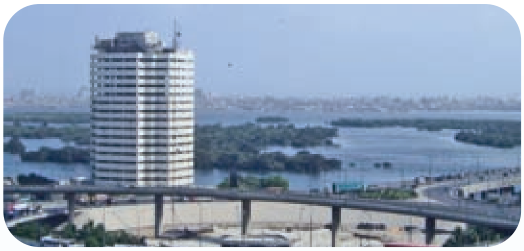
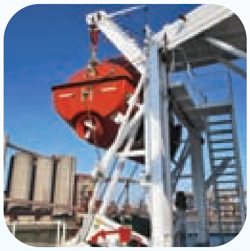
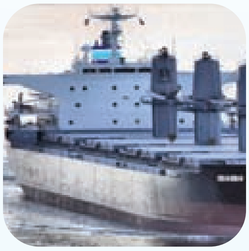
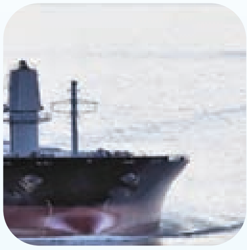
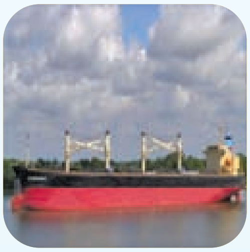
Annual Report 2011











Pakistan National Shipping Corporation

Contents

VISION

To be a prominent player and key stakeholder in global shipping industry by maintaining diversified and efficient marine assets.

MISSION

To provide reliable & efficient shipping services to overseas and Pakistan's sea borne trade, maintaining relationship of integrity and trust with our customers, partners, employees, safeguarding interests of our stakeholders and contributing towards betterment of national economy, society and the environment.

STRATEGIC OBJECTIVES

- Persistent growth by strategically investing and diversifying in marine sectors according to past performance and future outlook.
- To be optimally profitable, viable, commercial organization and contribute to the national economy by securing a reasonable return on capital and minimize outflow of national foreign reserves.
- Ensure steady supplies to Pakistan defence forces in time of peace & war.
- To do highly ethical, environment friendly and socially responsible business practices.
- Ensuring that every employee feels proud of being part of PNSC team.
- To provide its clientele safe, secure, reliable and efficient services.
- To practice & believe in Equal Opportunity for every one in every aspect of business.

CORPORATE INFORMATION

Board of Directors

Saleem Ahmed Meenai HI (M)	
Vice Admiral (Retd)	Chairman
Mr. Seerat Asghar Jaura	Member
Capt. S. Akhlaq Hussain Abidi	Member
Mr. Khowaja Obaid Imran Ilyas	Member
Capt. Anwar Shah	Member

Audit Committee of the Board

Mr. Khowaja Obaid Imran Ilyas	Chairman
Capt. S. Akhlaq Hussain Abidi	Member

Chief Financial Officer

Mr. Imtiaz C. Agboatwala

Secretary

Ms. Zainab Suleman

Chief Internal Auditor

Mr. Muhammad Reyaz

Head Office

PNSC Building, Moulvi Tamizuddin
Khan Road. Karachi - 74000

Regional office

Gulberg Heights, Lower ground floor,
Near sherpao bridge Gulberg,
Lahore, Pakistan.

Auditors

A. F. Ferguson & Co.
Chartered Accountants

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Shares Registrar

M/s Technology Trade (Pvt.) Ltd.
Dagia House 241-C,
Block 2, P.E.C.H.S Off
Sharah-e-Quaideen, Karachi.

Bankers

Bank Al-Falah Limited
Barclays Bank Pakistan PLC
Faysal Bank Limited
Habib Bank Limited
JS Bank Limited
National Bank of Pakistan
Silk Bank
Standard Chartered Bank
United National Bank, London
National Bank of Pakistan, Tokyo
National Bank of Pakistan, Hong Kong
Bank Alfalah, Bahrain

STATEMENT OF ETHICS & BUSINESS PRACTISES

POLICY STATEMENT

1. It is the Corporation's policy to conduct its business operations within the framework of the law and statutory rules and regulations, including the international law governing shipping operations.

2. The Corporation shall manage its affairs in accordance with concepts of good governance, with a high degree of integrity, transparency and accountability.

3. The Corporation shall constantly endeavour to formulate policies to ensure business growth, optimize operational efficiencies and profitability, and develop a corporate culture to reward merit and eliminate discrimination in all forms.

DEVELOPMENT OF INTERNAL CONTROL SYSTEMS

4. The Corporation shall maintain and update internal control systems, accounting/financial procedure, rules and regulations, in keeping with modern management practices, and ensure due compliance with regulatory requirements.

MAINTENANCE OF PROPER BOOKS OF ACCOUNT AND RECORDS

5. The Corporation shall maintain proper books of account and supporting documents in accordance with law and regulatory requirements. No compromises as to the integrity of financial records or financial statements shall be permitted.

6. The Corporation shall ensure that all statutory records are properly maintained and that statutory returns are filed strictly according to the regulatory requirements.

7. All books of account, supporting documents, and statutory records shall be safeguarded and retained for such periods as may be prescribed by law or by the Corporation.

USE AND SAFEGUARDING OF CONFIDENTIAL INFORMATION

8. All information about the policies and business affairs of the Corporation is confidential. Information received from third parties under obligation of confidentiality belongs to those third parties and is confidential. Such information must not be used disclosed except as permissible under the relevant agreements.

9. Employees shall not remove any documents or tangible items which belong to the Corporation or which contain any confidential information, from the Corporation's premises without prior permission, including vessels.

10. The responsibility to maintain the confidential nature of all non-public information in the Corporation's possession continues after cessation of employment.

CONFLICT OF INTEREST

11. No directors, officer or employee shall have any financial interest in or be involved in the business activities of a competitor of the Corporation.

ACCEPTANCE OR GIVING OF BRIBES

12. No employee of the Corporation shall accept or give bribe or any illegal gratification in the conduct of the Corporation's business.

DISCIPLINE AND GENERAL CONDUCT

13. All employees shall conform to and abide by the rules and regulations of the Corporation, and shall observe, comply with and abide by all orders which may from time to time be given by any person under whose jurisdiction, superintendence or control an employee may for the time being be placed.

14. The Corporation expects that all directors, officers and employees will understand and adhere to this statement of ethics and business practices. They shall be responsible for the consequences of any violation. If a violationof law is also implicated, civil or criminal liability may result.

BOARD OF DIRECTORS PROFILE

Vice Admiral (Retd) Saleem Ahmed Meenai HI (M) Chairman / CEO Pakistan National Shipping Corporation joined Pakistan Navy in 1970. He is a graduate of Royal Naval Staff College, Greenwich, UK. He acquired Master's Degree from the National Defence University and completed Senior Officers Defence Management Course, Monterey, California, USA.

He successively held various command and staff appointments ashore and afloat, such as PSC to Chief of the Naval Staff, Assistant Chief of Naval Staff (Operations) and Deputy Chief of Naval Staff (Training & Personnel) at Naval Headquarters, Islamabad and Commander Coast and Commander Karachi between 2006 and 2010.

He assumed the charge of the Chairman / CEO of PNSC on March 21, 2011. He also served as Director General (Operations) and Chairman Port Qasim Authority in 2004-2006

He is an avid reader with focus on history and international relations and a keen golfer.

Vice Admiral (Retd)
Saleem Ahmed Meenai HI (M)

Chairman

Captain Anwar Shah is a reputed professional in the management and operation of port terminals, maritime transport and logistics industry with a vast experience of over 33 years that includes marketing, chartering, marine insurance hull and P&I Club, Cargo Claim Survey, Shipping and Trading documentation, Salvage of Ship and Damaged Cargoes, Frieght Forwarding, NVOCC operations, Stevedoring, Stowage Plan. Captain Shah is a Member Chartered and Fellow Chartered Institute of Logistics & Transport London and a law graduate. He also served as Director General Ports and Shipping /Additional Secretary Ministry of Ports and Shipping in 2003-2007.
Captain Shah is an elected member of PNSC's Board of Directors. He is an expert on World Bank Panel, Governor World Maritime University Malmao (Sweden), Member IMO Secretary General's Panel of Experts (London) and Maritime Advisor to KCCI.

Captain Anwar Shah
Director

Khowaja Obaid Imran Ilyas is a graduate in Economics from Cornell University New York USA. He is an ex-banker and served Standard Chartered Bank from year 2000 till year 2002 in Corporate and Industrial Banking.
Currently he holds the position of Director Business Development in family owned business named IDSC (Pvt) Ltd in the business of indenting machinery and spares for the local industry.
Mr. Khowaja Obaid Imran Ilyas is serving as an elected Director on the Board of Directors of Pakistan National Shipping Corporation.

Khowaja Obaid Imran Ilyas
Director

Mr. Seerat Asghar's public service career spans over 30 years. During this period, he has held many important positions in the Provincial as well as Federal Government.

Since the year 2000, he is working with the Federal Government and has remained posted as joint secretary in the ministries of Information Technology, Commerce, Prime Minister's Secretariat, Ministry of Interior and Ministry of Food and Agriculture.

Presently, he is working as Additional Secretary (expenditure) in the Finance Division. He was nominated as the Member on PNSC Board by the Federal Government on 23rd January 2010.

Mr. Seerat Asghar Jaura
Director

Captain Akhlaq Hussain Abidi is a Businessman, ex-Master Mariner, commanded PNSC vessels upto 1975. he also worked in Saudi Arabia with various business conglomerates and also in Marine Cargo and Hull Surveys. Mr. Abidi is now operating Frozen Fish Processing and Export House as a major player in seafood industry and is a well known expert.

He was elected as Member National Assembly and remained MNA till 2007. He has been on the board of directors of Fishermen Coop Society, Karachi Fish Harbor Authority and KESC and now is a senior member of Pakistan National Shipping Corporation Board of Directors.

Capt. Akhlaq Hussain Abidi
Director

CHAIRMAN'S MESSAGE

PNSC like any other national shipping company is very special and intriguing. It is special because of, the truly global nature, the highly cyclical markets at play, and the unique competitive structure, with many determined players in oceans to compete with. It is intriguing because fortunes are made and lost at fast pace.

