of apportionment followed for the tax year 2004, then according to the management's best estimate the expected additional tax demand in respect of these tax years would aggregate to approximately Rs 305.610 million.

Further, the Group has made an under protest payment of Rs 164.999 million being the additional tax demand raised by the TO in its order in respect of tax year 2004 and filed an appeal against the subject order with the Commissioner of Income Tax (Appeals) which is at present pending for hearing. The management of the Group is confident that the subject matter in respect of tax year 2004 and the probable add-backs in respect of tax years 2003, 2005, 2006 and 2007, if made by the TO, will be contested in appeal and would eventually be decided in favour of the Group.

However, the management, without prejudice to its contention in respect of the subject matter, as a matter of prudence, has decided to provide an aggregate amount of Rs 470.609 million in these financial statements in respect of prior years' taxation.

Commitments

30.7 Commitments in respect of capital expenditure amount to Rs 2,670.956 million (2007: Rs 2.7 million).

30.8 Outstanding letters of guarantee amount to Rs 77.345 million (2007: Rs 38.762 million).

	Note	2008	2007
		(Rupees in '000)	
31. CHARTERING REVENUES			
Time charter revenue		783,241	412,550
Voyage charter revenue		1,272,620	241,496
		2,055,861	654,046
Foreign flag vessels:			
Voyage charter revenue		1,582,151	175,862
Slot charter revenue		1,123,130	1,587,052
		2,705,281	1,762,914
		4,761,142	2,416,960

	Note	2008	2007
		(Rupees in '000)	
32. FLEET EXPENSES - DIRECT			
Stevedoring and transhipment expenses		245,122	220,551
Container leasing and other charges		28	78
Diesel, fuel and lubricants consumed		1,944,211	1,748,764
Port, light, canal and customs dues		556,379	592,019
Salaries and allowances		479,189	493,430
Charter hire and related expenses	32.1	1,900,601	798,290
Fleet communication expenses		13,661	12,261
Agency commission and brokerage		218,097	145,391
Victualling expenses		44,531	41,236
Insurance		317,737	333,517
Claims		19,241	15,500
Stores and spares consumed		198,165	174,495
Repairs, maintenance and special surveys		182,790	231,915
Overage premium		354,244	365,824
Depreciation			
Incomplete voyage as at July 1	18	20,527	28,730
Fleet expenses - direct	5.8	708,334	1,211,743
		728,861	1,240,473
Exchange loss		685	1,002
Sundry expenses		55,188	65,056
		7,258,730	6,479,802

32.1 **Charter Hire and Related Expenses**

	2008	2007
Foreign flag vessels:		
- Voyage charter expenses	1,448,844	149,581
- Slot charter expenses	451,757	648,709
	1,900,601	798,290

FLEET EXPENSES - INDIRECT

	Note	2008	2007
Conference establishment expenses		1,870	1,403
Salaries and allowances – regional offices	33.1	3,885	3,926
Agents' and other general expenses	33.2	11,046	8,844
Depreciation	5.8	975	1,070
General establishment expenses – regional offices		555	657
		18,331	15,900

33.1 This includes Rs 0.183 million (2007: Rs 0.185 million) in respect of provident fund contribution.

	Note	2008	2007
		(Rupees in '000)	
33.2 Agents' and other general expenses			
Printing and stationery		258	356
Advertisement and publicity		2,338	1,378
Telephone, telex and postage		4,935	4,978
Bank charges and commission		254	197
Other miscellaneous expenses		3,261	1,935
		11,046	8,844

	Note	2008	2007
		(Rupees in '000)	
34. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and allowances	34.1	248,484	235,253
General establishment expenses	34.2	116,205	116,120
Travelling and conveyance		8,112	-
Rent, rates and taxes	34.3	9,822	6,811
Scholarship and training expenses		993	2,168
Insurance	34.3	3,049	2,480
Depreciation	5.8	36,434	24,335
Amortisation	6	3,301	3,301
Directors' fee		235	150
Advertisement and publicity		-	100
Legal and professional charges		13,117	12,924
Provision for damages claims	23	-	19,020
Provision for doubtful debts against:			
- trade		2,565	7,089
- others		2,353	1,098
Cost of stores and spares written off		-	13,705
Brokerage and delivey expenses related to disposal of vessel		-	21,153
Others		357	2,323
		445,027	468,030

34.1 This includes Rs 7.916 million (2007: Rs 8.356 million) in respect of provident fund contribution.

	Note	2008	2007
		(Rupees in '000)	
34.2 General establishment expenses			
Repairs and maintenance	34.3	17,065	10,869
Medical cost		1,589	22,829
Medical insurance		15,698	-
Contribution to employees welfare fund		12	16
Contribution to group term insurance		1,005	1,113
Security charges		3,802	2,529
Travelling and conveyance		16,262	13,979
Entertainment and canteen subsidy		3,120	2,113
Books, periodicals and subscription		3,246	5,073
Uniform and liveries		395	366
Printing and stationery		4,094	4,273
Telephone, telex and postage		5,930	5,715
Light, power and water		12,510	9,049
Computer expenses		6,931	8,116
Advertisement and publicity		3,414	7,661
Vehicle running and repairs		10,031	14,338
Ship inspection expenses		5,816	1,091
Sundry expenses		5,285	6,990
		116,205	116,120

34.3 This includes repairs and maintenance of Rs 3.556 million (2007: Rs 2.122 million), rent, rates and taxes of Rs 3.752 million (2007: Rs 4.213 million) and insurance of Rs 0.136 million (2007: Rs 0.844 million) in respect of investment property.

	Note	2008	2007
		(Rupees in '000)	
35. OTHER OPERATING EXPENSES			
Workers' profit participation fund	22.2	51,789	45,288
Donations	35.1	25	1,000
Auditors' remuneration	35.2	7,583	4,463
Employees' gratuity			
- funded	29.1.6	70,600	-
- unfunded	29.1.6	6,823	32,070
		77,423	32,070
Post retirement medical benefits	29.1.6	12,585	1,084
Employees' compensated absences	29.2.5	34,080	53,444
Fixed assets written off		172	962
Loss of fixed assets due to fire		73	4,595
Loss on sale of containers		-	603
Loss on revaluation of long term investments in listed companies		403	-
Others		132	-
		184,265	143,509

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

35.2 **Auditors' remuneration**

	2008			2007		
	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	490	490	980	336	336	672
Audit fee - Subsidiaries	900	900	1,800	584	583	1,167
Review of half yearly financial statements	200	200	400	180	180	360
Review of compliance with the best practices of the code of Corporate Governance	50	50	100	48	48	96
Fee for audit of the consolidated financial statements	60	60	120	60	60	120
Fee for additional time spent due to unavailablity of records in prior's year audit	700	700	1,400	-	-	-
Tax advisory services	1,826	-	1,826	1,510	27	1,537
Out of pocket expenses						
- current year	487	470	957	323	138	461
- prior year	-	-	-	50	-	50
	4,713	2,870	7,583	3,091	1,372	4,463

	Note	2008	2007
		(Rupees in '000)	
36. FINANCE COST			
Interest on:			
- Long-term financing		30,119	51,969
- Workers' Profits Participation Fund	22.2	-	1,873
Bank charges and arrangement and commitment fee	36.1	108,818	20,504
Unrealised exchange loss on long-term financing		36,050	3,007
		174,987	77,353

36.1 It includes arrangement and commitment fee paid by the holding company to Royal Bank of Scotland (formerly ABN Amro Bank N. V.) on behalf of Quetta Shipping (Private) Limited, Karachi Shipping (Private) Limited and Lahore Shipping (Private) Limited in respect of credit facility for purchase of vessels. The holding company was liable in case of default by the said subsidiaries on payment of principal amount or interest. However, during the year the aforementioned facility has been expired and was not renewed for further period.

	Note	2008	2007
		(Rupees in '000)	
37. OTHER OPERATING INCOME			
Interest/mark-up on loans and advances to employees		250	712
Income from savings and term deposits accounts		664,763	478,819
Scrap sales		1,345	379
Profit on disposal of fixed assets		2,712	93,383
Dividend income		1,716	2,269
Provisions no longer required written back		44,075	2,356
Gain on revaluation of investment properties		-	292,475
Gain on revaluation of Long term investments in listed companies		-	9,851
Gain on insurance claims		3,480	-
Insurance claims		5,302	371
Liabilities no longer payable written back		3,607	39,052
Exchange gain	37.1	52,804	-
Others		34,919	23,859
		814,973	943,526

37.1 This represent exchange gain on foreign currency bank deposits maintained outside Pakistan.

	Note	2008	2007
		(Rupees in '000)	
38. TAXATION			
Tax charge for:			
-current year		458,862	487,935
-prior years	30.6	465,361	14,123
		924,223	502,058
Deferred		88,197	7,102
		1,012,420	509,160
Taxes paid abroad relating to current year		25,861	2,023
		1,038,281	511,183

	Note	2008	2007
		(Rupees in '000)	
38.1 Relationship between tax expense and accounting profit			
Accounting profit before tax		3,487,161	2,848,056
Tax rate		35%	35%
Tax on accounting profit		1,220,506	996,820
Tax effect in respect of income / expenses not admissible for calculation of taxable profit		81	(95,234)
Difference between estimated ratio and prevailing ratio of FTR and NTR		(12,905)	-
Tax effect of lower tax rates on certain incomes:			
- Tax saving due to lower tax rates		(214,980)	(401,303)
- Tax saving due to lower tax rates - subsidiaries profit		(752,369)	-
- Tax liability under final tax regime		112,977	38,509
		(854,372)	(362,794)
Others (inlcuding the impact arising as a consequence of change in allocation ratio of revenue chargeable under FTR and non-FTR tax regime)		193,749	(43,755)
		(673,447)	(501,783)
		547,059	495,037
Tax effects of adjustments in respect of taxes paid abroad		25,861	2,023
Tax effects of adjustments in respect of prior years		465,361	14,123
Tax expense for the year		1,038,281	511,183

39. EARNINGS PER SHARE

	2008	2007
Profit after taxation attributable to equity holders of the Group	2,448,540	2,336,728
	(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	18.54	17.69

There is no dilution effect on basic earnings per share of the Group.

	Note	2008	2007
		(Rupees in '000)	

40. CASH GENERATED FROM OPERATIONS

	Note	2008	2007
Profit before taxation		3,487,161	2,848,056
Adjustments for non-cash charges and other items:			
Depreciation		766,270	1,265,878
Amortisation		3,301	3,301
Profit on disposal of property, plant and equipment		(2,712)	(93,383)
Fixed Asset written off		172	962
Loss of fixed assets due to fire		73	4,595
Provision for employees' gratuity		77,423	32,070
Provision for employees' compensated absences		34,080	53,444
Provision for post retirement medical benefits		12,585	1,084
Provision against damages claims		-	19,020
Dividend income		(1,716)	(2,269)
Interest / mark-up income		(665,013)	(478,819)
Interest / mark-up expense		30,119	51,969
Loss / (gain) on revaluation of investments		403	(9,851)
Unrealised exchange loss on long-term financing		36,050	3,007
Gain on revaluation of investment properties		-	(292,475)
Working capital changes	40.1	2,415,373	(4,389,731)
		6,193,569	(983,142)

40.1 Working capital changes

	2008	2007
Decrease / (increase) in current assets		
Stores and spares	(31,322)	27,869
Trade debts - net	(5,710)	(347,354)
Agents' and owners' balances - net	9,337	(9,275)
Loans and advances	23,702	(38,062)
Deposits and prepayments	1,081	(5,770)
Other receivables	(50,955)	(13,289)
Incomplete voyages	7,247	31,855
Insurance claims	(12,180)	81,382
Short term investment	2,336,853	(4,200,000)
	2,278,053	(4,472,644)
Increase in current liabilities		
Trade and other payables	147,386	82,913
Provision against damages claims	(10,066)	-
	2,415,373	(4,389,731)

41. CASH AND CASH EQUIVALENTS

	Note	2008	2007
Short-term investments	20	1,250,000	1,800,000
Cash and bank balances	21	3,399,105	907,906
		4,649,105	2,707,906

42. 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/Director		Other Executives	
	2008	2007	2008	2007	2008	2007
	(Rupees '000)					
Managerial remuneration and allowances	533	459	7,559	4,720	69,947	71,047
Retirement benefits	-	-	132	123	287	637
House rent	-	-	1,028	687	20,041	18,734
Conveyance	-	-	-	-	1,476	2,032
Entertainment	29	31	391	395	27	27
Medical	11	36	190	216	1,362	1,421
Utilities	23	20	745	447	15,422	14,551
Personal staff subsidy	28	29	17	54	61	128
Club membership fee and expenses	19	17	40	152	-	12
Personal accident insurance	4	4	14	11	-	-
Bonus	-	-	707	256	1,663	632
Other allowances	228	229	582	585	46,311	46,388
	875	825	11,405	7,646	156,597	155,609
Number of persons	2*	1	4	5	77	77

*During the year the Chairman and Chief Executive of the Corporation has been replaced.

42.1 Retirement benefits represent amount contributed towards various retirement benefit plans. The executives of the Group are entitled to retirement benefits as outlined in note 3.15 to these financial statements. The Chairman and Chief Executive, Executive Directors and certain Executives are provided with Group owned and maintained cars.

42.2 The aggregate amount charged in the financial statements for fee to non-executive directors was Rs 0.235 million (2007: Rs 0.150 million).