The accomplishments of our corporation require the diligence and acumen of professional people working together to meet our aspirations of recognition as one of the best global shipping companies and to deliver as we promise to our clients. As we march forward we continue to keep these thoughts in mind and strive to find the best mix of continuity and change to respond to volatile shipping market's dynamics.

I am fortunate to have with me a handful of people in PNSC who share my enthusiasm and desire to be second to none in shipping business. With this goal in mind we have embarked on renewed 'vision' and 'work ethics'. I am proud to say that PNSC will continue to add talented and dedicated professionals who share my philosophy of providing service based on hard work, integrity and professionalism.

So far, our activities have focused on diversified shipping business, derived from the transportation of oil liquids, bulk and dry cargoes of nearly all types. Our younger fleet and shipping vessels are equipped with up-to-date facilities; with highly sophisticated equipment and computerized automation network. The success of our fleet replacement together with prudent management efforts will help us attain our goals. Undoubtedly, we are endeavouring to enhance our business operations. We will InshAllah continue to seek expansion of our fleet and other related services.

We take pride in Proficient and Quality Services. We are delighted to learn that our commitment to professional and quality service has received acknowledgment which will only reinforce our resolve and encourage us to strive for higher levels of excellence.

I thank our valued clients for their business and thank my staff for their loyalty and dedication. We look forward to serve with first class transportation solutions in the twenty-first century.

Vice Admiral (Retd)
Saleem Ahmed Meenai
HI (M)

THE MANAGEMENT

From Left to Right	Capt. Aftab Siddiqi Executive Director (Commercial)	Imtiaz C. Agboatwala Executive Director (Finance)	Saleem Ahmed Meenai HI (M) Chairman/CEO Vice Admiral (Retd)	Brig (Retd) Rashid Siddiq SI (M) Executive Director (Administration)	Syed M. Obaidullah TI(M) SI(M) Executive Director (S P& P) Commodore (R)	Mr. Zaheer Babar Qureshi Executive Director (Ship Management)

Chairman / CEO

Vice Admiral (Retd) Saleem Ahmed Meenai HI (M), is a recipient of Hilal-e-Imtiaz (Military). His previous association and experience with Pakistan Maritime Sector was in years 2004-2006 as Director General (Operations) and Chairman Port Qasim Authority.

Vice Admiral (Retd) Saleem Ahmed Meenai HI (M) Chairman / CEO Pakistan National Shipping Corporation joined Pakistan Navy in 1970 and commissioned in the Operations Branch of Pakistan Navy. He specialized in the Naval Communication in the year 1981. He is a graduate of Royal Naval Staff College, Greenwich, UK. He acquired Master's Degree from the National Defence University and completed Senior Officers Defence Management Course, Monterey, California, USA.

He successively commanded three Guided Missile Destroyers, Submarine Chaser and Fast Attack Craft and held various command and staff appointments ashore and afloat, such as PSC to Chief of the Naval Staff, Assistant Chief of Naval Staff (Operations) and Deputy Chief of Naval Staff (Training & Personnel) at Naval Headquarters, Islamabad.

He had the distinction of having commanded all Surface Navy Squadrons of PN Fleet. During his fleet assignment, he held appointments of Commander 25th Destroyer Squadron, Commander 18th Destroyer Squadron, Commander Auxiliary/Mine Counter measure Squadron and Commander 10th Patrol and Missile Craft Squadron. He then served as Commander Coast and Commander Karachi between 2006 and 2010.

He assumed the charge of the Chairman / CEO of Pakistan National Shipping Corporation on March 21, 2011.

He is an avid reader with focus on history and international relations and a keen golfer.

Executive Director (Administration)

Brig (Retd) Rashid Siddiqi SI (M) joined PNSC in 2002 as Executive Director (Administration). He is also the Chairman Provident Fund and looks after its investment and Asset Management.

He was appointed Chairman / CEO and Chairman Board of Directors of Pakistan National Shipping Corporation in November 2009 till 21 March 2011. During this period, he developed five-year fleet development plan and arranged loan without GOP guarantee and added six modern vessels to the fleet.

He joined Pakistan Army in September 1971 and remained so till 2002. He is a graduate of Command and Staff College and National Defence College. During his Army career he served as Member Faculty National Defence College Islamabad, Director Military Intelligence and Brigade Commander.

He has widely traveled and is a keen Golfer and an ardent jogger and loves sports.

Executive Director (Finance) / CFO

Imtiaz C. Agboatwala qualified as a Chartered Accountant in 1975 from Institute of Chartered Accountants of Pakistan (ICAP). He started his post qualifying professional carrier with A. F. Ferguson & Co in 1975. His 36 years professional experience include working with national and multinational pharmaceutical companies/organizations as Chief Financial Officer.

He has extensively traveled, having attended several Management Development Programmes and Seminars.

He joined Pakistan National Shipping Corporation on 02 January 2006 as Executive Director/Chief Financial Officer. He is also a Director on the Boards of 18 subsidiary companies of PNSC Group.

Executive Director (Special Projects and Plans)

Commodore (R) Syed M. Obaidullah TI(M) SI(M) joined Pakistan National Shipping Corporation in 2007 as Executive Director (Special Projects and Plans). He served Pakistan Navy for over 35 years. He joined Pakistan Navy in June 1971 with the distinction of winning all awards, including the coveted Sword of Honor.

He is a seafarer and spent over 10 years at sea. He also served as Director Plans (Navy), Director Public Relations (Navy), Director Recruitment, Chief Inspector (Navy) and Chief Staff Officer to Commander Karachi and Naval & Air Attaché at Tehran (Iran).

He is a graduate of Surface Warfare School (USA), Command & Staff College (Quetta), Royal Naval Staff College Greenwich (UK) and National Defence University.

Executive Director (Ship Management)

Mr. Zaheer Babar Qureshi Executive Director (Ship Management) has over 37 years of continuous service / professional experience with Pakistan National Shipping Corporation in Ship Operations and Technical Management. Both afloat and ashore.

He joined PNSC in August 1973 as an afloat officer Mr. Babar holds 1st Class Certificate of Competency as Chief Engineer of Merchant Ships and has also done Masters in Technical Management of Shipping Companies 1991 from the World Maritime University, Malmo Sweden established by the International Maritime Organization. Besides these qualifications, he is also a law graduate and member of the Middle East Region Technical Advisory Committee of American Bureau of Shipping, ClassNK and Lloyd's Register.

Executive Director (Commercial)

Capt. Aftab Siddiqi, Executive Director Commercial of PNSC is a Master Mariner by profession and a Fellow of Chartered Institute of Transport and logistic, London. He is also a member of Nautical Institute, London & Master Mariner Society of Pakistan.

He has almost 38 years of rich experience in the field both ashore and afloat Capt Aftab has gained tremendous experience and knowledge about shipping industry,Extensive Knowledge on Dry & Wet Chartering, Booking notes / Charter parties / Contract of Affreightments, Admiralty Law and Arbitration & Freight Conferences. Capt. Aftab has been the Chairman of the KARMOHAM Conference (India-Pakistan-Bangladesh-Ceylon Conference) from 1996 to 2008. Members included such prestigious names like Maersk, Happag Lloyds, UASC, SCI, Evergreen, Andrew weir etc.

REGULATORY APPOINTMENTS

Secretary

Ms. Zainab Suleman, Corporation & Board Secretary, had done her LL.M. and is enrolled as an Advocate of High Court of Sindh. She is a member of High Court Bar Association. Prior to joining PNSC she was working as an Advocate/Associate in a well reputed firm of Advocates and Solicitors and gained a vast experience on the corporate side. She has also attended a number of workshops and conferences locally and abroad.

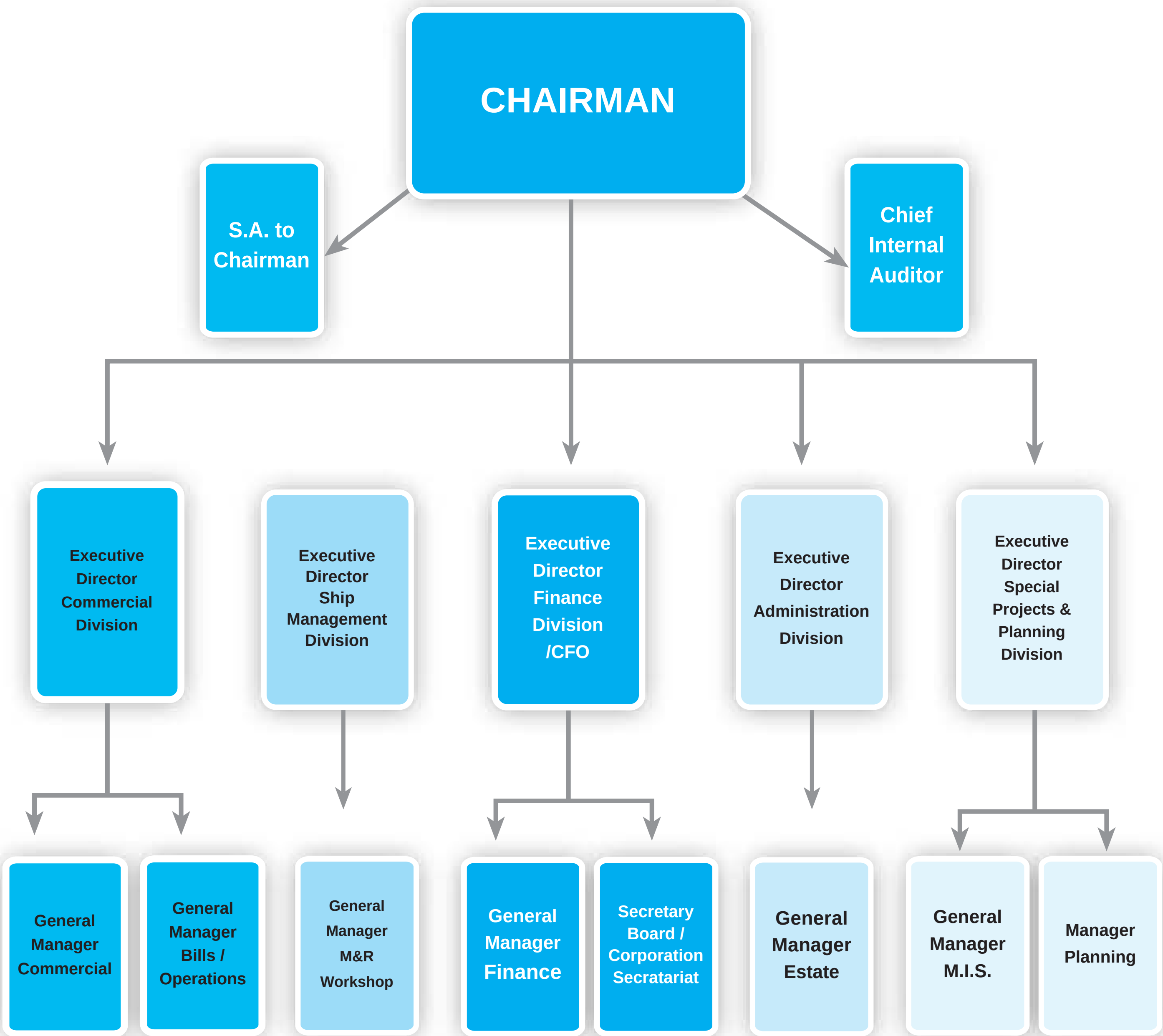
Chief Accoutant

Mr. Syed Jarar Haider Kazmi is head of Finance Department and Chief Accountant since January 2007. He is associated with PNSC since October 2005. Mr. Jarar is an associate member of the Institute of Chartered Accountants of Pakistan and the Institute of Public Finance Accountants of Pakistan with post qualification experience of more than nine years on senior positions in other organizations including Automobile and Pharmaceutical sector etc. Mr. Jarar is also a member of the Public Sector Committee of the Institute of Chartered Accountant of Pakistan.

Chief Internal Auditor

Mr. Muhammad Reyaz is Head of Internal Audit since April 2004. He is Fellow Member of The Institute of Cost & Management Accounts of Pakistan (FCMA), Certified Internal Auditor (CIA, USA), Certified Information Systems Auditor (CISA, USA) and Fellow Member of Pakistan Institute of Public Finance Accountants (FPA). Mr. Reyaz also held leadership positions in The Institute of Internal Auditors - Pakistan/ Karachi Chapter during last five years. Further, he has over 20 years previous experience on senior positions in other organizations including those of Head of Internal Audit, CFO etc.

ORGANIZATION CHART



FLEET STRENGTH

COMBI VESSELS

Vessel Name	Deadweight
M.V. SARGODHA	18242
IMO Number	Length Overall
7822017	153.01 M
Gross Tonnage	Built
12395	OSHIMA JAPAN - 1980

Vessel Name	Deadweight
V.M. ISLAMABAD	18204
IMO Number	Length Overall
7822706	153.01 m
Gross Tonnage	Built
12395	KHI. SHIPYARD PAK.-1983

Vessel Name	Deadweight
M.V. Multan	18257
IMO Number	Length Overall
7822093	153.01 M
Gross Tonnage	Built
12395	MITUI JAMANO JAPAN - 1980

TANKERS

Vessel Name	Deadweight
M.T. QUETTA	107,215 MT
IMO Number	Length Overall
9270555	246.80 M
Gross Tonnage	Built
58,118 MT	Imabari Shipbuilding Co. Ltd., Japan 2003.

Vessel Name	Deadweight
M.T. LAHORE	107,018 mt
IMO Number	Length Overall
9277541	246.80 m
Gross Tonnage	Built
58,157 mt	Imabari Shipbuilding Co. Ltd., Japan 2003.

Vessel Name	Deadweight
M.T. KARACHI	107,081 MT
IMO Number	Length Overall
9257814	246.80 M
Gross Tonnage	Built
58,127 MT	Imabari Shipbuilding Co. Ltd., Japan 2003.

BULK CARRIERS

Vessel Name	Deadweight
M.V. KAGHAN	65716 MT
IMO Number	Length Overall
8513015	225.78 M
Gross Tonnage	Built
36098 MT	NAMURA SHIP BUILDING CO., JAPAN-1986

Vessel Name	Deadweight
M.V. CHITRAL	46710 MT
IMO Number	Length Overall
9272876	185.73 M
Gross Tonnage	Built
26395 MT	Oshima Shipbuilding Co. Ltd, Japan - Jun 2003

Vessel Name	Deadweight
M.V. MALAKAND	76,830 MT
IMO Number	Length Overall
9304198	225 m
Gross Tonnage	Built
40,040 MT	Sasebo Heavy Industry Co. Ltd, Sasebo, Japan, 2004

Vessel Name	Deadweight
M.V. HYDERABAD	52,951 MT
IMO Number	Length Overall
9278789	12.143 M
Gross Tonnage	Built
29,365 MT	Oshima Shipyard, Nagasaki, Japan, 2004

Vessel Name	Deadweight
M.V. SIBI	28,442 MT
IMO Number	Length Overall
9519224	169.37 M
Gross Tonnage	Built
17,018 MT	Imabari Shipbuilding Co. Ltd, Marugame, Japan, 2009

PAKISTAN NATIONAL SHIPPING CORPORATION
DIRECTORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2011

The Board of Directors of Pakistan National Shipping Corporation is pleased to present the thirty third Annual Report together with the Audited Financial Statements for the year ended June 30, 2011.

INDUSTRY OUTLOOK

Shipping is a global industry. It is closely tied to the rise and fall of trade in the world. Since 90% of world trade is carried through oceans therefore shipping industry is playing a vital role in world economics. The industry is cyclical in nature and essentially volatile. The earnings of a shipping company are primarily a function of demand and supply dynamics of the global markets. Consequently, after year 2000, shipping sector grossly benefited from the booming global economic environment. This gave impetus to capacity expansion and excessive new building orders. With this capacity enhancement trend ship tonnage is going to continuously rise until 2013. If trade demand remains subdued the industry is likely to experience capacity overhang and very competitive freight rates in the short-medium term.

Pakistan National Shipping Corporation (PNSC) is engaged in transportation of dry bulk and liquid cargoes globally. At present it manages a fleet of 11 ships, real estates and a repair workshop. Our fleet is a mix of double hull Aframax tankers, Panamax, Supramax, Handymax and Handy size bulk carriers, having a total carrying capacity of over 646,000 tonnes of deadweight. Our vessels contribute to worldwide sea borne trade in a multitude of trade routes and carry wide range of cargoes for a number of traders and charterers of international repute.

OUR PERFORMANCE

During current fiscal year the Group has witnessed increase in revenue despite slow global economic activity and subdued freight rates, mainly attributable to change in the fleet mix. Moreover, the Management adhered to its policy of fleet modernization with the objective to lower operational costs while enhancing the deadweight carrying capacity. This has resulted in improved financial performance of the Group.

An overview of the performance of the Group during the year was as follows:

- PNSC Group achieved a turnover of Rs. 9,293 million as against Rs. 7,890 million last year with modest growth in freight earnings, both dry cargo and liquid cargoes despite depressed freight rates.
- Direct fleet expenses increased from Rs. 6,432 million to Rs. 7,303 million, an increase of 13.5%, mainly due to inflationary increases and chartering of foreign flagged vessels.
- Gross Profit of Rs. 1,990 million was achieved as against Rs. 1,458 million last year.
- Admin Expenses and other operating expenses decreased by 7.5% due to better cost control measures.
- Profit after tax was Rs. 1,007 million, an increase over last years' figure of Rs. 968 million.
- Earnings per share of the Pakistan National Shipping Corporation Group of Companies were Rs. 7.62 as against Rs. 7.33 last year.
- Four new Dry Cargo Vessels were purchased and inducted in to the PNSC fleet during the year namely, MV-Chitral, MV-Malakand, MV-Hyderabad and MV-Sibi.
- During the year, one dry cargo combi vessel M.V. Bolan and two Oil Tankers, M.T. Swat and M.T. Johar were disposed off as they were overage.

FLEET MODERNISATION

PNSC continued with its fleet expansion program and purchased 4 dry bulk carriers in fiscal year ending June 2011. The first Handy max vessel was delivered to PNSC on October 25, 2010 at Kashima-Japan, renamed as "Chitral" and second Panamax vessel "Malakand" was delivered to PNSC on December, 27 2010 at Dalian-China, Third Supramax vessel "Hyderabad" was delivered to PNSC on April 21, 2011 at Guangzhou China and Fourth Handy size vessel "Sibi" was delivered to PNSC on May 17th at Kelang – Malaysia.

The global shipping industry is looking forward for the lean patch to be over and head towards the recovery which is bound to come with the eventual rise of world economies, trade and rationalisation of ships tonnage in times to come. Future expansion and modernisation of PNSC will resume as soon as the outlook of freight market, both dry and wet show sign of recovery.

CREDIT RATING

Pakistan Credit Rating Agency (PACRA) has maintained PNSC's credit rating as A1+ for short term and AA- for long term. This rating denotes a very low expectation of credit risk. It indicates very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

COMMERCIAL OPERATIONS

During the year under review, PNSC and its vessel-owning subsidiary companies lifted 9.586 million freight tons of cargo as compared to 7.921 million freight tons of cargo in the previous year.

SECTOR	2010-2011	2009-2010	2008-2009
	FREIGHT TONS MILLION	FREIGHT TONS MILLION	FREIGHT TONS MILLION
Dry Bulk	0.885	0.622	0.957
Liquid Bulk (Tanker)	8.620	7.227	7.665
Slot Charter	0.081	0.072	0.062
Total	9.586	7.921	8.684

OUR MARKET DYNAMICS

PNSC Business Relations

PNSC has excellent business relationship with Public Sector Organisations and Defence Services who continue to support PNSC. PNSC continues to lift crude oil for Pakistan refineries, and actively participates in global oil transportation with its modern and newly acquired Aframax oil tankers.