43. FINANCIAL ASSETS AND LIABILITIES

2008

	Interest / mark-up bearing			Non Interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Subtotal	Maturity upto one year	Maturity after one year	Subtotal	
	(Rupees '000)						
Financial Assets							
Long-term investments	-	-	-	40,229	-	40,229	40,229
Long-term Loans - Employees	559	1,434	1,993	-	-	-	1,993
Trade debts	-	-	-	563,000	-	563,000	563,000
Agents' and owners' balances	-	-	-	32,145	-	32,145	32,145
Deposits	-	-	-	6,515	-	6,515	6,515
Interest / mark-up accrued	-	-	-	65,143	-	65,143	65,143
Other receivables	-	-	-	137,148	-	137,148	137,148
Insurance claims	-	-	-	13,847	-	13,847	13,847
Short term investment	3,113,147	-	3,113,147	-	-	-	3,113,147
Cash and bank balances	325,620	-	325,620	3,073,424	-	3,073,424	3,399,044
	3,439,326	1,434	3,440,760	3,931,451	-	3,931,451	7,372,211
Financial Liabilities							
Long-term financing	245,607	-	245,607	-	-	-	245,607
Trade and other payables	-	-	-	1,116,212	-	1,116,212	1,116,212
Interest accrued	-	-	-	-	-	-	-
	245,607	-	245,607	1,116,212	-	1,116,212	1,361,819
Net financial assets/(financial liabilities)	3,193,719	1,434	3,195,153	2,815,239	-	2,815,239	6,010,392
Letters of guarantee (fully secured)							77,345

2007

	Interest / mark-up bearing			Non Interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Subtotal	Maturity upto one year	Maturity after one year	Subtotal	
	(Rupees '000)						
Financial Assets							
Long-term investments	-	-	-	40,632	-	40,632	40,632
Long-term Loans - Employees	760	2,027	2,787	-	-	-	2,787
Trade debts	-	-	-	557,290	-	557,290	557,290
Agents' and owners' balances	-	-	-	41,482	-	41,482	41,482
Deposits	-	-	-	2,225	90	2,315	2,315
Interest / mark-up accrued	-	-		84,504	-	84,504	84,504
Other receivables	-	-	-	86,193	-	86,193	86,193
Insurance claims	-	-	-	1,667	-	1,667	1,667
Short term investment	6,000,000	-	6,000,000	-	-	-	6,000,000
Cash and bank balances	126,389	-	126,389	781,517	-	781,517	907,906
	6,127,149	2,027	6,129,176	1,595,510	90	1,595,600	7,724,776
Financial Liabilities							
Long-term financing	258,771	215,643	474,414	-	-	-	474,414
Trade and other payables	-	-	-	993,408	-	993,408	993,408
Interest accrued	-	-	-	110	-	110	110
	258,771	215,643	474,414	993,518	-	993,518	1,467,932
Net financial assets/(financial liabilities)	5,868,378	(213,616)	5,654,762	601,992	90	602,082	6,256,844
Off balance sheet							
Letters of guarantee (fully secured)							38,762

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

44. FINANCIAL RISK MANAGEMENT

44.1 Financial risk factors

The Group's activities are exposed to a variety of financial risks namely credit risk, foreign exchange risk, interest rate risk and liquidity risk. The Group is not exposed to any significant price risk as it does not hold any investments exposed to price risk. The Group has established adequate procedures to manage each of these risks as explained below.

44.1.1 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 7,372.211 million (2007: Rs 7,724.776 million) the financial assets which are subject to credit risk amounted to Rs 7,331.921 million (2007: Rs 7,684.078 million). The management of the Group believes that it is not exposed to major concentration of credit risk.

44.1.2 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.

44.1.3 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.

44.1.4 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.

44.1.5 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.

44.2 Capital Risk Management

The Group’s objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the balance sheet plus net debt.

As at June 30, 2007 and 2008 the Group had surplus cash reserves to meet its requirements and there was no material net debt position.

45. 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 42 of these consolidated financial statements.

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

	2008	2007
	(Rupees in '000)	
Contribution to Provident Fund	8,099	8,541
Key management personnel compensation	12,280	8,471
Directors' fee	235	150

46. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

46.1 The Board of Directors at the meeting held on September 15, 2008 have proposed for the year ended June 30, 2008 cash dividend of Rs 3.10 per share (2007: Rs 1.5 per share), amounting to Rs 409.396 million (2007: 198.095 million) subject to the approval of the members at the annual general meeting to be held on October 21, 2008. The financial statements for the year ended June 30, 2008 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

47. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, or the purposes of comparison.

48. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 15, 2008 by the Board of Directors.

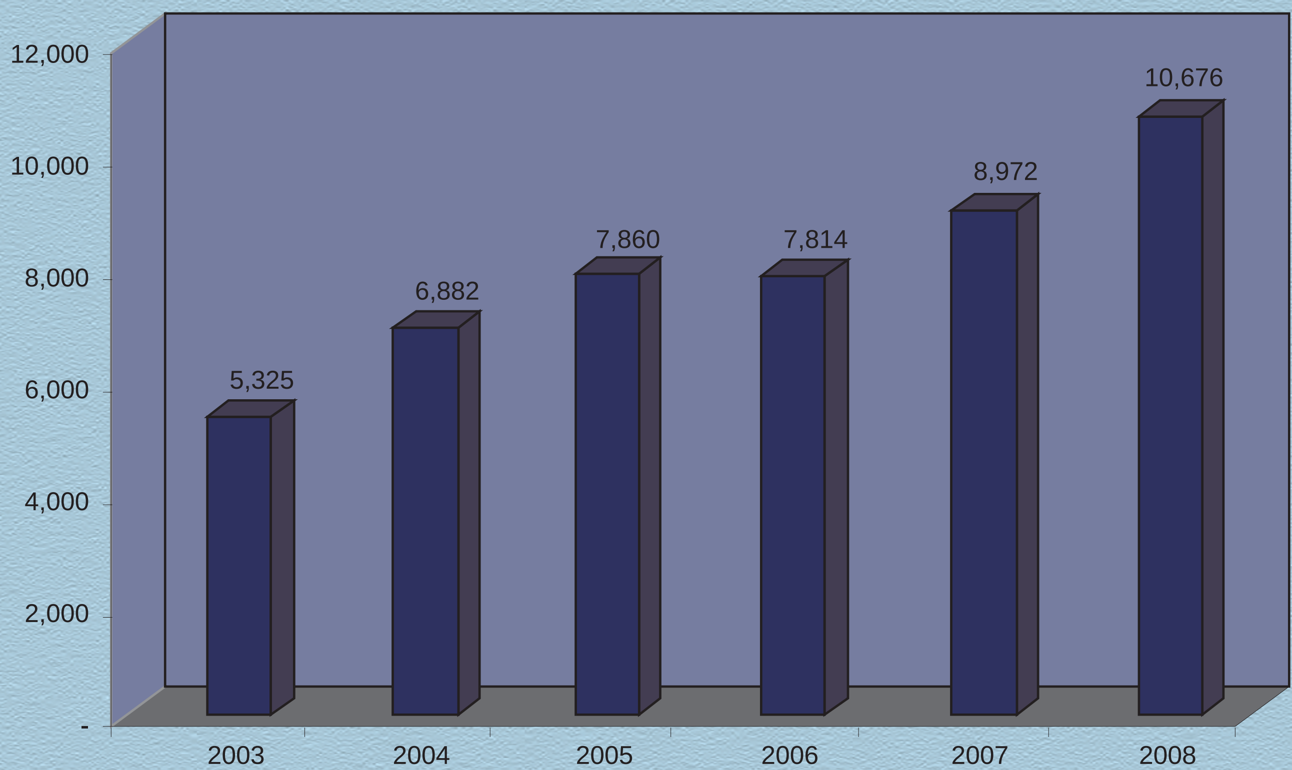
49. GENERAL

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

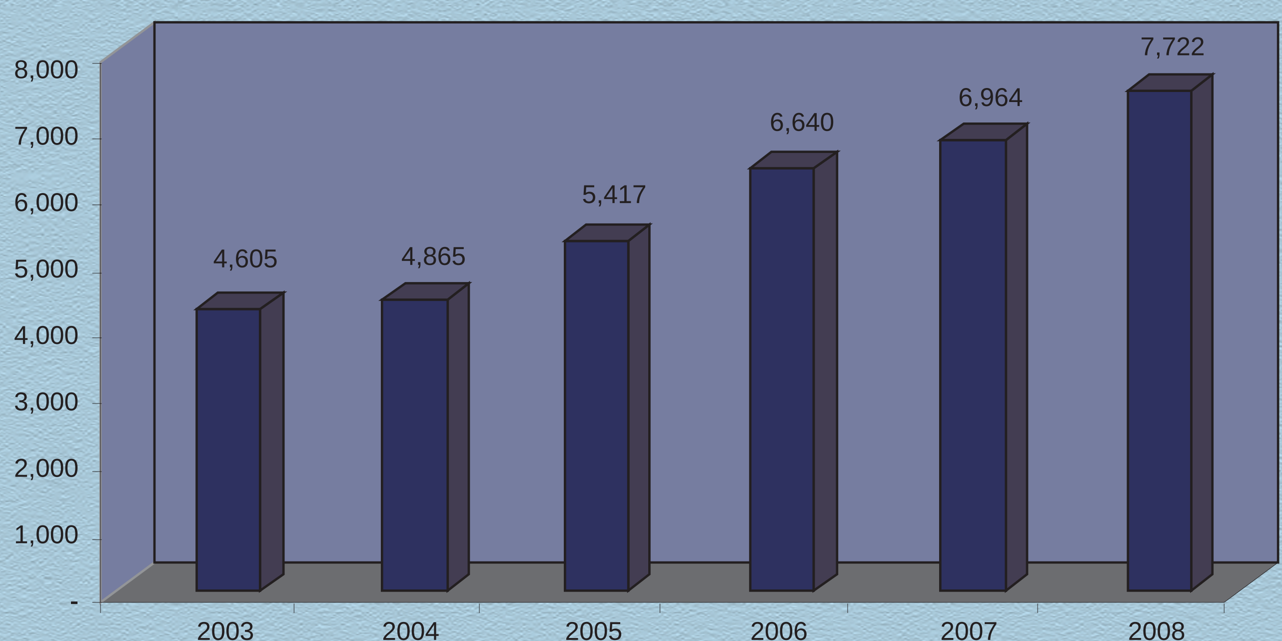
Vice Admiral (Retd.) Sikandar V. Naqvi
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