Dry Cargo Bulk Vessels

At present our younger dry bulk fleet and Combis are employed worldwide with first class charterers on trip charter and period charter terms and conditions. This has helps us achieve global stature and recognition of PNSC in world shipping community as a reputable ship owner / operator.

Market Share

PNSC is engaged in global shipping business with its fleet of 11 vessels having average age of around 15 years and total tonnage of 646,666 DWT. Our share in the Pakistan trade is 9,586,367 tons in 2011 which is 11% of Pakistan's total trade estimated at 87.34 million tonnes.

Out of the total crude oil import in Pakistan of around 7.2 million tonnes per annum, PNSC tanker fleet is catering to 6.5 million tonnes per annum. Thus almost all crude oil requirements of the country are met by PNSC alone.

Risks Including Strategic, Commercial, Operational and Financial Risks

No business is risk free and therefore there are inherent risk factors in shipping business too. Since PNSC ships are doing business in the main international shipping markets it also exposed to risk factors that may affect any shipping company in the world.

Global maritime industry is at its lowest level since 2009 due to fears about over tonnage and the recession in global economy. The rising cost of marine fuels is also a cause for concern.

Until recently, things looked optimistic, but declining world GDP growth and world trade somewhat dented ship owner's confidence.

This is the most unpredictable period since the beginning of the global financial crisis. Markets are at rock bottom, and likely to stay there for some time because of the large number of new vessels due to come into service. Likelihood is that older vessels and speculative investors, as well as low-grade operators, may disappear before the situation can start to improve. The Group is exposed to the volatility inherent in the dry bulk and tanker market, where it has virtually all its assets and operations. Demand for dry & liquid bulk transportation is closely linked to global economic trends.

To counter extreme volatility in the market, the Group endeavours to keep more than half of its Bulk Carriers in fixed income time charter over a prolonged period and a mix of spot market and voyage charter.

Credit Risks

In the present market the risk of counterparty default is very real. With a view to avoid such risks, we ensure stringent due diligence to obviate these risks and try to restrict our dealings with the parties who are sound.

Cost for Piracy

More than 20,000 vessels transit Gulf of Aden each year. Present Piracy situation is very alarming for the international shipping community, which is adding to ship owner's daily operating costs and can affect the end-to-end supply chain. The Corporation being mindful of these risks takes necessary insurance cover against piracy as these are too great to be ignored. To protect group's ships, when passing through high risk areas, Best Management Practices (BMP-4) promulgated worldwide are being strictly adhered to and seems to be working effectively.

Financial Risks

The Group is exposed to financial risks, which include risks for interest rate and currency fluctuations. In addition, its borrowings create leverage, which will amplify the effects of rate, cost, and value movements. In addition, changes in taxation could have a material impact on the Group. However, based on thorough reviews an appropriate strategy based on a consultative process is developed as deemed appropriate in the given circumstances to reduce the impact of risks arising out of any unfavourable situation.

FINANCING ARRANGEMENTS

In order to meet the funding requirement for purchase of vessels, PNSC concluded a long-term financing facility with a consortium of commercial banks and financial institutions. The facility was utilised to finance the purchase of four dry cargo vessels as enumerated above.

HUMAN CAPITAL BUILDING

PNSC seeks to be an attractive employer and maintains a human relations policy that is open and fair. PNSC is committed to providing equal employment opportunity to all employees and applicants for employment, regardless of race, ethnic background, gender, religion, or any other legally protected status. Diversity strengthens PNSC's overall capacity and skills.

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 SOCIAL RESPONSIBILITY

The company is committed to conducting business under good corporate governance principle, adhering to business ethics and striving for the betterment of society and environment. The Corporation takes pride in integrating corporate social responsibility within its vision and mission statement. PNSC's CSR policy functions as a built-in self-regulating mechanism whereby business monitoring ensures active compliance with the spirit of the law and maintaining ethical standards. The goal of Corporations' CSR policy is to embrace responsibility through actions and make a positive impact through its activities on the clients, employees, business communities and environment.

The procedures and policies laid down by the Corporation for operation of ships ensure compliance with spirit of national and international regulations and international conventions. To keep these procedures dynamic and updated, the Corporation has entrusted responsibility of continuous training, updating of knowledge, protection of marine environment, safety and security of ships to a dedicated department.

PNSC directly and indirectly sponsors and promotes training and recruitment of the Pakistani national in Pakistan Maritime Training Complex and other maritime training institutes to build a qualified maritime work force for employment on national and foreign flag ships. PNSC under its internship scheme provides training to fresh graduates from Universities across the country.

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 un-audited accounts for the year ended June 30th, 2011 stood at Rs 845 million (2010: Rs 835 m).

(xi) During the year ended June 30th, 2011, a total of six meetings of the Board of Directors were held. The position of attendance during respective tenure was as follows:

BOARD MEETINGS HELD FOR THE PERIOD FROM JULY 1, 2010 TO JUNE 30, 2011

S.NO.	Name of Directors	Meetings	
		Held	Attended
1	Vice Admiral (Retd) Saleem Ahmed Meenai (Joined on 21st March, 2011)	2	2
2	Brigadier (R) Rashid Siddiqi (upto 21st March, 2011)	4	4
3	Mr. Seerat Asghar Jaura	6	4
4	Mr. Sohrab Adil Gilani (up to 3rd November, 2010)	2	2
5	Capt. S. Akhlaq Hussain Abidi	6	6
6	Mrs. Rukhsana Saleem (up to 23rd July, 2010)	1	-
7	Capt. Anwar Shah	6	6
8	Mr. Khowaja Obaid Imran Ilyas	6	6

AUDIT COMMITTEE MEETINGS HELD FOR THE PERIOD FROM JULY 1, 2010 TO JUNE 30, 2011

S.NO.	Name of Directors	Meetings	
		Held	Attended
1	Mrs. Rukhsana Saleem (up to 23rd July, 2010)	2	-
2	Capt. S. Akhlaq Hussain Abidi	7	7
3	Mr. Khowaja Obaid Imran Ilyas	7	7
4	Mr. Sohrab Adil Gilani (up to 3rd November, 2010)	1	1

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 Government of Pakistan has appointed Vice Admiral (R) Saleem Ahmed Meenai HI (M) as Chairman Pakistan National Shipping Corporation in place of Brigadier (R) Rashid Siddiqi SI (M) on March 21, 2011. Mr. Sohrab Adil Gilani resigned as Director from BoD PNSC on 3rd November 2010. His replacement has yet to be made.

AUDITORS

The joint auditors, A.F. Ferguson & Co., Chartered Accountants and Ernst & Young Ford Rhodes Sidat Hyder 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 Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants may be appointed joint auditors for the year ending June 30, 2012.

STRATEGIES, OBJECTIVES AND FUTURE PROSPECTS

The Corporation is also taking steps to secure new business for maximum utilization of its capacity both in the domestic and regional markets. Nevertheless, the extent to recovery in the backdrop of overcapacity in the industry remains to be seen.

FUTURE PROSPECTS

PNSC has embarked upon its fleet replacement programme so that its overage vessels are replaced by newer and modern vessels.

DIVIDEND

The Directors are pleased to recommend payment of cash dividend at 10% (Re. 1 per share) to the shareholders whose names appear on the Share Register of the Corporation at the close of business on October 21, 2011.

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.

Vice Admiral (Retd)
Saleem Ahmed Meenai
HI (M)

ENERGY CONSERVATION

PNSC recognizes that burning of fossil fuels such as diesel and heavy fuel oil, can result in many environmental impacts. When fuel is combusted, pollutants such as the oxides of Carbon, Nitrogen and Sulphur are emitted to the atmosphere. These can contribute to the effects of greenhouse gases and acid rain.

We believe that the prime way in reducing the effects of the above emissions is to efficiently control and conserve energy wherever possible. Hence In order to minimize harmful emissions to the atmosphere by our vessels, every care is taken to ensure that

- The main and auxiliary engines are operated according to the manufacturer's instructions.
- The main and auxiliary engines are properly maintained as per the manufacture's instructions and the vessel's planned maintenance system.
- Funnel exhaust is correctly monitored to ensure efficient combustion. PNSC tankers have been fitted with video cameras on the funnel deck to continuously monitor the emissions from the funnel.
- Speed is correctly adjusted to avoid excessive fuel consumption whilst staying within the parameters as directed by the concerned department/.charterers.
- Speed is reduced in heavy weather to avoid frequent pounding and consumption.
- The automatic pilot is correctly adjusted to avoid frequent and excessive helm movements.
- The condition of the ship's bottom is regularly inspected for signs of fouling or damage to coating.
- The ship's propeller is regularly inspected for signs of damage.
- Ancillary systems, including lighting, ventilation systems, galley hot plates, steam supplies etc. are turned off when not required.
- Ship staff has been instructed to reduce paper consumption and switch over to electronic files system (computer files) PNSC is striving to eliminate all wasteful use of energy resources it deploys in its normal course of business.

ENVIRONMENTAL PROTECTION MEASURES

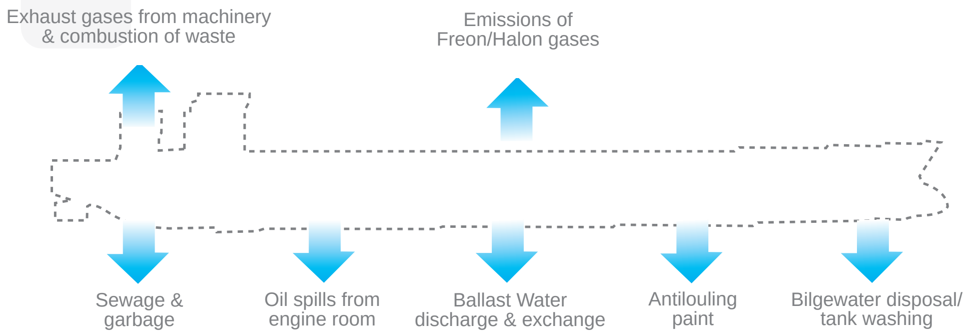
PNSC recognizes environmental Protection and Management as one of its highest priorities and makes every effort to conserve and protect the environment from marine, atmospheric and other forms of Pollutions.