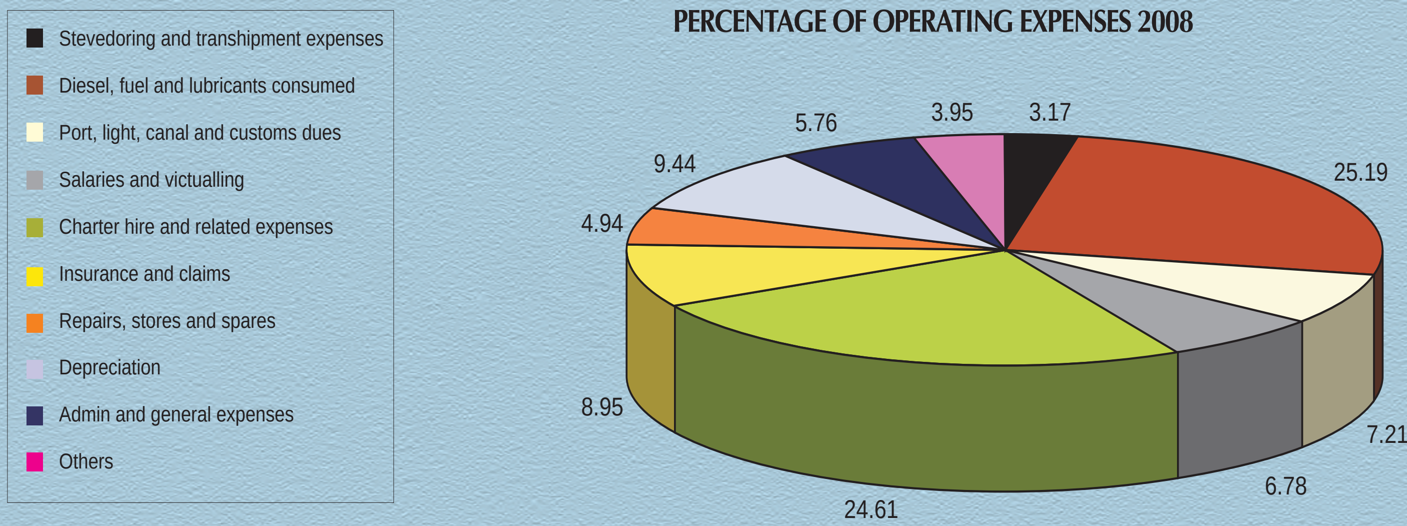
FREIGHT REVENUE
RS. IN MILLION



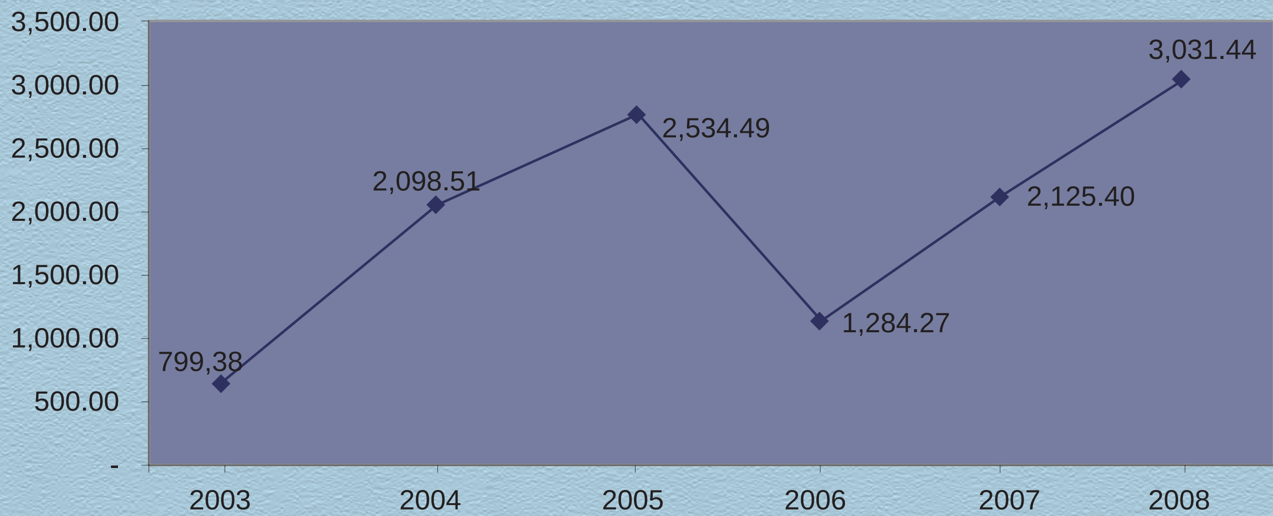
OPERATING EXPENSES
RS. IN MILLION



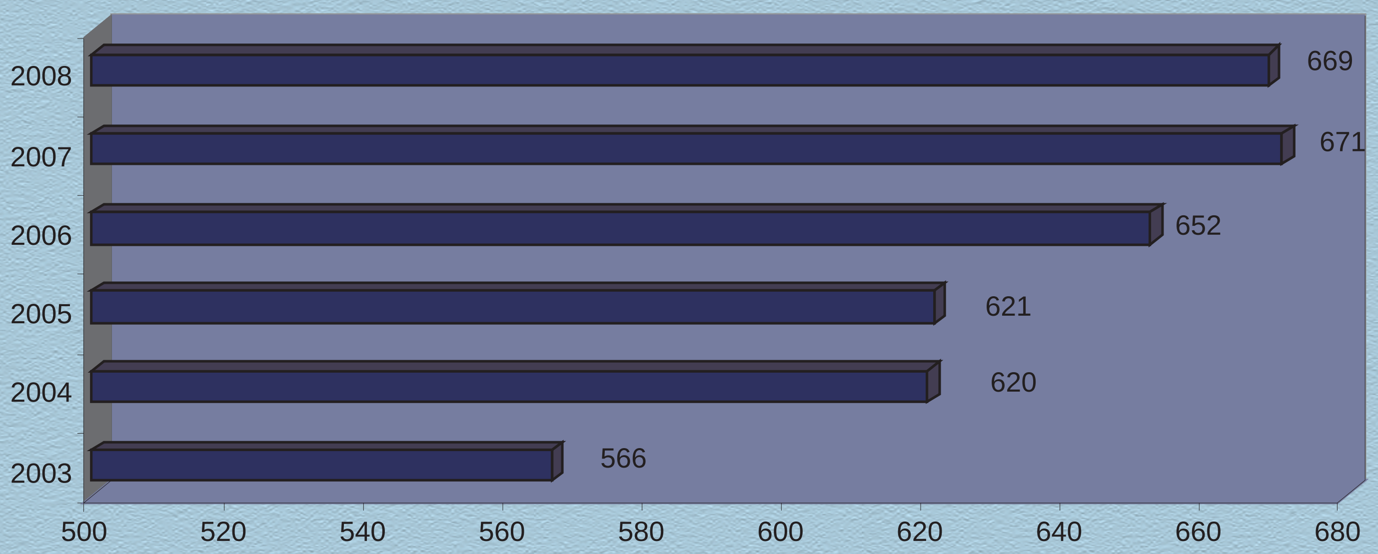
PERCENTAGE OF OPERATING EXPENSES 2008



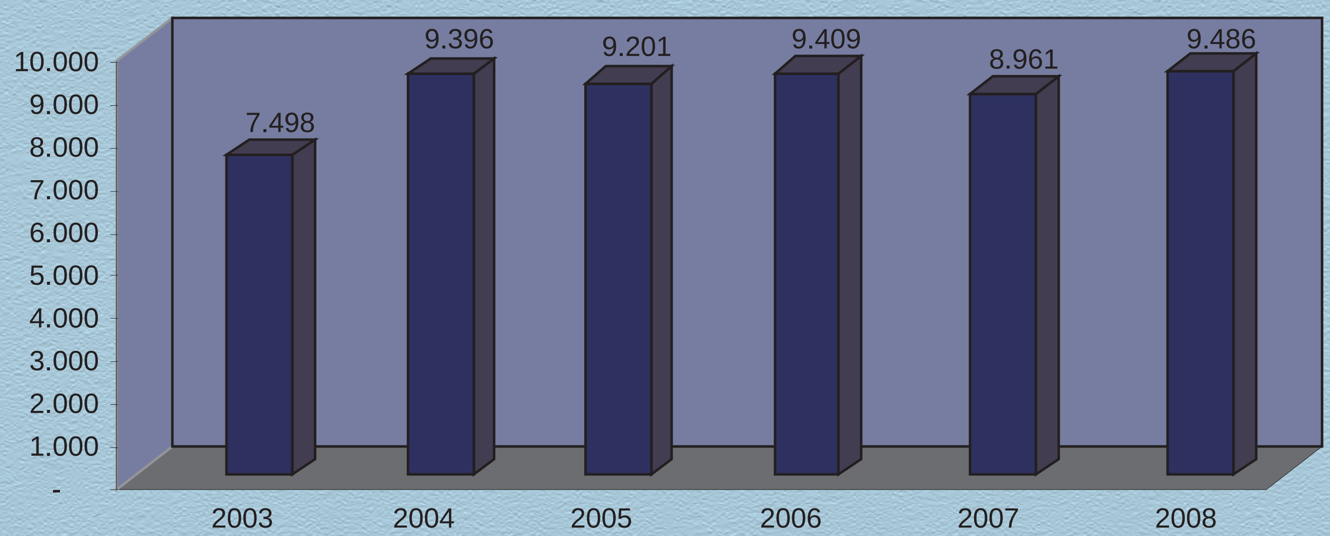
OPERATING PROFIT
RS. IN MILLION



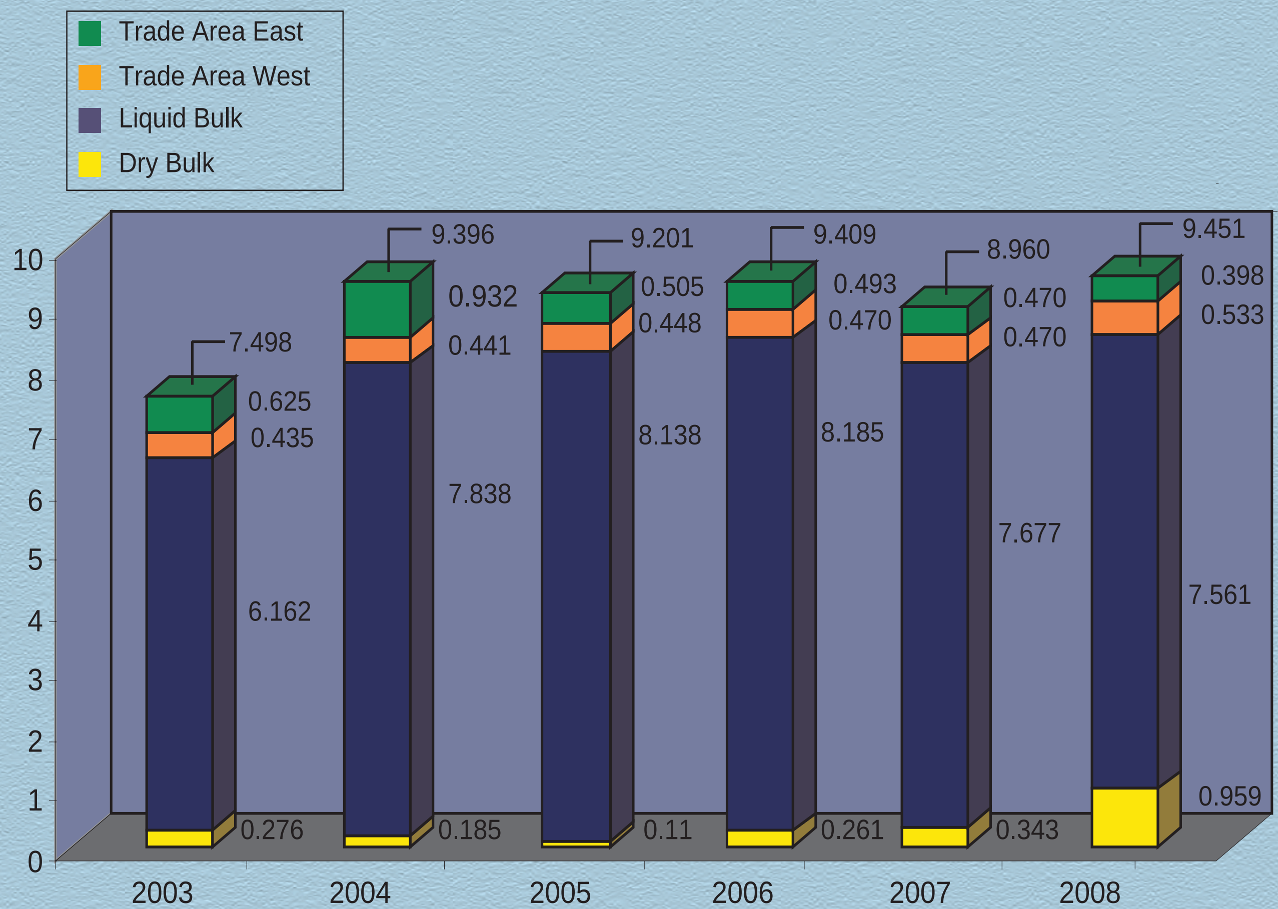
NO. OF VOYAGES



CARGO HANDLED
FREIGHT IN MILLION TONS



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
I. I. 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, 2008 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 purposes of our audit.

It is the responsibility of the Corporation's management to establish and maintain 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 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 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, 2008 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.

Without qualifying our opinion we draw attention to note 2.2 to the annexed financial statements and state that we expressed a qualified opinion on financial statements of the Corporation for the year ended June 30, 2007 due to absence of certain records as a result of destruction by fire at the Corporation's office premises.

A.F. Ferguson & Co.
Chartered Accountants
Karachi
September 15, 2008

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Karachi

PAKISTAN NATIONAL SHIPPING CORPORATION
BALANCE SHEET
AS AT JUNE 30, 2008

	Note	2008	2007
		(Rupees in '000)	
NON-CURRENT ASSETS			
Property, plant and equipment	5	1,009,174	876,914
Intangible asset	6	1,649	4,950
Investment properties	7	969,987	966,637
Long-term investments in:			
- Related parties (subsidiaries and an associate)	8	1,558,416	1,558,416
- Listed companies and an other entity	9	40,229	40,632
		1,598,645	1,599,048
Long-term loans	10	1,434	2,027
Deferred tax - net	11	15,316	93,366
		3,596,205	3,542,942
CURRENT ASSETS			
Stores and spares	12	16,939	14,289
Trade debts	13	236,312	279,146
Agents' and owners' balances	14	32,145	41,482
Loans and advances	15	39,495	63,197
Deposits and prepayments	16	9,262	10,569
Interest / mark-up accrued		65,137	84,412
Other receivables	17	3,106,368	1,092,894
Incomplete voyages	18	4,674	2,577
Insurance claims	19	302	374
Short-term investments	20	3,113,147	6,000,000
Cash and bank balances	21	3,394,350	903,879
		10,018,131	8,492,819
LESS: CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	22	6,634,215	5,026,210
Provision against damage claims	23	126,966	132,960
Interest accrued		-	110
Current portion of long-term financing	27	245,607	258,771
Taxation - net		228,026	61,194
		7,234,814	5,479,245
NET CURRENT ASSETS		2,783,317	3,013,574
		6,379,522	6,556,516
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up share capital	24	1,320,634	1,320,634
Reserves	25	4,106,781	3,874,701
		5,427,415	5,195,335
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX	26	743,324	748,461
NON-CURRENT LIABILITIES			
Long-term financing	27	-	215,643
Deferred liabilities	28	208,783	397,077
		6,379,522	6,556,516
CONTINGENCIES AND COMMITMENTS	29		

The annexed notes 1 to 49 form an integral part of these financial statements.

Vice Admiral (Retd.) Sikandar V. Naqvi	**Khowaja Obaid Imran Ilyas**
Chairman & Chief Executive	Director

PAKISTAN NATIONAL SHIPPING CORPORATION
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
		(Rupees in '000)	
REVENUES			
Chartering revenues	30	2,705,281	1,762,914
Services fee	31	318,847	288,345
Rental income		76,129	117,066
		3,100,257	2,168,325
EXPENDITURE			
Fleet expenses - direct	32	1,896,625	801,568
Fleet expenses - indirect	33	15,653	2,247
		1,912,278	803,815
GROSS PROFIT		1,187,979	1,364,510
Administrative and general expenses	34	430,914	139,234
Other operating expenses	35	116,006	61,790
Finance costs	36	68,986	59,744
		615,906	260,768
Other operating income	37	765,462	834,410
PROFIT BEFORE TAXATION		1,337,535	1,938,152
Taxation	38	922,644	480,933
PROFIT AFTER TAXATION		414,891	1,457,219
		(Rupees)	
EARNINGS PER SHARE	39	3.14	11.03

Note: The appropriations from profits are set out in the statement of changes in equity.

The annexed notes 1 to 49 form an integral part of these financial statements.

Vice Admiral (Retd.) Sikandar V. Naqvi
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2008

	Issued, subscribed and paid-up share capital	Capital Reserve	Revenue Reserve: General reserve	Revenue Reserve: Unappropriated Profit / accumulated loss	Total
	(Rupees '000)				
Balance as at July 1, 2006	1,320,634	126,843	3,500,000	(1,083,923)	3,863,554
Final cash dividend for the year ended June 30, 2006 (Rs 1 per ordinary share)	-	-	-	(132,063)	(132,063)
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity - net of tax	-	-	-	6,625	6,625
Profit after taxation for the year ended June 30, 2007	-	-	-	1,457,219	1,457,219
Total income credited to equity	-	-	-	1,463,844	1,463,844
Transfer from general reserve	-	-	(3,500,000)	3,500,000	-
Balance as at June 30, 2007	1,320,634	126,843	-	3,747,858	5,195,335
Balance as at July 1, 2007	1,320,634	126,843	-	3,747,858	5,195,335
Final cash dividend for the year ended June 30, 2007 (Rs 1.5 per ordinary share)	-	-	-	(198,095)	(198,095)
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity - net of tax	-	-	-	15,284	15,284
Profit after taxation for the year ended June 30, 2008	-	-	-	414,891	414,891
Total income credited to equity	-	-	-	430,175	430,175
Balance as at June 30, 2008	1,320,634	126,843	-	3,979,938	5,427,415

The annexed notes 1 to 49 form an integral part of these financial statements.