To eliminate the possibility of pollution at source a high standard of Safety and Environmental awareness is maintained and all relevant legislation and conventions are followed in true spirit.
The following types and sources of potential environmental pollution have been recognized by us and every endeavour is made to mitigate their adverse impact upon the environment:

1. Oil. This includes discharge into the sea of oil from accidents and also covers the operational discharge of oily waste from cargo and that, which is used as fuel and lubricating oil.
2. Chemicals, liquefied gases and other noxious liquid substances carried as cargo in bulk and chemical waste.
3. Dangerous Goods. This includes dangerous dry cargoes carried in bulk and in packaged from and also covers other packaged and containerised goods, liquid or otherwise that may constitute a hazard to the environmental if spilled or lost.
4. Garbage, including bio and non-biodegradable waste.
5. Sewage.
6. Ballast water. This includes the possibility of aquatic organisms or water-borne pathogens being transported in ships' water ballast.
7. Anti-fouling paints and their effect on shellfish and other aquatic life.
8. Cargo vapour emissions and their effect on the natural environmental, human health and local and global climate change.
9. Exhaust emissions, including gases and unburnt hydrocarbon particles and their contribution to smog, acid rain and the greenhouse effect.
10. Ozone depleting substances, particularly CFCs and Halon gases and their effect on global warming.
11. Noise levels from machinery and its effect on marine mammals, ships' crew and coastal populations.

Environmental Management in PNSC

All operations of PNSC vessels are closely monitored to ensure compliance with all the objectives of the ISM Code.



Oil Pollution

All PNSC vessels carry dedicated oil spill removal equipment. This equipment complies with the International requirements and is listed in the vessel's SOPEP Manual.
Regular Oil Spill drills are conducted as per PNSC/SMS/040 (Drill Schedule) so that the crew is trained in correct operating procedures. Additionally regular onboard training is conducted in bunkering operations and the correct use of Oil Discharge Monitoring Equipment.

Ballast Water

The problem of harmful aquatic organism in ballast water had been at a very early stage recognized by PNSC and as such all its managed vessels stringently comply with the guidelines issued by IMO.
All PNSC managed vessels carry ship specific ballast water management plan which lays down clear operating practices to be carried out for ballast operations as well as acting as a logbook for all ballast operations carried out on board.

These plans have been prepared for compliance with regulation B-1 of the International Convention for the Control and Management of Ships' ballast Water and Sediments 2004 and the IMO guidelines for Ballast Water Management and Development of Ballast Water Management Plans' Resolution MEPC 127 (53). Ballast Water Management Plans for all our dry cargo vessels calling Brazilian ports are Class approved. Garbage Management PNSC recognizes its responsibility to fulfill all requirements under Annex V of MARPOL as well as its responsibility to the world's environment in general. Every PNSC managed ship has its own garbage management plan and record book. All the operations for collection, storage and disposal of garbage are recorded in this garbage Record Book. Chief Officer is the ECO (Environmental Control Officer) and is responsible for recording all garbage management operations in the Garbage Record book. The records are regularly monitored by the visiting Fleet Superintendents and reviewed during Internal SMS audits. Comprehensive instructions and training on garbage management is given to all Officers and crew joining PNSC managed vessels for the first time.

Anti-Fouling Paintv

PNSC at a much earlier stage realized the detrimental impacts of TBT based paints and as such discontinued the use TBT anti-fouling systems on the hulls of vessels managed by them. PNSC has practically been complying with the provision of AFS convention since 2003.Every PNSC managed vessel which undergoes docking, after grit blasting of its hull is applied with two coats of primer paint followed by one barrier coat or sealer coat so that there is no chance of any previous non-compliant anti-fouling system to leach into the environment. On top of this barrier coat, two coats of organotin free, biocide free paint are applied.
Upon completion of docking, the Class issues a certificate which evidences the voluntary compliance with the requirements of the AFS Convention.

Ozone Depleting Substances (ODS)

MARPOL Annex VI prohibits any deliberate emission of ODS e.g.CFC (Chloro flouro carbons) refrigerants and Halon). PNSC is aware that existing Halon system and equipment can be used until 2020.
Only one PNSC managed vessel has an Halon fire extinguishing system fitted onboard however, the ship staff has been instructed to exercise due diligence and ensure that there is no deliberate venting of the Halon gas to atmosphere at anytime.

Use of refrigerant gas R-12 has been discontinued and has been replaced by R-22 gas. Emission to Atmosphere PNSC support and endorse MARPOL Annex VI which covers exhaust gas emissions (NOx and Sox), ozone depleting substances, and volatile organic compounds (VOCs) e.t.c. Guidance to all PNSC managed vessels to prevent and control emissions have been set out in relevant SMS manual. Masters and Chief Engineers have been advised to strictly comply with Regulation 14 and 18 of MARPOL Annex VI.PNSC managed tankers are fitted with video cameras on the funnel deck to continuously monitor the emission of the funnel.

OCCUPATIONAL SAFETY AND HEALTH

PNSC strongly believes that accidents don't just happen, then are caused and as such they may be prevented from occurring.

Our ultimate goal is to have

- Zero Personnel Injuries
- Zero work related injuries

We in PNSC believe that improving our safety culture is the responsibility of each employee and they all have a contribution to make to achieve the ultimate goal. The management is committed to provide a work environment where no injury is considered acceptable and onboard our ships all activities are undertaken without compromising health and safety.

With the introduction of safety management system in PNSC, Occupational Safety and Health protection have become an integral point of all company operations and are included from the outset standing in the planning phase - in all technical, economic and social considerations.
Being the national company all relevant laws, ordinances, rules and operational regulations are complied with to the last detail.

PNSC Management believes that health and well being of the employees are the prerequisites for their enhanced performance, commitment and motivation and such it is ensured that health and safety standards are never compromised. The employee have been empowered to make decisions that will create a safe work place, even if it means stopping work to make a situations safe.

Onboard our ships all personnel have the responsibility to report to the concerned DPA, any non-conformance, hazardous situation and safety accidents and therefore contribute towards their prevention. In addition to above PNSC Training Section regularly conduct courses on health and safety aspects to the staff joining one the PNSC managed ships.
PNSC management believes that all injuries onboard can be prevented by necessary standard of safety, consciousness, personal discipline and individual accountability.

COURSES CONDUCTED BY ISM & TRAINING SECTION

Introduction

The present marine economic and environmental climate has highlighted the important that training plays in the success or failure of businesses and projects. Shipping is a very risky business and quality training ensures that these risks are minimized as low as practicable.

PNSC Training Section

One of the main responsibilities of the PNSC Training Section is to ensure that prior being employed onboard a PNSC managed vessel seafarer's are given proper familiarization training with PNSC Safety Management System. This training is an integral part of multi session training program which is mandatory for ship staff being employed onboard ship.

In PNSC, training is considered to be an investment and is always on high priority both within our budget and within strategy.

The main objectives of PNSC multi session training programme is

1. To continuously improve safety management skills of personnel ashore and aboard ship,including preparing for emergencies related to safety and environmental protection.
2. To ensure that new personnel and personnel transferred to new assignments related to safety and environment are given proper familiarization within their duties.
3. To provide a forum to share experiences.

PNSC Training Section has a very clear vision of what management desires from them and as such has progressively identified areas in which training will be of benefit. In order to keep the mariners updated with the international codes conventions and new requirements interactive training CDs and high quality training videos are procured from UK and USA.

Courses being conducted by Training Section

The Training Section has developed a number of courses, which are continuously being revised and updated to meet the ever-changing requirements.

FLEET ACQUISITION

Flag hoisting ceremony of newly inducted PNSC vessel

Financial closing of a newly acquired Dry Bulk Carrier

VALUE ADDED STATEMENT

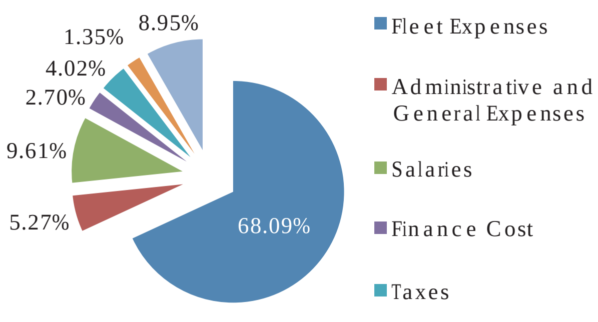
Wealth Generated

	2011 Rs. In '000	2011 %	2010 Rs. In '000	2010 %
Income from Shipping Business	9,193,246	94.01%	7,808,100	88.94%
Rental Income	99,923	1.02%	81,842	0.93%
Other operating income	485,938	4.97%	888,895	10.13%
	9,779,107	100%	8,778,837	100%

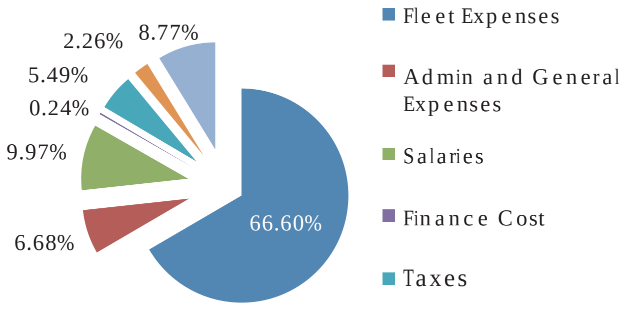
Wealth Distributed

	2011 Rs. In '000	2011 %	2010 Rs. In '000	2010 %
Fleet Expenses	6,659,076	68.09%	5,846,546	66.60%
Administrative and General Expenses	514,966	5.27%	586,348	6.68%
Salaries	940,190	9.61%	875,500	9.97%
Finance Cost	264,435	2.70%	20,912	0.24%
Taxes	393,168	4.02%	481,707	5.49%
Dividend	132,063	1.35%	198,095	2.26%
Retained for Business	875,209	8.95%	769,729	8.77%
	9,779,107	100%	8,778,837	100%