Vice Admiral (Retd.) Sikandar V. Naqvi
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008	2007
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from / (used in) operations	40	2,895,451	(2,100,026)
Employees' gratuity paid		(31,945)	(45,248)
Employees' compensated absences paid		(36,833)	(38,878)
Post retirement medical benefits paid		(8,445)	(4,945)
Contributions to plan assets of employees' gratuity fund		(235,159)	-
Long-term loans		593	1,445,501
Finance costs paid		(30,229)	(52,033)
Taxes paid		(667,615)	(574,268)
Net cash generated from / (used in) operating activities		1,885,818	(1,369,897)
Cash flows from investing activities			
Fixed capital expenditure		(169,865)	(32,190)
Investment in subsidiaries		-	(360)
Investment in investment properties		(3,350)	-
Proceeds from disposal of property, plant and equipment		2,712	171
Interest / mark-up received		684,185	439,657
Dividends received		1,716	2,269
Net cash generated from investing activities		515,398	409,547
Cash flows from financing activities			
Repayment of long-term financing		(264,857)	(261,171)
Dividends paid		(195,888)	(129,989)
Net cash used in financing activities		(460,745)	(391,160)
Net increase / (decrease) in cash and cash equivalents		1,940,471	(1,351,510)
Cash and cash equivalents at the beginning of the year		2,703,879	4,055,389
Cash and cash equivalents at the end of the year	41	4,644,350	2,703,879

The annexed notes 1 to 49 form an integral part of these financial statements.

Vice Admiral (Retd.) Sikandar V. Naqvi
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

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 Stock Exchange (LSE) which was approved by the Securities and Exchange Commission of Pakistan (SECP). The LSE had filed an appeal in the Lahore High Court against the order of the SECP and the court has decided the case 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 a final decision by the Supreme Court.

1.2 These financial statements are separate financial statements of the Corporation in which investments in subsidiaries and associates are accounted for on the basis of direct equity interest and are not consolidated.

2. SIGNIFICANT EVENTS

2.1 On August 19, 2007, a fire broke out at the PNSC building and 4th to 10th floors of the building were completely gutted. Approximately 93% of the space on the affected floors was rented out. As a result certain assets of the Corporation were destroyed and the Corporation has filed insurance claims against the lost assets. (Note 17.2). However, the accounting records and supporting documents of the Corporation were not affected by the fire. Further, the Corporation has also assessed that no impairment is required to be recognised in respect of PNSC building.

2.2 On February 18, 2007, a fire broke out at PNSC building (hereinafter referred to as 'the fire incident') which resulted in the destruction of certain records by fire including general ledger for the period October 5, 2006 to December 31, 2006 (which period is part of comparative financial information). The exercise initiated by the Corporation for recreating books of account for the aforementioned period was abandoned because it was not considered worthwhile to continue that exercise. Further, no transactions / events were identified which would have required adjustments in the books of account of the Corporation. The Corporation’s management is confident that the non-availability of complete books and records for the aforementioned period shall not have any material impact on current as well as comparative financial information presented in these financial statements.

2.3 The Corporation had 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'. During the year the Corporation has revised the agreements with its subsidiary companies and according to the revised terms the indirect fleet expenses and administrative and general expenses are not being charged to the subsidiary companies with effect from July 1, 2007. However, in consideration of services provided to subsidiary companies the Corporation shall continue to charge 'Technical and Commercial Services Fee' and 'Administrative and Financial Services Fee' at mutually agreed rates of 3% and 1% (2007: 3% and 1%) respectively of the total income derived from commercial trading of the vessels operated by each of the subsidiary companies.

Due to the revision in the terms of agreement the Corporation's indirect fleet expenses, administrative and general expenses for the year have increased by Rs 11.255 million and Rs 251.760 million respectively.

3. 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.

3.1 Statement of compliance

These financial statements are the separate financial statements of the Corporation and have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984 (the Ordinance), provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail.

3.1.1 **Standards, interpretations and amendments to published approved accounting standards that are effective in 2007-2008**

The following standard has been published and is mandatory for the Corporation's accounting periods beginning on or after July 1, 2007 or later periods:

IAS 1 'Presentation of Financial Statements - Capital Disclosures, (effective from January 1, 2007) impacts the extent of disclosures as presented in note 44.2 to the financial statements.

Standards, amendments and interpretations effective in 2007-2008 but not relevant:

There are certain new standards and interpretations that were mandatory for accounting periods beginning on or after July 1, 2007 but are considered not to be relevant or have any significant effect on the Corporation's operations and are therefore not disclosed in these financial statements.

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

The following standards, amendments and interpretations to existing standards have been published and are not mandatory for the Corporation's accounting periods beginning on or after July 1, 2008 or later periods:

IAS 1 'Presentation of financial statements' (effective from January 1, 2009), issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in the Comprehensive Income statement. Adoption of the above standard will only impact the presentation of the financial statements.

IAS 23 (Amendment) 'Borrowing costs' (effective from January 1, 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. On adoption the option of immediately expensing those borrowing costs will be withdrawn.

IFRS 7, 'Financial instruments: Disclosures' (effective from July 1, 2008) introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the financial instruments.

IFRIC Interpretation 14 - 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The management is in the process of assessing the impact of its adoption on the Corporation.

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.

3.2 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 3.3.1 have been included at revalued amounts; and

- Certain investment properties and other investments as referred to in notes 3.5 and 3.6.2 respectively have been carried at fair value to comply with the requirements of IAS-40 'Investment Property' and IAS-39 'Financial Instruments: Recognition and Measurement'.

3.3 Fixed assets

3.3.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses except for leasehold land and buildings thereon, beach huts and workshop machinery and equipment. Leasehold land and buildings thereon, beach huts and workshop machinery 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 vessels includes cost of acquisition and other related expenses incidental to the purchase of vessel 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 depreciated 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 the 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 revaluation of fixed assets account. Surplus on revaluation cannot be distributed to shareholders until it is transferred to retained earnings. 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 the 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.

3.3.2 Capital work-in-progress

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

3.3.3 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated 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.

3.4 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.

3.5 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.

3.6 Investments

3.6.1 Subsidiaries and an associate

The investments in subsidiaries and an associate are stated at cost less any accumulated impairment losses, determined on the basis of excess of carrying amount over their recoverable amount.

3.6.2 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 at fair value through profit or loss' and 'available for sale financial assets' according to which the Corporation classifies its investments in quoted securities as 'financial assets at fair value through profit or loss' and investment in unquoted securities under the head 'available for sale financial assets'.

Investments at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Investments which are acquired principally for the purpose of generating profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains or losses recognised directly in the profit and loss account. Transaction costs are charged to profit and loss account when incurred.

Available for sale investments

Investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity or changes in interest rates are classified as available for sale. They are initially measured at fair value plus directly attributable transaction costs. After initial measurement, these are stated at fair values (except for unquoted investments where active market does not exist) with unrealised gains or losses recognised directly in equity until the investment is disposed or determined to be impaired. At the time of disposal, the cumulative gain or loss previously recorded in equity is recognised in the profit and loss account.

Fair value of investments

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques.

The Corporation has investment in term deposit receipts having original maturity of six months or less and consistent with prior years these are recognised at cost.

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.

3.7 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 10.4).

3.8 Stores and spares

Stores are valued at weighted 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.

3.9 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.

3.10 Taxation

3.10.1 Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or on one-half percent of turnover under section 113 of the Income Tax Ordinance, 2001, whichever is higher.

3.10.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the 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 benefit will be realised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recognised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

3.11 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.

3.12 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 whether billed or not.

3.13 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.

3.14 Dividend and appropriations

Dividends declared and transfers between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

3.15 Staff retirement benefits

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

3.15.2 Defined benefit gratuity scheme

During the year the Corporation has introduced a funded retirement gratuity scheme for its permanent employees other than those who joined the Corporation after October 16, 1984 and are entitled only to the contributory provident fund benefits. Further, the Corporation also operates an unfunded retirement gratuity scheme for contractual employees. 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.

3.15.3 Post-retirement medical benefits

The Corporation provides lump sum medical allowance to its retired permanent employees in accordance with the service regulations.

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.

The Corporation has entered into an arrangement with an insurance company whereby the insurance company is required to administer the scheme for the post retirement medical benefits of the Corporation employees. The Corporation retains the constructive and legal obligation to discharge the liability to its employees. Accordingly, the plan is treated as a defined benefit plan.

3.16 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.

3.17 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 maturities of three months or less.

3.18 Foreign currency translation

These financial statements are presented in Pakistan Rupees (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.

3.19 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. Expenses pertaining to the voyage, till the discharging is complete is accounted for in the incomplete voyage. 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.

3.20 Borrowing costs

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

3.21 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 financing and trade and other payables. The recognition methods adopted for each of the financial instruments is disclosed in the relevant notes of accounting policies.

3.22 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.

4. 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 valuation of property, plant and equipment and investment properties (note 5 and 7).

(b) Assumptions and estimations used in determining the residual values and useful lives of property, plant and equipment (note 5).

(c) Assumptions and estimations used in determining the useful life of intangible asset (note 6).

(d) Assumption and estimation in recognition of deferred tax and taxation (note 11 and 38).

(e) Assumption and estimation in accounting for provision against damage claims (note 23).

(f) 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.

	Note	2008	2007
		(Rupees in '000)	
5. PROPERTY, PLANT AND EQUIPMENT			
- Fixed assets	5.1	848,514	860,763
- Capital work-in-progress	5.7	160,660	16,151
		1,009,174	876,914

5.1 The following is a statement of fixed assets:

	Leasehold land (notes 5.2 & 5.3)	Buildings on Leasehold land	Vessel fleet (notes 5.4)	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												
As 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
Less: accumulated depreciation	-	47,863	1,440	29,471	9,050	13,121	18	317	3,468	348	8,091	12,856	126,04
Net book value	471,715	94,781	-	21,386	2,150	3,408	-	470	-	-	6,469	4,127	604,506
Year ended June 30, 2007													
Opening net book value	471,715	94,781	-	21,386	2,150	3,408	-	470	-	-	6,469	4,127	604,506
Additions	2,969	16,718	-	2,789	5,194	4,821	-	-	-	-	858	5,259	38,608
Surplus on revaluation	169,876	78,296	-	-	-	-	-	-	-	2,723	-	-	250,895
Disposals / revaluation adjustments*													
Cost or revalued amount	-	(48,718)	-	-	(1,412)	(1,374)	-	-	-	(348)	-	-	(51,852)
Less: accumulated depreciation	-	48,718	-	-	1,412	1,362	-	-	-	348	-	-	51,840
	-	-	-	-	-	(12)	-	-	-	-	-	-	(12)
Write off - note 35													
Cost or revalued amount	-	-	-	-	-	-	-	-	-	-	(1,431)	-	(1,431)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	469	-	469
	-	-	-	-	-	-	-	-	-	-	(962)	-	(962)
Destroyed due to fire													
Cost or revalued amount	-	(10,676)	-	-	(6,738)	(12,368)	-	-	-	-	-	(14,890)	(44,672)
Accumulated depreciation	-	9,988	-	-	5,149	9,771	-	-	-	-	-	12,693	37,601
	-	(688)	-	-	(1,589)	(2,597)	-	-	-	-	-	(2,197)	(7,071)
Depreciation charge for the year	-	(14,113)	-	(6,074)	(629)	(588)	-	(118)	-	-	(1,070)	(2,609)	(25,201)
Closing net book value	644,560	174,994	-	18,101	5,126	5,032	-	352	-	2,723	5,295	4,580	860,763
As at June 30, 2007													
Cost or revalued amount	644,560	178,264	1,440	53,646	8,244	7,608	18	787	3,468	2,723	13,987	7,352	922,097
Less: accumulated depreciation	-	3,270	1,440	35,545	3,118	2,576	18	435	3,468	-	8,692	2,772	61,334
Net book value	644,560	174,994	-	18,101	5,126	5,032	-	352	-	2,723	5,295	4,580	860,763

	Leasehold land (notes 5.2 & 5.3)	Buildings on Leasehold land	Vessel fleet (notes 5.4)	Vehicles	Office machines and	Furniture and fixtures appliances	Motor launch and jetty	Equipment on board	Container fittings	Beach huts	Workshop machinery and equipment	Computer equipment	Total
	Rupees in '000												
Year ended June 30, 2008													
Opening net book value	644,560	174,994	-	18,101	5,126	5,032	-	352	-	2,723	5,295	4,580	860,763
Additions	-	1,593	-	15,888	2,163	1,650	-	-	-	-	1,013	3,049	25,356
Disposals													
Cost	-	-	-	(3,450)	-	-	-	-	-	-	-	-	(3,450)
Accumulated depreciation	-	-	-	3,450	-	-	-	-	-	-	-	-	3,450
	-	-	-	-	-	-	-	-	-	-	-	-	-
Write off - note 35													
Cost or revalued amount	-	-	-	-	-	-	-	-	-	-	(1,958)	-	(1,958)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	1,786	-	1,786
	-	-	-	-	-	-	-	-	-	-	(172)	-	(172)
Destroyed due to fire													
Cost or revalued amount	-	-	-	-	-	(73)	-	-	-	-	-	-	(73)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	(73)	-	-	-	-	-	-	(73)
Depreciation charge for the year	-	(22,597)	-	(9,803)	(1,111)	(850)	-	(118)	-	-	(975)	(1,906)	(37,360)
Closing net book value	644,560	153,990	-	24,186	6,178	5,759	-	234	-	2,723	5,161	5,723	848,514
As at June 30, 2008													
Cost or revalued amount	644,560	179,857	1,440	66,084	10,407	9,185	18	787	3,468	2,723	13,042	10,401	941,972
Less: accumulated depreciation	-	25,867	1,440	41,898	4,229	3,426	18	553	3,468	-	7,881	4,678	93,458
Net book value	644,560	153,990	-	24,186	6,178	5,759	-	234	-	2,723	5,161	5,723	848,514
Annual rate of depreciation		3 to 20	4	20	15	10 to 15	10 to 15	10 to 15	15	15	5 to 10	25	

5.2 The revaluation of the 'leasehold land', 'buildings on leasehold land' and 'beach huts' were carried out as of June 30, 2007 by Pee Dee & Associates on the basis of their professional assessment of present market values. The revaluation resulted in a surplus of Rs 250.895 million over the then written down values of Rs 571.382 million which had been incorporated in the books of the Corporation as at June 30, 2007. Of the total revaluation surplus an amount of Rs 779.397 million (2007: Rs 800.100 million) remains undepreciated at June 30, 2008.