2011



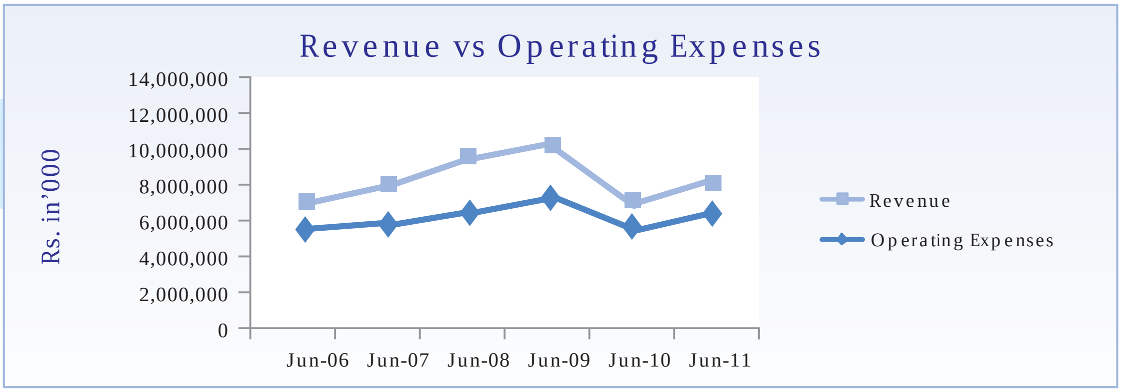
2010

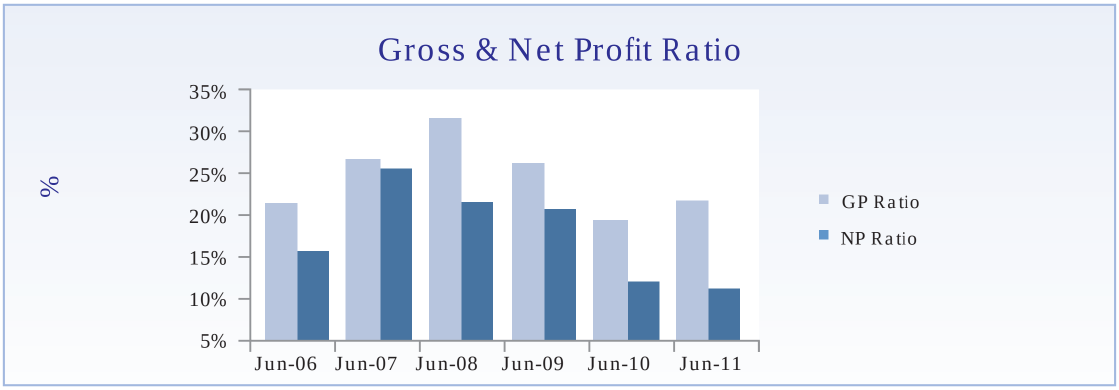


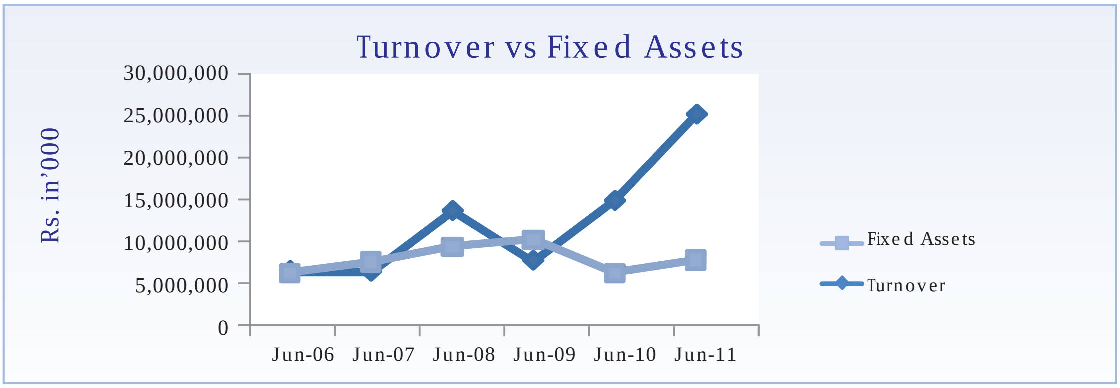
RATIO ANALYSIS

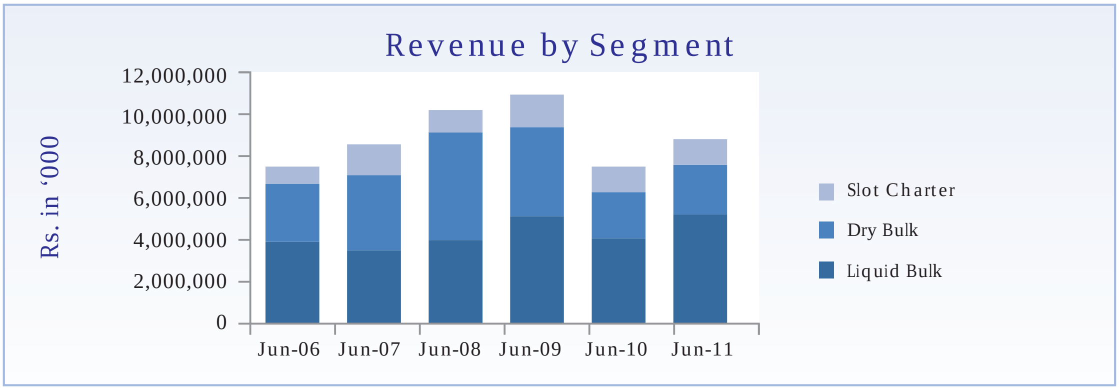
	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06
Profitability Ratios (%)						
Profit before tax	15.1%	18.4%	26.1%	32.4%	31.3%	18.0%
GP ratio	21.41%	18.48%	26.69%	32.33%	28.53%	21.07%
Profit after tax	10.8%	12.3%	20.2%	22.8%	25.7%	16.1%
EBITDA margin to sales	29.4%	31.4%	41.8%	36.3%	46.1%	32.9%
Return on equity	5.56%	5.77%	14.56%	18.99%	22.50%	17.05%
Return on capital employed	3.79%	5.30%	13.85%	11.83%	15.69%	10.54%
Liquidity Ratios (times)						
Current Ratio	1.59	2.96	5.44	4.37	5.47	3.54
Cash to Current liabilities	0.78	1.02	1.33	1.89	0.60	0.80
Cash flow from operations to Sales	0.17	0.66	0.13	0.47	-0.19	0.25
Activity/Turnover Ratios (times)						
Debtor Turnover Ratio	16.64	12.52	16.86	19.20	23.69	31.60
Asset Turnover ratio	0.38	0.42	0.56	0.55	0.61	0.60
Market Ratios						
Earnings per share	7.62	7.33	17.51	18.54	17.70	9.65
P/E Ratio	3.15	5.44	2.64	3.86	5.31	6.54
Dividend Yield ratio	4.17%	3.76%	6.50%	4.33%	1.60%	1.58%
Dividend Payout ratio	0.13	0.20	0.17	0.17	0.08	0.10
Cash dividend (Rs./share)	1.0	1.5	3.0	3.1	1.5	1.0
Breakup value/share with surplus (Rs./share)	146.42	136.04	124.78	155.22	108.11	84.97
Breakup value/share without surplus (Rs./share)	137.12	127.00	120.25	97.64	78.64	56.62
Share Price at year end (Rs./share)	24.00	39.89	46.16	71.55	94.00	63.10
Share Price- High	41.74	75.54	52.31	112.20	97.20	139.70
Low	23.40	38.00	44.14	65.00	40.00	57.00