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

	Note	2008	2007
		(Rupees in '000)	
Leasehold land and buildings on leasehold land and beach huts		22,766	23,239
Workshop machinery and equipment		4,271	4,232
		27,037	27,471

5.4 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.

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

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

	Note	2008	2007
		(Rupees in '000)	
Fleet expenses - indirect	33	975	1,070
Administrative and general expenses	34	36,385	24,131
		37,360	25,201

5.7 Capital work-in-progress

	2008	2007
Buildings on leasehold land	120,677	4,325
Beach huts	25,030	9,814
Computer equipment	-	1,061
Advance for the purpose of vehicles	13,455	-
Office machines and appliances	-	400
Workshop machinery and equipment	1,498	551
	160,660	16,151

5.7.1 During the year capital work in progress amounting to Rs Nil (2007: Rs 4.595 million) has been written off due to destruction by fire.

6. INTANGIBLE ASSETS

	Note	Cost			Accumulated amortisation			Net book value as at June 30	Annual rate of amortisation %
		As at July 1	Additions	As at June 30	As at July 1	Charge for the year	As at June 30		
		(Rupees in '000)							
Computer software									
2008	6.1	16,503	-	16,503	11,553	3,301	14,854	1,649	20
2007		16,503	-	16,503	8,252	3,301	11,553	4,950	20

6.1 This represents cost of a software “Ship Management Expert System” (SES).

7. INVESTMENT PROPERTIES

	Note	Leasehold land	Buildings on leasehold land	Total
		(Rupees in '000)		
Balance as at July 1, 2006		644,980	29,182	674,162
Surplus on revaluation of investment properties	7.1	265,720	26,755	292,475
Balance as at June 30, 2007		910,700	55,937	966,637
Balance as at July 1, 2007		910,700	55,937	966,637
Additions during the year		-	3,350	3,350
Balance as at June 30, 2008		910,700	59,287	969,987

7.1 Last revaluation of the Corporation's investment properties was carried out by Pee Dee & Associates as of June 30, 2007 on the basis of their professional assessment of the present market value.

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

(No. of Shares - ordinary) 2008	2007	Name of the company	Country of Incorporaton	Latest available Audited financial statements for the year ended	Percentage holding	Face value per share	2008	2007
						(Rupees)	(Rupees '000)	
(i) Subsidiary companies - unlisted								
10,000,000	10,000,000	Bolan Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	100,000	100,000
9,436,000	9,436,000	Chitral Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	94,360	94,360
5,686,000	5,686,000	Hyderabad Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	56,860	56,860
15,686,000	15,686,000	Islamabad Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	156,860	156,860
36,000	36,000	Johar Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	360	360
7,286,000	7,286,000	Kaghan Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	72,860	72,860
3,354,166	3,354,166	Karachi Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	185,536	185,536
16,736,000	16,736,000	Khairpur Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	167,360	167,360
36,000	36,000	Lahore Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	360	360
14,686,000	14,686,000	Lalazar Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	146,860	146,860
9,486,000	9,486,000	Makran Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	94,860	94,860
4,636,000	4,636,000	Malakand Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	46,360	46,360
6,936,000	6,936,000	Multan Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	69,360	69,360
1,200	1,200	Pakistan Co-operative Ship Stores (Private) Limited	Pakistan	June 30, 2008	55	100	120	120
36,000	36,000	Quetta Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	360	360
6,936,000	6,936,000	Sargodha Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	69,360	69,360
6,786,000	6,786,000	Shalamar Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	67,860	67,860
9,636,000	9,636,000	Sibi Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	96,360	96,360
13,236,000	13,236,000	Swat Shipping (Private) Limited	Pakistan	June 30, 2008	100	10	132,360	132,360
							1,558,416	1,558,416
(ii) Associate - unlisted								
12,250	12,250	Muhammadi Engineering Works Limited	Pakistan	December 31, 1982	49	100	1,600	1,600
		Less: Accumulated impairment losses		(unaudited)			1,600	1,600
							-	-
							1,558,416	1,558,416

	Note	2008	2007
		(Rupees in '000)	
9. LONG-TERM INVESTMENTS IN LISTED COMPANIES AND AN OTHER ENTITY			
Financial assets designated as 'at fair value through profit or loss'			
Listed companies			
6,930 (2007: 6,930) ordinary shares of Rs 10 each fully paid of Siemens (Pakistan) Engineering Company Limited. Market value per share Rs 1,405.8 (2007: Rs 1,735 per share)		9,742	12,024
72,828 (2007: 72,828) ordinary shares of Rs 10 each fully paid of Pakistan State Oil Company Limited. Market value per share Rs 417.24 (2007: Rs 391.45 per share)		30,387	28,508
		40,129	40,532
Available for sale financial assets			
Other entity - carried at cost			
10,000 (2007: 10,000) ordinary shares of Rs 10 each of Pakistan Tourism Development Corporation Limited		100	100
		40,229	40,632

10. LONG-TERM LOANS

	Note	2008	2007
Considered good			
Due from employees	10.1	1,993	2,787
Less: recoverable within twelve months	15	559	760
		1,434	2,027

10.1 It comprises of house building and vehicle loans amounting to Rs 1.458 million (2007: Rs 2.083 million) and Rs 0.535 million (2007: Rs 0.704 million) respectively.

10.2 Vehicle loans represent loans to employees for purchase of vehicles and are secured against employees' personal guarantees and charge on vehicles. Such loans are recoverable over 36 or 48 monthly installments on which interest is being charged at the rate of 11% per annum (2007: 11% per annum).

10.3 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 0.761 million (2007: Rs 1.997 million) is secured against mortgages of the employees' properties. Interest on such loans to officers is charged at various rates while no interest is being charged on loans given to other employees.

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

	Note	2008	2007
		(Rupees in '000)	
11. DEFERRED TAX - NET			
Deductible temporary differences arising in respect of:			
- accelerated depreciation		1,381	6,484
- short-term provisions and deferred liabilities		50,008	138,521
		51,389	145,005
Taxable temporary differences arising in respect of:			
- surplus on revaluation of fixed assets	26	36,073	51,639
		15,316	93,366

11.1 The management is confident that sufficient future taxable profits will be available against which deferred tax asset will be adjusted.

	Note	2008	2007
		(Rupees in '000)	
12. STORES AND SPARES			
Stores			
- at depot		15,218	12,615
- at buildings		282	250
		15,500	12,865
Spares			
- at buildings		1,439	1,424
		16,939	14,289
13. TRADE DEBTS			
Freight and hire - unsecured			
considered good		236,312	279,146
-considered doubtful		46,005	60,178
		282,317	339,324
Less: provision for doubtful trade debts		46,005	60,178
		236,312	279,146
14. AGENTS' AND OWNERS' BALANCES			
Considered good			
- secured		12,427	12,021
- unsecured		19,718	29,461
		32,145	41,482
Considered doubtful		15,994	14,048
		48,139	55,530
Less: provision for doubtful balances		15,994	14,048
		32,145	41,482
15. LOANS AND ADVANCES			
Considered good			
Loans:			
Due from employees	10	559	760
Advances to:			
- employees		23,807	31,927
- contractors and suppliers		6,836	21,377
- others		8,293	9,133
		39,495	63,197

15.1 The maximum aggregate amount due from the executives at the end of any month during the year is Rs Nil (2007: the amount could not be ascertained because the related information was not available due to fire incident).

	Note	2008	2007
		(Rupees in '000)	
16. DEPOSITS AND PREPAYMENTS			
Deposits			
Trade:			
-considered good		2,150	2,178
-considered doubtful		184	184
		2,334	2,362
Less: provision for doubtful trade deposits		184	184
		2,150	2,178
Others:			
-considered good		4,318	4,812
-considered doubtful		185	185
		4,503	4,997
Less: provision for doubtful deposits - others		185	185
		4,318	4,812
Prepayments		2,794	3,579
		9,262	10,569
17. OTHER RECEIVABLES			
Rent receivable:			
- considered good		12,235	12,393
- considered doubtful		7,089	8,243
		19,324	20,636
Less: provision for doubtful rent receivable		7,089	8,243
		12,235	12,393
Current account balances with subsidiary companies - unsecured, considered good	17.1	3,056,489	1,056,478
Insurance claim for destroyed items	17.2	4,946	7,071
Others:			
- considered good		32,698	16,952
- considered doubtful		461	461
		33,159	17,413
Less: provision for doubtful receivables - others		461	461
		32,698	16,952
		3,106,368	1,092,894

17.1 The break-up of current account balances with subsidiary companies is as follows:

	2008	2007
Kaghan Shipping (Private) Limited	292,928	815,150
Lahore Shipping (Private) Limited	34,068	696
Lalazar Shipping (Private) Limited	73,095	238,829
Makran Shipping (Private) Limited	74,311	-
Quetta Shipping (Private) Limited	2,582,087	411
Sibi Shipping (Private) Limited	-	1,392
	3,056,489	1,056,478

17.2 This represents net book values of items destroyed due to fire. The Corporation has filed insurance claim against the assets lost, and, accordingly, the carrying value of such assets has been recorded as other receivables in these financial statements. The Corporation is confident that the insurance claim would be settled at an amount in excess of the carrying value of the assets.

	Note	2008	2007
		(Rupees in '000)	
18. INCOMPLETE VOYAGES			
Charter hire and related expenses		5,086	2,577
Less: net freight		412	-
		4,674	2,577
19. INSURANCE CLAIMS			
Considered good		302	374
Considered doubtful		2,850	5,424
		3,152	5,798
Less: provision for doubtful claims		2,850	5,424
		302	374
20. SHORT-TERM INVESTMENTS			
Term deposits with banks having maturity of:			
- three to six months		1,863,147	4,200,000
- three months or less	41	1,250,000	1,800,000
		3,113,147	6,000,000

20.1 The mark-up on term deposits ranges from 9.5% to 11.75% per annum (2007: 10% to 11.3% per annum).

	Note	2008	2007
		(Rupees in '000)	
21. CASH AND BANK BALANCES			
Cash at bank:			
- in current accounts			
• local currency		2,612,501	673,351
• foreign currency		458,811	105,076
		3,071,312	778,427
- in savings accounts	21.1 & 21.2		
• local currency		303,352	84,333
• foreign currency		19,627	41,055
		322,979	125,388
Cash in hand		59	64
		3,394,350	903,879

21.1 This includes Rs 11.314 million (2007: Rs 9.930 million) and Rs 3.961 million (2007: Rs 3.961 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.

21.2 The mark-up on savings accounts ranges from 2.5% to 7% per annum (2007: 1% to 7.5% per annum).

	Note	2008	2007
		(Rupees in '000)	
22. TRADE AND OTHER PAYABLES			
Creditors		53,634	31,391
Current account balances with subsidiary companies	22.1	5,986,233	4,463,377
Agents' and owners' balances		97,614	120,578
Accrued liabilities		205,390	143,293
Deposits	22.2	26,318	24,075
Workers' Profits Participation Fund	22.3	85,329	58,540
Unclaimed dividends		11,155	8,948
Other liabilities			
- freight		121,380	121,380
- others		47,162	54,628
		168,542	176,008
		6,634,215	5,026,210

	Note	2008	2007
		(Rupees in '000)	

22.1"The break-up of current account balances with subsidiary companies is as follows:"

		2008	2007
Bolan Shipping (Private) Limited		379,373	198,426
Chitral Shipping (Private) Limited		621,379	307,635
Hyderabad Shipping (Private) Limited		529,051	331,451
Islamabad Shipping (Private) Limited		408,778	220,727
Johar Shipping (Private) Limited		132,087	135,224
Karachi Shipping (Private) Limited		173,261	280,737
Khairpur Shipping (Private) Limited		362,968	191,712
Makran Shipping (Private) Limited		-	9,440
Malakand Shipping (Private) Limited		537,322	403,245
Multan Shipping (Private) Limited		589,229	329,314
Sargodha Shipping (Private) Limited		191,863	217,000
Shalamar Shipping (Private) Limited		1,497,311	1,504,700
Sibi Shipping (Private) Limited		126,276	-
Swat Shipping (Private) Limited		437,335	333,766
		5,986,233	4,463,377

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

	Note	2008	2007
		(Rupees in '000)	
22.3 Workers' Profits Participation Fund			
As at July 1		58,540	40,848
Allocation for the year	35 & 22.3.1	51,789	45,288
Interest on fund utilised during the year	36	-	1,873
		110,329	88,009
Less: Payments made during the year		25,000	29,469
As at June 30		85,329	58,540

22.3.1 During the year, the Corporation has obtained an opinion from its legal advisor who has advised that any amount erroneously allocated to Workers' Profits Participation Fund (the Fund) and payment in this respect made in prior years to the Fund can be adjusted in subsequent years by making an adjustment from the amount payable on profits for that year. Upto June 30, 2001 total shipping income of the Corporation was considered for the purpose of computation of the amount allocable to the Fund and the amount so determined was allocated and paid to the Fund. During the year, the Corporation has carried out an exercise and determined that in prior years an aggregate amount of Rs 45.784 million was allocated and paid in excess to the Fund in respect of foreign voyages. Keeping in view, the aforementioned opinion of legal advisor the Corporation intends to adjust the amount of Rs 45.784 million from the payment to be made to the Fund in respect of accumulated liability of Rs 58.540 million as at June 30, 2007. However, the Corporation has, on grounds of prudence, not adjusted the aforementioned amount of Rs 45.784 million while calculating charge for the year and continues to carry the subject amount as liability to the fund in the financial statements.

23. PROVISION AGAINST DAMAGE CLAIMS

	Note	2008	2007
		(Rupees in '000)	
As at July 1		132,960	121,625
(Reversal) / charge during the year		(5,994)	11,335
As at June 30	29.1	126,966	132,960

24. SHARE CAPITAL

24.1 Authorised share capital

2008 (No. of shares)	2007 (No. of shares)		2008 (Rupees in '000)	2007 (Rupees in '000)
200,000,000	200,000,000	Ordinary shares of Rs 10 each	2,000,000	2,000,000

24.2 Issued, subscribed and paid-up share caital

2008 (No. of shares)	2007 (No. of shares)		2008 (Rupees in '000)	2007 (Rupees in '000)
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	17,722,791	Ordinary shares of Rs 10 each issued as fully paid bonus shares	177,228	177,228
132,063,380	132,063,380		1,320,634	1,320,634

24.3 As at June 30, 2008 GoP held 117,706,724 (2007: 117,706,724) ordinary shares of the Corporation.

25. RESERVES

	Note	2008 (Rupees in '000)	2007 (Rupees in '000)
Capital reserves	25.1	126,843	126,843
Revenue reserves (including unappropriated profit)		3,979,938	3,747,858
		4,106,781	3,874,701

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

	Note	2008	2007
		(Rupees in '000)	
26. SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX			
As at July 1		800,100	559,031
Surplus arising on revaluation of fixed assets during the year		-	250,895
		800,100	809,926
Less: transferred to unappropriated profit:			
Surplus relating to incremental depreciation charged during the year on related assets - net of tax		15,284	6,625
Related deferred tax liability		5,419	3,201
		20,703	9,826
		779,397	800,100
Less: Related deferred tax liability on:			
- Revaluation as at July 1		51,639	22,624
-Surplus arising on revaluation of fixed assets during the year		-	26,394
- Incremental depreciation charged during the year on related assets transferred to profit and loss account		(5,419)	(3,201)
- Effect of ratio allocation of revenue under FTR		(10,147)	5,822
		36,073	51,639
As at June 30		743,324	748,461
27. LONG-TERM FINANCING			
As at June 30	27.1	245,607	474,414
Less: current portion of long-term financing		245,607	258,771
		-	215,643

27.1 This represents balance of long-term financing obtained from National Bank of Pakistan, Bahrain amounting to US$ 3.571 million (2007: US$ 7.857 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 (2007: 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	2008	2007
		(Rupees in '000)	
28. DEFERRED LIABILITIES			
Employees' gratuity			
-funded	28.1.3	10,181	-
-unfunded	28.1.3	5,892	205,754
		16,073	205,754
Post retirement medical benefits	28.1.3	86,753	82,613
Employees' compensated absences	28.2.3	105,957	108,710
		208,783	397,077

28.1 **Retirement benefit schemes**

28.1.1 As stated in notes 3.15.2 and 3.15.3 of these financial statements, the Corporation operates a funded retirement gratuity scheme for permanent employees, an unfunded retirement gratuity scheme for contractual employees and an unfunded post retirement medical benefit scheme for all the employees. Liability 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, 2008 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the defined benefit obligation schemes:

	2008		2007	
	Employees' gratuity (funded and unfunded)	Post retirement medical benefits	Employees' gratuity	Post retirement medica benefits
Discount rate	12%	12%	10%	10%
Increase in salary	10%	10%	8%	8%
Rate of return on plan assets	12%	N/A	N/A	N/A
Medical escalation rate	N/A	9%	N/A	7%
Death rates	based on LIC (1975-79) Ultimate mortality tables.			

28.1.2 The disclosures made in notes 28.1.3 to 28.1.12 are based on the information included in the actuarial valuation report as of June 30, 2008.

28.1.3 Balance sheet reconciliation

	2008			2007		
	Employees' gratuity		Post retirement medical benefits	Employees' gratuity		Post retirement medical benefits
	Funded	Unfunded		Funded	Unfunded	
	(Rupees in '000)					
Present value of defined benefit obligation	235,540	6,977	87,407	-	246,776	84,594
Fair value of plan assets (note 28.1.8)	(235,159)	-	-	-	-	-
	381	6,977	87,407	-	246,776	84,594
Unrecognised net actuarial gain / (loss)	9,800	(1,085)	(654)	-	(41,022)	(1,981)
Recognised Liability	10,181	5,892	86,753	-	205,754	82,613
28.1.4 Movement in present value of defined benefit obligation						
As at July 1	-	246,776	84,594	-	223,611	76,674
Transfer from unfunded to funded	246,776	(246,776)	-	-	-	-
Current service cost	8,393	1,978	2,439	-	7,905	4,129
Past service cost	-	4,255	-	-	-	-
Interest cost	23,537	590	8,165	-	19,486	6,755
Actuarial (gain) / loss	(12,152)	1,085	654	-	41,022	1,981
Benefits paid	(31,014)	(931)	(8,445)	-	(45,248)	(4,945)
As at June 30	235,540	6,977	87,407	-	246,776	84,594
28.1.5 Movement in fair value of plan assets						
As at July 1	-	-	-	-	-	-
Expected return on plan assets	2,352	-	-	-	-	-
Contribution	235,159	-	-	-	-	-
Actuarial loss	(2,352)	-	-	-	-	-
Benefits paid	-	-	-	-	-	-
As at June 30	235,159	-	-	-	-	-
28.1.6 Expenses						
Current service cost	8,393	1,978	2,439	-	7,905	4,129
Past service cost	-	4,255	-	-	-	-
Interest cost	23,537	590	8,165	-	19,486	6,755
Expected return on plan assets	(2,352)	-	-	-	-	-
Recognition of actuarial loss / (gain)	41,022	-	1,981	-	4,679	(9,800)
	70,600	6,823	12,585	-	32,070	1,084
Less: charged to subsidiaries	39,329	-	7,012	-	29,682	999
Expenses	31,271	6,823	5,573	-	2,388	85
28.1.7 Actual return on plan assets						
Expected return on plan assets	2,352	-	-	-	-	-
Actuarial loss on plan assets	(2,352)	-	-	-	-	-
Actual return on plan assets	-	-	-	-	-	-

28.1.8 Plan assets compris of cash at bank amounting to Rs 235.159 million (2007: Rs Nil).

28.1.9 The expected return on plan assets is based on the market expectations and depends upon the asset portfolio of the company.

28.1.10 Principal actuarial assumptions used are disclosed in note 28.1.1 to these financial statements.

28.1.11 Amounts for the current period and previous four annual periods of the present value of defined benefit obligation and fair value of plan assets are as follows:

Employee gratuity	2008	2007	2006	2005	2004
	(Rupees in '000)				
Present value of defined benefit obligation	242,517	246,776	223,611	227,447	195,471
Fair value of plan assets	(235,159)	-	-	-	-
Surplus / (deficit)	7,358	246,776	223,611	227,447	195,471
Experience adjustment on defined benefit obligation	(11,067)	41,022	4,679	(18,092)	(30,281)
Experience loss on plan assets	(2,352)	-	-	-	-
Post retirement medical benefits					
Present value of defined benefit obligation	87,407	84,594	76,674	82,808	77,836
Experience adjustment on defined benefit obligation	654	1,981	(9,800)	(5,286)	(17,553)

28.1.12 Assumed medical cost escalation rate have a significant effect on the amounts recognised in profit or loss. A one percentage point change in assumed medical cost escalation rate would have the following effects:

	One percentage point increase	One percentage point decrease
	(Rupees in '000)	
Effect on aggregate service cost and interest cost	330	(310)
Effect on defined benefit obligation	2,347	(2,204)

28.2 Employees' compensated absences

28.2.1 As stated in note 3.16, the Corporation operates an employees' compensated absences scheme. Provision is maintained against this valuation was carried out as at June 30, 2008 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the scheme:

	2008	2007
Discount rate	12%	10%
Increase in salary	10%	8%

28.2.2 The disclosures made in notes 28.2.3 to 28.2.8 are based on the information included in the actuarial valuation as of June 30, 2008.

		2008	2007
		(Rupees in '000	
8.2.3	Balance sheet reconciliation		
	Present value of defined benefit obligation (recognised)	105,957	108,710
28.2.4	Movement in present value of defined benefit obligation		
	As at July 1	108,710	94,144
	Current service cost	28,363	32,646
	Past service cost	3,306	-
	Interest cost	11,978	8,148
	Actuarial (gain) / loss	(9,567)	12,650
	Benefits paid	(36,833)	(38,878)
	As at June 30	105,957	108,710
28.2.5	Expenses		
	Current service cost	28,363	32,646
	Interest cost	11,978	8,148
	Recognition of actuarial (gain) / loss	(9,567)	12,650
	Past service cost	3,306	-
		34,080	53,444
	Less: charged to subsidiaries	18,511	49,300
	Expenses	15,569	4,144

28.2.6 Principal actuarial assumptions used are disclosed in note 28.2.1 to these financial statements.

28.2.7 Amounts for the current period and previous four annual periods of the present value of defined benefit obligation are as follows:

	2008	2007	2006	2005	2004
	(Rupees in '000)				
Present value of defined benefit obligation	105,957	108,710	94,144	97,018	127,242

28.2.8 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 the subsidiary companies, as mentioned in note 2.3.

28.3 Expected retirement benefits costs for the next year are as follows:

	Rupees in '000
Gratuity	2,794
Post retirement medical benefits	12,924
Compensated absences	39,977

28.4 During the year the Corporation contributed Rs 8.099 million (2007: 8.541 million) to the provident fund.

29. CONTINGENCIES AND COMMITMENTS

Contingencies

29.1 Amount in respect of claims not admitted by the Corporation as at June 30, 2008 aggregate to Rs 311.009 million (2007: Rs 379.984 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 14.257 million (2007: Rs 13.070 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 172.707 million (2007: Rs 234.831 million) approximately would be recoverable from the P&I Club, Steamship Mutual Underwriting Association (Bermuda) Limited, in the event these claims are accepted by the Corporation. As a matter of prudence, the management has made a total provision of Rs 126.966 million (2007: Rs 132.960 million) against the aforementioned claims in these financial statements (note 23).

29.2 The Corporation has not accepted liability in respect of customs duty approximating Rs 2.500 million (2007: 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.

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 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 (2007: 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 amounts claimed are approximately Rs 1.300 million and Rs 66.800 million (2007: 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 matters.

29.4 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 1,293.694 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 department filed an appeal with the Honourable High Court against the order of ITAT. The Honourable High Court has decided the said appeal against the Corporation. The leave to appeal filed by the Corporation has been accepted by the Honourable Supreme Court and suspended the decision of Honourable High Court. The Honourable Supreme Court will hear the appeal in due course.

29.5 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 (Appeals) 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. Accordingly, no provision for the above has been made in these financial statements.

29.6 During the year, the Taxation Officer (TO) has issued an order under section 122 (1) of the Income Tax Ordinance, 2001 in respect of tax year 2004. According to the order, the TO has made certain additions and determined additional tax demand amounting to Rs 164.999 million. Such additions have been made mainly because a different basis of expenses allocable to income generated under Normal Tax Regime (NTR) and Final Tax Regime (FTR) has been considered by the TO. During the year the tax department has also issued notices to the Corporation in respect of tax years 2003, 2005, 2006 and 2007 whereby the Corporation has been asked to explain as to why the apportionment of expenses, for the purpose of determination of taxable income of these years, should not been made in accordance with section 67 of the Income Tax Ordinance, 2001. The basis of apportionment of expenses adopted by the TO in its order for the tax year 2004 is in accordance with the provisions of section 67 of the Income Tax Ordinance, 2001 (the Ordinance) and Rule 13 of the Income Tax Rules 2002 (the Rules). The management of the Corporation contends that the basis of apportionment of expenses made by the TO in accordance with section 67 of the Ordinance and Rule 13 of the Rules cannot be legally applied. In the event assessments for tax years 2003, 2005, 2006 and 2007 are revised by the TO by adopting the basis of apportionment followed for the tax year 2004, then according to the management's best estimate the expected additional tax demand in respect of these tax years would aggregate to approximately Rs 305.610 million.

Further, the Corporation has made an under protest payment of Rs 164.999 million being the additional tax demand raised by the TO in its order in respect of tax year 2004 and filed an appeal against the subject order with the Commissioner of Income Tax (Appeals) which is at present pending for hearing. The management of the Corporation is confident that the subject matter in respect of tax year 2004 and the probable add-backs in respect of tax years 2003, 2005, 2006 and 2007, if made by the TO, will be contested in appeal and would eventually be decided in favour of the Corporation.

However, the management, without prejudice to its contention in respect of the subject matter, as a matter of prudence, has decided to provide an aggregate amount of Rs 470.609 million in these financial statements in respect of prior years' taxation.

Commitments

29.7 Commitments in respect of capital expenditure amount to Rs 210.206 million (2007: Rs 2.7 million).

29.8 Outstanding letters of guarantee amount to Rs 77.345 million (2007: Rs 38.762 million).

		Note	2008	2007
			(Rupees in '000)	
8.2.3	Balance sheet reconciliation			
30.	**CHARTERING REVENUES**			
	Foreign flag vessels:			
	Voyage charter revenue		1,582,151	175,862
	Slot charter revenue		1,123,130	1,587,052
			2,705,281	1,762,914
31.	**SERVICES FEE**			
	Technical and commercial services fee		239,285	216,259
	Administrative and financial services fee		79,562	72,086
		2.3	318,847	288,345
32.	**FLEET EXPENSES - DIRECT**			
	Charter hire and related expenses	32.1	1,900,601	798,290
	Claims		1,744	3,781
	Exchange gain		(5,720)	(503)
			1,896,625	801,568
32.1	**Charter, hire and related expenses**			
	Foreign flag vessels:			
	-Voyage charter expenses		1,448,844	149,581
	-Slot charter expenses		451,757	648,709
			1,900,601	798,290
33.	**FLEET EXPENSES - INDIRECT**			
	Conference establishment expenses		1,870	1,403
	Salaries and allowances - regional offices	33.1	3,885	3,926
	Agents' and other general expenses	33.2	8,368	7,019
	Depreciation	5.6	975	1,070
	General establishment expenses - regional offices		555	657
			15,653	14,075
	Less: charged to subsidiaries	33.3	-	11,828
			15,653	2,247

33.1 This includes Rs 0.183 million (2007: Rs 0.185 million) in respect of provident fund contribution.

	Note	2008	2007
		(Rupees in '000)	
33.2 Agents' and other general expenses			
Printing and stationery		258	356
Advertisement and publicity		2,338	1,378
Telephone, telex and postage		5,337	4,978
Bank charges and commission		254	197
Other miscellaneous expenses		181	110
		8,368	7,019

33.3 During the year the Corporation has revised its agreement with its subsidiary companies and according to the revised terms the indirect fleet expenses are not being charged to subsidiary companies with effect from July 1, 2007 as explained in note 2.3 to these financial statements.