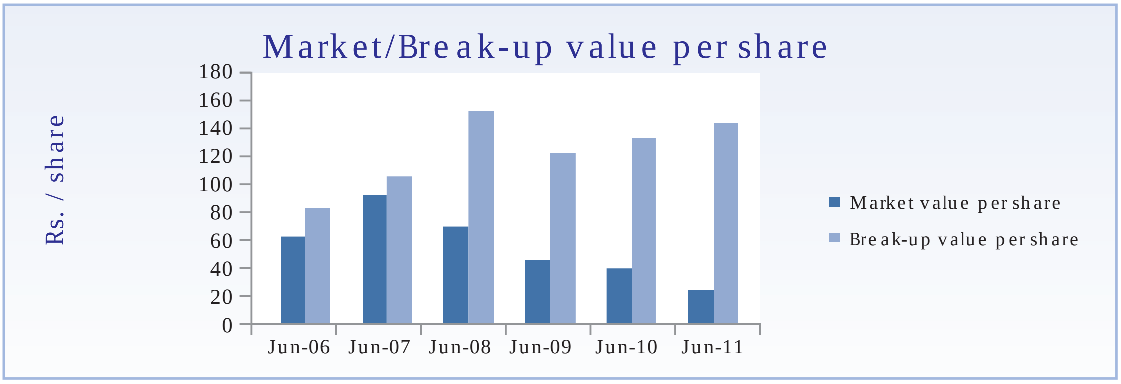
GRAPHICAL ANALYSIS

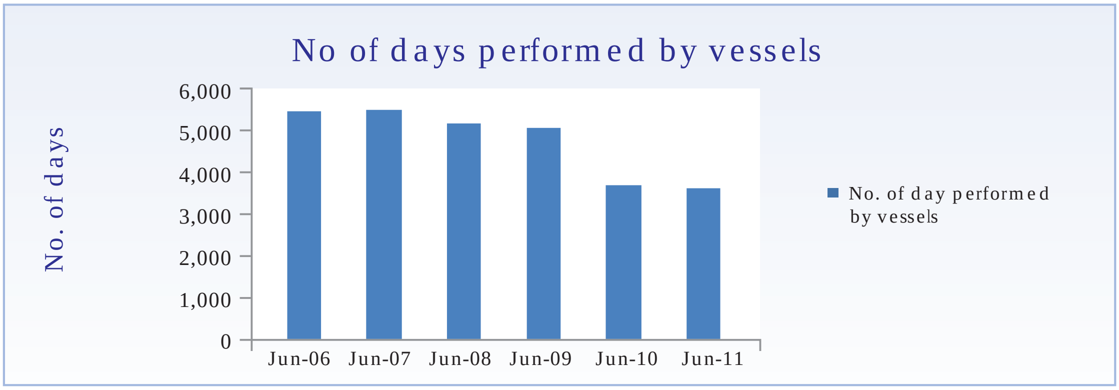


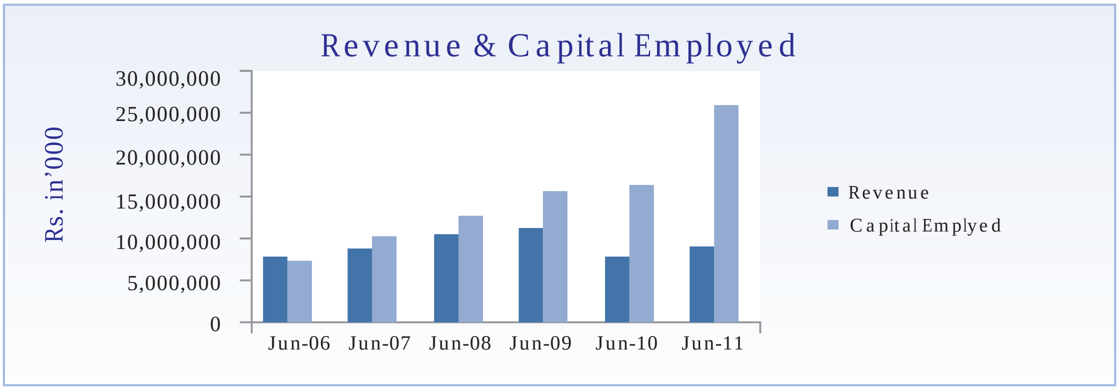


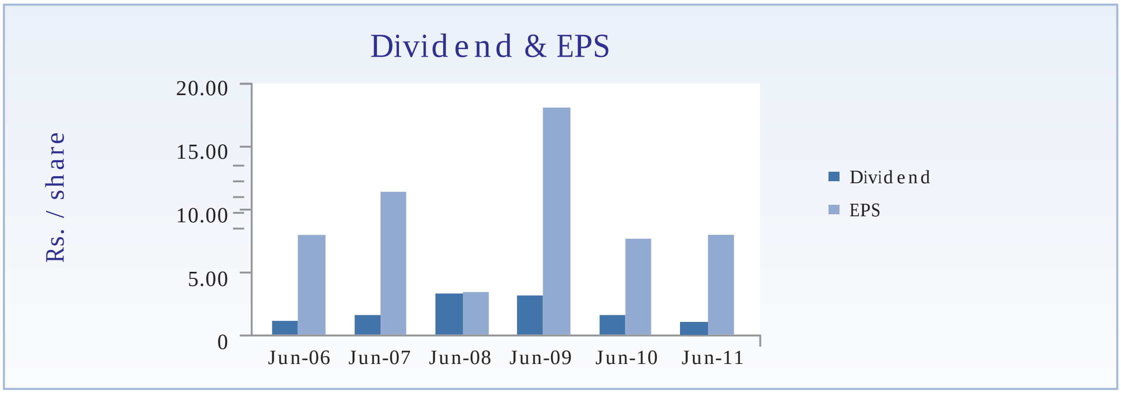





Market/Break-up value per share
Rs. / share
180
160
140
120
100
80
60
40
20
0
Jun-06
Jun-07
Jun-08
Jun-09
Jun-10
Jun-11
Market value per share
Break-up value per share


No of days performed by vessels
No. of days
6,000
5,000
4,000
3,000
2,000
1,000
0
Jun-06
Jun-07
Jun-08
Jun-09
Jun-10
Jun-11
No. of day performed by vessels


Revenue & Capital Employed
Rs. in'000
30,000,000
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
0
Jun-06
Jun-07
Jun-08
Jun-09
Jun-10
Jun-11
Revenue
Capital Emplyed


Dividend & EPS
Rs. / share
20.00
15.00
10.00
5.00
0
Jun-06
Jun-07
Jun-08
Jun-09
Jun-10
Jun-11
Dividend
EPS

HORIZONTAL ANALYSIS (GROUP)

	2011		2010		2009		2008		2007		2006	
	Rs. '000	% change	Rs. '000	% change	Rs. '000	% change	Rs. '000	% change	Rs. '000	% change	Rs. '000	% change
Profit & Loss												
Revenues	9,293,169	18%	7,889,942	-31%	11,474,349	7%	10,753,528	18%	9,089,124	15%	7,924,614	-
Expenditure	7,303,240	14%	6,431,835	-24%	8,411,781	16%	7,277,061	12%	6,495,702	4%	6,255,047	25%
Gross Profit	1,989,929	36%	1,458,107	-52%	3,062,568	-12%	3,476,467	34%	2,593,422	55%	1,669,567	-44%
Administrative and General Expenses	631,646	1%	623,353	20%	519,807	17%	445,027	-5%	468,030	21%	385,297	-9%
Other operating expenses	179,346	-29%	253,206	-21%	319,113	73%	184,265	28 %	143,509	31%	109,951	-66%
Finance costs	264,435	1165%	20,912	-61%	54,154	-69%	174,987	126%	77,353	6%	73,274	-22%
Other operating income	485,938	-45%	888,895	80%	825,417	1%	814,973	-11%	943,526	185%	331,499	-58%
Profit before Taxation	1,400,440	-3%	1,449,531	-52%	2,994,911	-14%	3,487,161	22%	2,848,056	100%	1,427,552	-51%
Taxation	393,168	-18%	481,707	-29%	682,069	-34%	1,038,281	103%	511,183	234%	152,955	-22%
Profit after Taxation	1,007,272	4%	967,824	-58%	2,312,842	-6%	2,448,880	5%	2,336,873	83%	1,274,597	-53%
Balance Sheet												
Property, plant and equipment	23,975,314	63%	14,710,607	78%	8,264,524	-39%	13,624,883	93%	7,069,437	-5%	7,430,919	7%
Other Non-Current Assets	1,042,715	1%	1,034,012	2%	1,013,768	-1%	1,028,705	-7%	1,107,702	31%	848,178	-2%
Trade debts	654,580	42%	462,272	-42%	798,023	42%	563,000	1%	557,290	165%	209,936	-28%
Cash and bank balances	2,100,797	60%	1,314,633	-41%	2,223,490	-35%	3,399,105	274%	907,906	-25%	1,207,054	-71%
Other Current Assets	1,512,474	-25%	2,020,218	-67%	6,071,744	56%	3,886,123	-42%	6,749,267	73%	3,903,604	673%
Total Assets	29,285,880	50%	19,541,742	6%	18,371,549	-18%	22,501,816	37%	16,391,602	21%	13,599,691	7%
Shareholder's Equity	18,107,931	8%	16,772,297	6%	15,880,463	23%	12,894,975	24%	10,385,689	39%	7,477,504	29%
Surplus on Revaluation of Fixed Assets	1,228,579	3%	1,193,198	99%	598,820	-92%	7,604,028	95%	3,892,173	4%	3,744,407	-11%
Deferred liabilites	320,395	10%	291,288	32%	219,894	5%	208,783	-47%	397,077	-1%	399,550	-5%
Long Term Financing	6,941,693	-	-	-	-	-	-	-100%	215,643	-55%	474,021	-35%
Current portion of long term financing	1,079,763	-	-	-	-	-	245,607	-5%	258,771	-	258,557	1%
Other Current Liabilities	1,607,519	25%	1,284,959	-23%	1,672,372	-100%	1,548,423	25%	1,242,249	-	1,245,652	-1%
Total Equity and Liabilities	29,285,880	50%	19,541,742	6%	18,371,549	-18%	22,501,816	37%	16,391,602	21%	13,599,691	7%
Cash Flow Statement												
Cash Flows from Operating Activities	1,562,377	-70%	5,242,579	249%	1,503,728	-70%	5,064,293	-393%	(1,730,785)	-187%	1,978,268	-35%
Cash Flows from Investing Activities	(9,278,524)	61%	(5,762,074)	183%	(2,304,478)	-24%	(2,662,349)	-630%	502,797	-139%	(1,273,166)	44%
Cash Flows from Financing Activities	7,766,987	-2088%	(390,752)	-43%	(686,251)	49%	(460,745)	18%	(391,160)	-21%	(493,039)	40%
Net Increase/Decrease in Cash and cash equivalents	50,840	-106%	(910,247)	-25%	(1,217,001)	-163%	1,941,199	-220%	(1,619,148)	-864%	212,063	-88%

VERTICAL ANALYSIS (GROUP)