	Note	2008	2007
		(Rupees in '000)	
34. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and allowances	34.1	248,436	235,205
General establishment expenses	34.2	115,413	110,386
Rent, rates and taxes	34.3	9,776	6,683
Scholarship and training expenses		993	2,168
Insurance	34.3	3,049	2,475
Depreciation	5.6	36,385	24,131
Amortisation	6	3,301	3,301
Directors' fee		235	150
Legal and professional charges		10,973	10,177
Provision against damage claims		-	11,335
Provision for doubtful debts against:			
-trade		-	3,025
-others		2,353	1,098
		430,914	410,134
Less: charged to subsidiaries	34.4	-	270,900
		430,914	139,234

34.1 This includes Rs 7.916 million (2007: Rs 8.356 million) in respect of provident fund contribution.

	Note	2008	2007
		(Rupees in '000)0)	
34.2 General establishment expenses			
Repairs and maintenance	34.3	17,065	10,869
Medical cost		1,589	11,067
Medical insurance		15,698	11,762
Contribution to employees welfare fund		12	16
Contribution to group term insurance		1,005	1,113
Security charges		3,802	2,529
Travelling and conveyance		16,085	8,839
Entertainment and canteen subsidy		3,120	2,113
Books, periodicals and subscriptions		3,226	5,073
Uniform and liveries		395	366
Printing and stationery		3,918	4,099
Telephone, telex and postage		5,824	5,608
Light, power and water		12,481	9,049
Computer expenses		6,682	7,824
Advertisement and publicity		3,414	7,661
Vehicle running and repairs		10,031	14,332
Ship inspection expenses		5,816	1,091
Sundry expenses		5,250	6,975
		115,413	110,386

34.3 This includes repairs and maintenance of Rs 3.556 million (2007: Rs 2.122 million), rent, rates and taxes of Rs 3.752 million (2007: Rs 4.213 million) and insurance of Rs 0.136 million (2007: Rs 0.844 million) in respect of investment property.

34.4 During the year the Corporation has revised its agreement with its subsidiary companies and according to the revised terms the administrative and general expenses are not being charged to subsidiary companies with effect from July 1, 2007 as explained in note 2.3 to these financial statements.

	Note	2008	2007
		(Rupees in '000)	
35. OTHER OPERATING EXPENSES			
Workers' Profits Participation Fund	22.3	51,789	45,288
Donations	35.1	25	1,000
Auditors' remuneration	35.2	4,308	2,725
Employees' gratuity			
- funded	28.1.6	31,271	-
- unfunded	28.1.6	6,823	2,388
		38,094	2,388
Post retirement medical benefits	28.1.6	5,573	85
Employees' compensated absences	28.2.5	15,569	4,144
Fixed assets written off	5.1	172	962
Loss of fixed assets due to fire		73	4,595
Loss on sale of containers		-	603
Loss on revaluation of long-term investments in listed companies	9	403	-
		116,006	61,790

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

35.2 **Auditors' remuneration**

	2008			2007		
	A. F. Ferguson & Co.	Ford Rhodes Sidat Hyder & Co.	Total	A. F. Ferguson & Co.	Ford Rhodes Sidat Hyder & Co.	Total
	(Rupees '000)					
Audit fee	490	490	980	336	336	672
Fee for review of half yearly financial statements	200	200	400	180	180	360
Fee for review of statement of compliance with best practices of the code of corporate governance	50	50	100	48	48	96
Fee for audit of consolidated financial statements	60	60	120	60	60	120
Fee for additional time spent due to unavailablity of records in prior's year audit	700	700	1,400	-	-	-
Tax advisory services fee	486	-	486	1,000	-	1,000
Out of pocket expenses						
- current year	487	335	822	323	104	427
- prior year	-	-	-	50	-	50
	2,473	1,835	4,308	1,997	728	2,725

	Note	2008	2007
		(Rupees in '000)	
36. FINANCE COSTS			
Interest on:			
-Long-term financing		30,119	51,969
-Workers' Profits Participation Fund	22.3	-	1,873
Bank charges and commission		2,817	2,895
Unrealised exchange loss on long-term financing		36,050	3,007
		68,986	59,744

	Note	2008	2007
37. OTHER OPERATING INCOME			
Interest / mark-up on loans and advances to employees		250	712
Income from saving and term deposits		664,660	468,623
Scrap sales		1,345	379
Profit on disposal of fixed assets		2,712	159
Gain on insurance claim - destroyed items		3,480	-
Dividend income		1,716	2,269
Provisions no longer required written back		24,015	1,967
Gain on revaluation of investment properties	7	-	292,475
Gain on revaluation of long-term investments in listed companies	9	-	9,851
Insurance claims	37.1	436	315
Exchange gain	37.2	52,798	1,012
Liabilities no longer payable written back		3,605	38,377
Sundries		10,445	18,271
		765,462	834,410

37.1 This represents recoveries from hull, cargo and other claims according to:

	2008	2007
- the insurance policies	412	164
- others	24	151
	436	315

37.2 This represents exchange gain on foreign currency bank deposits maintained outside Pakistan.

	Note	2008	2007
		(Rupees in '000)	
38. TAXATION			
Tax charge for:			
-current year		368,336	462,554
-prior years	29.6	465,361	11,261
		833,697	473,815
Deferred		88,197	7,102
		921,894	480,917
Taxes paid abroad relating to current year		750	16
		922,644	480,933

	Note	2008	2007
		(Rupees in '000)	
38.1 Relationship between tax expense and accounting profit			
Accounting profit before tax		1,337,535	1,938,152
Tax rate		35%	35%
Tax on accounting profit		468,137	678,353
Tax effect in respect of income / expenses not admissible for calculation of taxable profit		81	(95,234)
Difference between estimated ratio and prevailing ratio of FTR and NTR		(12,905)	-
Tax effect of lower tax rates on certain incomes:			
- Tax saving due to lower tax rates		(164,353)	(82,836)
- Tax liability under final tax regime		22,451	13,128
		(141,902)	(69,708)
Others (including the impact arising as a consequence of change in allocation ratio of revenue chargeable under FTR and non-FTR tax regime)		143,122	(43,755)
		(11,604)	(208,697)
		456,533	469,656
Tax effects of adjustments in respect of taxes paid abroad		750	16
Tax effects of adjustments in respect of prior years		465,361	11,261
Tax expense for the year		922,644	480,933

39. EARNINGS PER SHARE

	2008	2007
Profit after taxation attributable to ordinary shareholders	414,891	1,457,219
	(Number of shares)	
Weighted average ordinary shares in issue during the year	132,063,380	132,063,380
	(Rupees)	
Earnings per share - basic	3.14	11.03

There is no dilution effect on basic earnings per share of the Corporation.

	Note	2008	2007
		(Rupees in '000)	

40. CASH GENERATED FROM OPERATIONS

	Note	2008	2007
Profit before taxation		1,337,535	1,938,152
Adjustments for non-cash charges and other items:			
Depreciation		37,360	25,201
Amortisation		3,301	3,301
Profit on disposal of fixed assets		(2,712)	(159)
Fixed assets written off		172	962
Loss of fixed assets due to fire		73	4,595
Provision for employees' gratuity		38,094	2,388
Provision for employees' compensated absences		15,569	4,144
Provision for post retirement medical benefits		5,573	85
Provision against damage claims		-	11,335
Dividend income		(1,716)	(2,269)
Interest / mark-up income		(664,910)	(469,335)
Interest / mark-up expense		30,119	51,969
Loss / (gain) on revaluation of long-term investments in listed companies		403	(9,851)
Gain on revaluation of investment properties		-	(292,475)
Unrealised exchange loss on long-term financing		36,050	3,007
Working capital changes	40.1	2,060,540	(3,371,076)
		2,895,451	(2,100,026)

40.1 Working capital changes

	2008	2007
Decrease / (increase) in current assets		
Stores and spares	(2,650)	7,215
Trade debts - net	42,834	(247,838)
Agents' and owners' balances - net	9,337	(9,302)
Loans and advances	23,702	325,855
Deposits and prepayments	1,307	(5,770)
Other receivables	(2,013,474)	(843,331)
Incomplete voyages	(2,097)	(433)
Insurance claims	72	9,287
Short term investments	2,336,853	(4,200,000)
	395,884	(4,964,317)
Increase in current liabilities		
Trade and other payables	1,670,650	1,593,241
Provision against damage claims	(5,994)	-
	2,060,540	(3,371,076)

	Note	2008	2007
		(Rupees in '000)	

41. CASH AND CASH EQUIVALENTS

	Note	2008	2007
Short-term investments	20	1,250,000	1,800,000
Cash and bank balances	21	3,394,350	903,879
		4,644,350	2,703,879

42. 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/Director		Other Executives	
	2008	2007	2008	2007	2008	2007
	(Rupees '000)					
Managerial remuneration and allowances	533	459	7,559	4,720	69,947	71,047
Retirement benefits	-	-	132	123	287	637
House rent	-	-	1,028	687	20,041	18,734
Conveyance	-	-	-	-	1,476	2,032
Entertainment	29	31	391	395	27	27
Medical	11	36	190	216	1,362	1,421
Utilities	23	20	745	447	15,422	14,551
Personal staff subsidy	28	29	17	54	61	128
Club membership fee and expenses	19	17	40	152	-	12
Personal accident insurance	4	4	14	11	-	-
Bonus	-	-	707	256	1,663	632
Other allowances	228	229	582	585	46,311	46,388
	875	825	11,405	7,646	156,597	155,609
Number of persons	2 *	1	4	5	77	77

* During the year the Chairman and Chief Executive of the Corporation has been replaced.

42.1 Retirement benefits represent amount contributed towards various retirement benefit plans. The executives of the Corporation are entitled to retirement benefits as outlined in note 3.15 to these financial statements. The Chairman and Chief Executive, Executive Directors and certain Executives are provided with Corporation's owned and maintained cars.

42.2 The aggregate amount charged in the financial statements for fee to non-executive directors was Rs 0.235 million (2007: Rs 0.150 million).

43. FINANCIAL ASSETS AND LIABILITIES

	2008						
	Interest / mark-up bearing			Non Interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Subtotal	Maturity upto one year	Maturity after one year	Subtotal	
	(Rupees '000)						
Financial Assets							
Long-term investments	-	-	-	-	40,229	40,229	40,229
Long-term loans - employees	559	1,434	1,993	-	-	-	1,993
Trade debts	-	-	-	236,312	-	236,312	236,312
Agents' and owners' balances	-	-	-	32,145	-	32,145	32,145
Deposits	-	-	-	6,468	-	6,468	6,468
Interest / mark-up accrued	-	-	-	65,137	-	65,137	65,137
Other receivables	-	-	-	3,106,368	-	3,106,368	3,106,368
Insurance claims	-	-	-	302	-	302	302
Short-term investments	3,113,147	-	3,113,147	-	-	-	3,113,147
Cash and bank balances	322,979	-	322,979	3,071,371	-	3,071,371	3,394,350
	3,436,685	1,434	3,438,119	6,518,103	40,229	6,558,332	9,996,451
Financial Liabilities							
Long-term financing	245,607	-	245,607	-	-	-	245,607
Trade and other payables	-	-	-	6,548,886	-	6,548,886	6,548,886
	245,607	-	245,607	6,548,886	-	6,548,886	6,794,493
Net financial assets / (financial liabilities)	3,191,078	1,434	3,192,512	(30,783)	40,229	9,446	3,201,958
Off balance sheet							
Letters of guarantee (fully secured)							77,345

	2007						
	Interest / mark-up bearing			Non Interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Subtotal	Maturity upto one year	Maturity after one year	Subtotal	
	(Rupees '000)						
Financial Assets							
Long-term investments	-	-	-	-	40,632	40,632	40,632
Long-term loans - employees	760	2,027	2,787	-	-	-	2,787
Trade debts	-	-	-	279,146	-	279,146	279,146
Agents' and owners' balances	-	-	-	41,482	-	41,482	41,482
Deposits	-	-	-	6,990	-	6,990	6,990
Interest / mark-up accrued	-	-	-	84,412	-	84,412	84,412
Other receivables	-	-	-	1,092,894	-	1,092,894	1,092,894
Insurance claims	-	-	-	374	-	374	374
Short-term investments	6,000,000	-	6,000,000	-	-	-	6,000,000
Cash and bank balances	125,388	-	125,388	778,491	-	778,491	903,879
	6,126,148	2,027	6,128,175	2,283,789	40,632	2,324,421	8,452,596
Financial Liabilities							
Long-term financing	258,771	215,643	474,414	-	-	-	474,414
Trade and other payables	-	-	-	4,967,670	-	4,967,670	4,967,670
Interest accrued	-	-	-	110	-	110	110
	258,771	215,643	474,414	4,967,780	-	4,967,780	5,442,194
Net financial assets/(financial liabilities)	5,867,377	(213,616)	5,653,761	(2,683,991)	40,632	(2,643,359)	3,010,402
Off balance sheet							
Letters of guarantee (fully secured)							38,762

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

44. FINANCIAL RISK MANAGEMENT

44.1 Financial risk factors

The Corporation's activities are exposed to a variety of financial risks namely credit risk, foreign exchange risk, interest rate risk and liquidity risk. The Corporation is not exposed to any significant price risk as it does not hold any investments exposed to price risk. The Corporation has established adequate procedures to manage each of these risks as explained below.

44.1.1 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 9,996.451 million (2007: Rs 8,452.596 million) the financial assets which are subject to credit risk amounted to Rs 9,956.163 million (2007: Rs 8,411.900 million). The management of the Corporation believes that it is not exposed to major concentration of credit risk.

44.1.2 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.

44.1.3 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.

44.1.4 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.

44.1.5 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.

44.2 Capital risk management

The Corporation’s objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Corporation monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the balance sheet plus net debt.

As at June 30, 2007 and 2008 the Corporation had surplus cash reserves to meet its requirements and there was no material net debt position.

45. 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. Balances with related parties have been disclosed in notes 17.1 and 22.1 to these financial statements. Particulars of remuneration to key management personnel are disclosed in note 42 of these financial statements. Investments in related parties are disclosed in note 8 of these financial statements.

Related party	Relationship with the Corporation	2008	2007
		(Rupees in '000)	
Investments made			
Quetta Shipping Company (Private) Limited	Subsidiary	-	360
		-	360
Service fee charged			
Bolan Shipping (Private) Limited	Subsidiary	20,398	19,861
Chitral Shipping (Private) Limited	Subsidiary	25,262	12,581
Hyderabad Shipping (Private) Limited	Subsidiary	17,609	12,719
Islamabad Shipping (Private) Limited	Subsidiary	18,657	13,789
Johar Shipping (Private) Limited	Subsidiary	30,882	35,699
Kaghan Shipping (Private) Limited	Subsidiary	39,357	12,721
Khairpur Shipping (Private) Limited	Subsidiary	18,164	11,959
Lalazar Shipping (Private) Limited	Subsidiary	40,858	37,393
Makran Shipping (Private) Limited	Subsidiary	13,753	11,449
Malakand Shipping (Private) Limited	Subsidiary	17,082	18,905
Multan Shipping (Private) Limited	Subsidiary	18,332	13,591
Sargodha Shipping (Private) Limited	Subsidiary	11,222	11,168
Shalamar Shipping (Private) Limited	Subsidiary	-	31,985
Sibi Shipping (Private) Limited	Subsidiary	16,365	11,773
Swat Shipping (Private) Limited	Subsidiary	30,906	32,752
		318,847	288,345
Acquisition of property, plant and equipment from related party			
Land			
Karachi Shipping Company (Private) Limited	Subsidiary	-	2,969
Building			
Karachi Shipping Company (Private) Limited	Subsidiary	-	360

Related party	Relationship with the Corporation	2008	2007
		(Rupees in '000)	
Rental expense			
Pakistan Co-operative Ship Stores (Private) Limited	Subsidiary	332	137
Expenses charged (note 2.3)			
Bolan Shipping (Private) Limited	Subsidiary	-	15,339
Chitral Shipping (Private) Limited	Subsidiary	-	13,566
Hyderabad Shipping (Private) Limited	Subsidiary	-	13,281
Islamabad Shipping (Private) Limited	Subsidiary	-	14,799
Johar Shipping (Private) Limited	Subsidiary	-	32,044
Kaghan Shipping (Private) Limited	Subsidiary	-	15,100
Khairpur Shipping (Private) Limited	Subsidiary	-	12,661
Lalazar Shipping (Private) Limited	Subsidiary	-	34,229
Makran Shipping (Private) Limited	Subsidiary	-	14,199
Malakand Shipping (Private) Limited	Subsidiary	-	13,792
Multan Shipping (Private) Limited	Subsidiary	-	13,317
Sargodha Shipping (Private) Limited	Subsidiary	-	13,639
Shalamar Shipping (Private) Limited	Subsidiary	-	28,480
Sibi Shipping (Private) Limited	Subsidiary	-	14,590
Swat Shipping (Private) Limited	Subsidiary	-	33,692
		-	282,728
Delivery of stores and spares			
Bolan Shipping (Private) Limited	Subsidiary	1,341	1,958
Chitral Shipping (Private) Limited	Subsidiary	2,244	1,046
Hyderabad Shipping (Private) Limited	Subsidiary	1,845	1,480
Islamabad Shipping (Private) Limited	Subsidiary	205	1,566
Johar Shipping (Private) Limited	Subsidiary	2,659	1,997
Kaghan Shipping (Private) Limited	Subsidiary	683	42
Khairpur Shipping (Private) Limited	Subsidiary	1,957	878
Lalazar Shipping (Private) Limited	Subsidiary	2,634	1,955
Makran Shipping (Private) Limited	Subsidiary	386	2,618
Malakand Shipping (Private) Limited	Subsidiary	889	1,711
Multan Shipping (Private) Limited	Subsidiary	962	1,662
Sargodha Shipping (Private) Limited	Subsidiary	43	1,550
Shalamar Shipping (Private) Limited	Subsidiary	-	894
Sibi Shipping (Private) Limited	Subsidiary	1,707	1,829
Swat Shipping (Private) Limited	Subsidiary	5,969	2,856
Quetta Shipping (Private) Limited	Subsidiary	2	-
		23,526	24,042

		2008	2007
		(Rupees in '000)	
Retirement benefit costs charged			
Bolan Shipping (Private) Limited	Subsidiary	4,129	4,224
Chitral Shipping (Private) Limited	Subsidiary	3,766	4,065
Hyderabad Shipping (Private) Limited	Subsidiary	3,740	3,939
Islamabad Shipping (Private) Limited	Subsidiary	4,162	4,061
Johar Shipping (Private) Limited	Subsidiary	6,717	9,172
Kaghan Shipping (Private) Limited	Subsidiary	3,823	3,263
Khairpur Shipping (Private) Limited	Subsidiary	3,953	3,772
Lalazar Shipping (Private) Limited	Subsidiary	7,208	9,820
Makran Shipping (Private) Limited	Subsidiary	3,926	4,118
Malakand Shipping (Private) Limited	Subsidiary	4,496	4,064
Multan Shipping (Private) Limited	Subsidiary	4,304	3,927
Sargodha Shipping (Private) Limited	Subsidiary	3,516	3,983
Shalamar Shipping (Private) Limited	Subsidiary	-	8,091
Sibi Shipping (Private) Limited	Subsidiary	3,972	4,161
Swat Shipping (Private) Limited	Subsidiary	7,140	9,321
		64,852	79,981
Contribution to Provident fund		8,099	8,541
Key management personnel compensation		12,280	8,471

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

45.2 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 2.3 to these financial statements which are settled through a current account with each of the subsidiary companies.

46. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors at the meeting held on September 15, 2008 have proposed for the year ended June 30, 2008 cash dividend of Rs 3.10 per share (2007: Rs 1.5 per share), amounting to Rs 409.396 million (2007: 198.095 million) subject to the approval of the members at the annual general meeting to be held on October 21, 2008. The financial statements for the year ended June 30, 2008 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

47. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, or the purposes of comparison.

48. GENERAL

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

49. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 15, 2008 by the Board of Directors of the Corporation.

Vice Admiral (Retd.) Sikandar V. Naqvi	**Khowaja Obaid Imran Ilyas**
Chairman & Chief Executive	Director

PAKISTAN NATIONAL SHIPPING CORPORATION
SIX YEARS AT A GLANCE

	2007-08	2006-2007	2005-2006 Restated	2004-2005 Restated	2003-2004	2002-2003
Operation						
Operating revenue	3,100,257	2,168,325	1,748,341	2,403,604	2,735,500	3,631,429
Operating expenses	2,343,192	943,049	928,417	1,758,194	2,040,579	2,785,264
Operating profit	757,065	1,225,276	819,924	645,410	694,921	846,165
Other income / adjustments	765,462	833,398	436,112	2,556,106	1,424,329	123,704
Other expenses / adjustments	184,992	121,534	121,344	247,285	253,682	233,646
Profit / (loss) before taxation	1,337,535	1,938,152	1,134,692	2,954,231	1,865,568	736,223
Taxation	922,644	480,933	128,529	173,078	231,959	269,295
Profit / (loss) after taxation	414,891	1,457,219	1,006,163	2,781,153	1,633,609	466,928
Assets						
Fixed assets	850,163	865,713	612,757	621,807	394,977	369,801
Capital work in progress	160,660	16,151	27,164	16,907	-	23,848
Investment properties	969,987	966,637	674,162	674,162	438,873	438,873
Long term investments	1,598,645	1,599,048	1,588,837	7,964,285	2,604,032	1,066,003
Long term loans / receivables	1,434	2,027	1,447,528	996,466	1,061,482	7,476
Deferred tax asset - net	15,316	93,366	132,684	-	25,858	177,703
	3,596,205	3,542,942	4,483,132	10,273,627	4,525,222	2,083,704
Current assets	10,018,131	8,492,819	4,843,263	4,660,148	2,930,079	3,008,799
Current liabilities	(7,234,814)	(5,479,245)	(4,052,863)	(3,753,978)	(2,265,596)	(1,042,329)
Net current assets	2,783,317	3,013,574	790,400	906,170	664,483	1,966,470
Total Net Assets	6,379,522	6,556,516	5,273,532	11,179,797	5,189,705	4,050,174
Financed By						
Paid-up Capital	1,320,634	1,320,634	1,320,634	1,200,576	1,143,406	1,143,406
Reserves	126,843	126,843	3,626,843	1,626,843	626,843	126,843
Unappropriated profit / (Accumulated loss)	3,979,938	3,747,858	(1,083,923)	3,384,782	1,701,680	560,604
Share-holders' equity	5,427,415	5,195,335	3,863,554	6,212,201	3,471,929	1,830,853
Surplus on revaluation of fixed assets	743,324	748,461	536,407	3,821,963	312,100	319,567
Long term loans / liabilities	-	215,643	474,021	725,536	957,293	1,488,343
Deferred liabilities	208,783	397,077	399,550	419,772	448,383	411,411
Deferred tax liability - net	-	-	-	325	-	-
	6,379,522	6,556,516	5,273,532	11,179,797	5,189,705	4,050,174
Statistics and ratios						
Profit / (loss) before tax as % of:						
- Revenues	43.14%	89.38%	64.90%	122.91%	68.20%	20.27%
- Paid up capital	101.28%	146.76%	85.92%	246.07%	163.16%	64.39%
- Total Net Assets	20.97%	29.56%	21.52%	26.42%	35.95%	18.18%
Current assets to current liabilities	1.38	1.55	1.20	1.24	1.29	2.89
Number of shares	132,063,380	132,063,380	132,063,380	120,057,618	114,340,589	114,340,589
Earnings / (loss) per share	Rs. 3.14	Rs. 11.03	Rs. 7.62	Rs. 21.06	Rs. 13.61	Rs. 4.08
Break up value per share	Rs. 41.10	Rs. 39.33	Rs. 29.26	Rs. 51.74	Rs. 30.36	Rs. 16.01
Share prices						
High	Rs. 112.20	Rs. 97.20	Rs. 139.70	Rs. 150.00	Rs. 67.90	Rs. 23.00
Low	Rs. 65.00	Rs. 40.00	Rs. 57.00	Rs. 50.50	Rs. 15.85	Rs. 3.75
Dividend per share						
Cash	Rs. 3.10	Re. 1.50	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, 2008

No. of Shareholders	Shares holding From	Shares holding To	Total Shares held
10971	1	100	371,853
3130	101	500	726,624
856	501	1000	616,096
671	1001	5000	1,387,458
78	5001	10000	574,657
23	10001	15000	286,783
16	15001	20000	287,454
11	20001	25000	254,432
8	25001	30000	225,179
2	30001	35000	69,800
8	35001	40000	308,462
6	40001	45000	256,815
3	45001	50000	150,000
3	50001	55000	160,600
3	55001	60000	178,965
4	70001	75000	292,200
1	75001	80000	80,000
1	85001	90000	86,700
1	90001	95000	95,000
1	95001	100000	100,000
2	100001	105000	205,595
1	135001	140000	137,021
1	150001	155000	150,900
2	155001	160000	317,642
1	190001	195000	192,241
1	195001	200000	200,000
1	205001	210000	206,300
1	225001	230000	230,000
1	235001	240000	235,916
1	245001	250000	250,000
1	345001	350000	350,000
1	365001	370000	368,100
1	385000	390000	386,236
1	435001	440000	436,564
1	445001	450000	449,697
1	705001	710000	708,300
1	745001	750000	746,603
1	830000	835000	832,700
1	1440001	1445000	1,443,762
1	117705001	117710000	117,706,724
15,819			132,063,379

CATEGORY OF SHAREHOLDERS	NO	SHARES HELD	%
Associated Companies, Undertakings and Related Parties	-	-	-
NIT & ICP			
National Bank of Pakistan Truestee Deptt.	1	888,937	0.67
Investment Corporation of Pakistan	1	74,575	0.06
Directors, CEO, their spouses and minor children			
Mr. Jahangir Siddiqui	1	5,616	0.00
Mr. Khowaja Obaid Imran Ilyas	1	2,414	0.00
Executives	-	-	-
Bank, Development Finances Institutions	24	860,160	0.65
Finance Institutions, Insurance Companies, Modarabas and Mutual Funds			
Bank, Development Finance Institutions	24	860,160	0.65
Non-Banking Finance Instituions	48	727,351	0.55
Insurance Companies	12	1,481,339	1.12
Modarabas and Mutual Funds	12	1,747,861	1.33
Shareholders holding 10% or more voting interest			
Federal Government	1	117,706,724	89.13
Individuals	11,747	7,538,034	5.71
Foreign/Non-resident Investors	3,899*	441,919	0.33
Others	72	588,449	0.45
	15,819	132,063,379	100.00

(*Including 3656 Shareholders whose current domicile is not known)

N.B: The above statements include 1350 shareholders holding 11,313,859 shares through Central Depository Company of Pakistan Limited

PAKISTAN NATIONAL SHIPPING CORPORATION

Proxy form

Please quote your
Folio No./ CDC Account No.

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 21st day of October 2008 at 10:30 a.m. and at any adjournment thereof.

Dated this ____________________ day of ____________________ 2008

Revenue Stamp
of
Rs. 5

Signature of the shareholder ____________________

Address ____________________

____

Folio No. / CDC Account No. ____________________

Transfer Receipt No. ____________________

P.N.S.C Building Moulvi Tamizuddin Khan Road, P.O. Box No. 5350, Karachi - Pakistan.
Phone: (92-21) 9203980 -99 (20 Lines) Fax: (92-21) 9203974, 5636658
Email: communication@pnsc.com.pk URL:http://www.pnsc.com.pk

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