	2011		2010		2009		2008		2007		2006	
	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%	Rs. '000	%
Profit & Loss												
Revenues	9,293,169	100%	7,889,942	100%	11,474,349	100%	10,753,528	100%	9,089,124	100%	7,924,614	100%
Expenditure	7,303,240	79%	6,431,835	82%	8,411,781	73%	7,277,061	68%	6,495,702	71%	6,255,047	79%
Gross Profit	1,989,929	21%	1,458,107	18%	3,062,568	27%	3,476,467	32%	2,593,422	29%	1,669,567	21%
Administrative and General Expenses	631,646	7%	623,353	8%	519,807	5%	445,027	4%	468,030	5%	385,297	5%
Other operating expenses	179,346	2%	253,206	3%	319,113	3%	184,265	2%	143,509	2%	109,951	1%
Finance costs	264,435	3%	20,912	-	54,154	-	174,987	2%	77,353	1%	73,274	1%
Other operating income	485,938	5%	888,895	11%	825,417	7%	814,973	8%	943,526	10%	331,499	4%
Profit before Taxation	1,400,440	15%	1,449,531	18%	2,994,911	26%	3,487,161	32%	2,848,056	31%	1,427,552	18%
Taxation	393,168	4%	481,707	6%	682,069	6%	1,038,281	10%	511,183	6%	152,955	2%
Profit after Taxation	1,007,272	11%	967,824	12%	2,312,842	20%	2,448,880	23%	2,336,873	26%	1,274,597	16%
Balance Sheet												
Property, plant and equipment	23,975,314	82%	14,710,607	75%	8,264,524	45%	13,624,883	61%	7,069,437	43%	7,430,919	55%
Other Non-Current Assets	1,042,715	4%	1,034,012	5%	1,013,768	6%	1,028,705	5%	1,107,702	7%	848,178	6%
Trade debts	654,580	2%	462,272	2%	798,023	4%	563,000	3%	557,290	3%	209,936	2%
Cash and bank balances	2,100,797	7%	1,314,633	7%	2,223,490	12%	3,399,105	15%	907,906	6%	1,207,054	9%
Other Current Assets	1,512,474	5%	2,020,218	10%	6,071,744	33%	3,886,123	17%	6,749,267	41%	3,903,604	29%
Total Assets	29,285,880	100%	19,541,742	100%	18,371,549	100%	22,501,816	100%	16,391,602	100%	13,599,691	100%
Shareholder's Equity	18,107,931	62%	16,772,297	86%	15,880,463	86%	12,894,975	57%	10,385,689	63%	7,477,504	55%
Surplus on Revaluation of Fixed Assets	1,228,579	4%	1,193,198	6%	598,820	3%	7,604,028	34%	3,892,173	24%	3,744,407	28%
Deferred liabilites	320,395	1%	291,288	1%	219,894	1%	208,783	1%	397,077	2%	399,550	3%
Long Term Financing	6,941,693	24%	-	-	-	-	-	-	215,643	1%	474,021	3%
Current portion of long term financing	1,079,763	4%	-	-	-	-	245,607	1%	258,771	2%	258,557	2%
Other Current Liabilities	1,607,519	5%	1,284,959	7%	1,672,372	9%	1,548,423	7%	1,242,249	8%	1,245,652	9%
Total Equity and Liabilities	29,285,880	100%	19,541,742	100%	18,371,549	100%	22,501,816	100%	16,391,922	100%	13,599,691	100%
Cash Flow Statement												
Cash Flows from Operating Activities	1,562,377	3073%	5,242,579	-576%	1,503,728	-124%	5,064,293	261%	(1,730,785)	107%	1,978,268	933%
Cash Flows from Investing Activities	(9,278,524)	-18251%	(5,762,074)	633%	(2,304,478)	167%	(2,662,349)	-137%	502,797	-31%	(1,273,166)	-600%
Cash Flows from Financing Activities	7,766,987	15277%	(390,752)	43%	(686,251)	56%	(460,745)	-24%	(391,160)	24%	(493,039)	-232%
Net Increase/Decrease in Cash and cash equivalents	50,840	100%	(910,247)	100%	(1,217,001)	100%	1,941,199	100%	(1,619,148)	100%	212,063	100%

SIX YEARS AT A GLANCE (PNSC)

(Rupees in '000)

	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006
Profit & Loss						
Revenue	3,084,361	2,077,947	3,491,783	3,100,257	2,168,325	1,748,341
Expenditure	1,945,834	1,351,580	1,932,155	1,912,278	802,803	807,046
Gross profit	1,138,527	726,367	1,559,628	1,187,979	1,365,522	941,295
Administrative, general & other expenses	555,079	421,782	685,475	615,906	260,768	242,715
Other income	317,110	834,377	824,149	765,462	833,398	436,112
Profit before taxation	900,558	1,138,962	1,698,302	1,337,535	1,938,152	1,134,692
Taxation	288,157	427,429	641,539	922,644	480,933	128,529
Profit after taxation	612,401	711,533	1,056,763	414,891	1,457,219	1,006,163
Balance Sheet						
Non-current assets	26,303,826	15,694,447	8,729,638	6,143,866	3,542,942	4,483,132
Current assets	3,309,308	2,826,872	8,070,341	7,470,470	8,492,819	4,843,263
Total Assets	29,613,134	18,521,319	16,799,979	13,614,336	12,035,761	9,326,395
Paid-up Capital	1,320,634	1,320,634	1,320,634	1,320,634	1,320,634	1,320,634
Reserves	5,565,343	5,140,981	4,814,590	4,152,565	3,874,701	2,542,920
Share-holders' equity	6,885,977	6,461,615	6,135,224	5,473,199	5,195,335	3,863,554
Surplus on revaluation of fixed assets	662,817	671,928	681,027	743,324	748,461	536,407
Non-current liabilities	7,262,089	291,288	219,894	208,783	612,720	873,571
Current liabilities	14,802,251	11,096,488	9,763,834	7,189,030	5,479,245	4,052,863
	29,613,134	18,521,319	16,799,979	13,614,336	12,035,761	9,326,395
RATIOS						
Profitability Ratios	37%	35%	45%	38%	63%	54%
Operating Profit/ Operating Revenue (%)	29.20%	54.81%	48.64%	43.14%	89.38%	64.90%
Profit Before Tax/Operating Revenue (%)	19.86%	34.24%	30.26%	13.38%	67.20%	57.55%
Profit after Tax/Operating Revenue (%)	4.13%	9.58%	15.02%	6.46%	22.23%	19.08%
Return on Capital Employed						
Liquidity / Leverage Ratios						
Current Ratio	0.22	0.25	0.83	1.04	1.55	1.20
Asset Turnover Ratio (Times)	0.12	0.13	0.40	0.50	0.61	0.39
Equity / Total Assets (%)	25%	39%	41%	46%	49%	47%
Return to Shareholders						
Earnings per share (Rs.)	4.64	5.39	8.00	3.14	11.03	7.62
Price Earning Ratio (Rs.)	5.17	7.40	5.77	22.79	8.52	8.28
Cash Dividend (Rs. / share)	1.00	1.50	3.00	3.10	1.50	1.00
Break-up Value per share	57.16	54.02	51.61	47.07	45.01	33.32
Share prices in Rupees						
High	41.74	75.54	52.31	112.20	97.20	139.70
Low	23.40	38.00	44.14	65.00	40.00	57.00

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Pakistan National Shipping Corporation
(Established under the Pakistan National Corporation Ordinance, 1979)
Year Ended: 30th June 2011

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

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

1. In accordance with the provisions of the Pakistan National Shipping Corporation Ordinance, 1979, the Board of Directors consists of five directors to be appointed by Federal Government, and two directors to be elected by the shareholders other than the Federal Government. 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. During the year two casual vacancies occurred when two appointed directors, Mrs. Rukhsana Saleem and Mr. Sohrab Adil Gilani resigned from the directorships of the Corporation on July 23, 2010 and November 3, 2010 respectively. The Federal Government is in the process of appointing two new directors on the Board as per requirement of the PNSC Ordinance, 1979.
5. The Corporation has prepared a 'Statement of Ethics and Business practices', which has been signed by all the directors and employees of the Corporation.
6. The Board has revised its vision/mission statement, overall corporate strategy and significant policies of the Corporation in the current year. A complete record of particulars of significant policies with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Federal Government or the Board of Directors, as appropriate.
8. The meetings of the Board were presided over by the Chairman, and the Board met at least once in every quarter. Written notices of the Board meetings along with the agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The Directors of the Corporation are professionally qualified and experienced persons and are well aware of their duties and responsibilities. During the year continuous efforts were made to arrange orientation courses for the Directors which may materialize in due course.

10. There has been no fresh appointments of Chief Financial Officer, Corporation Secretary and Head of Internal Audit during the year.

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

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

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

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

15. The Board has formed an audit committee. It comprised of three members, all of whom were non-executive directors including the chairman of the committee. During the year a casual vacancy occurred in the audit committee and the appointment of the member is still awaited.

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

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

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

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

20. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.

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

VICE ADMIRAL (RETD.)
SALEEM AHMED MEENAI HI (M)
CHAIRMAN / CHIEF EXECUTIVE

A.F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
STATE LIFE BULIDING
I.I. CHUNDRIGAR ROAD
KARACHI

ERNST & YOUNG FORD RHODES
SIDAT HYDER
CHARTERED ACCOUNTANTS
PROGRESSIVE PLAZA
BEAUMONT ROAD
KARACHI

AUDITORS' REVIEW REPORT ON COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2011 prepared by the Board of Directors of Pakistan National Shipping Corporation to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited 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 a part of our audit of the 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.

Further, Sub-Regulation (xiiia) of Listing Regulations 35 notified by The Karachi Stock Exchange requires the Corporation to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and those which are not executed at arm's length prices and recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of subject requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, 2011.

A. F. FERGUSON & CO.
Chartered Accountants
Karachi, September 28, 2011

ERNST & YOUNG FORD RHODES
SIDAT HYDER
Chartered Accountants
Karachi, September 28, 2011

CONSOLIDATED
REPORT AND ACCOUNTS

OF

PAKISTAN NATIONAL
SHIPPING CORPORATION
GROUP OF COMPANIES

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

ERNST & YOUNG FORD RHODES SIDAT HYDER
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, 2011 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 statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing as applicable in Pakistan and accordingly includes 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, 2011 and the results of their operations, changes in equity and cash flows for the year then ended.

A. F. FERGUSON & CO.
Chartered Accountants
Audit Engagement Partner : Saad Kaliya
Karachi, September 28, 2011

ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Audit Engagement Partner : Riaz A. Rehman Chamdia
Karachi, September 28, 2011

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2011

	Note	2011	2010
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**23,975,314**	14,710,607
Intangible asset	5	**-**	-
Investment properties	6	**996,638**	970,926
Long-term investments in:			
- Related party (associate)	7	**-**	-
- Listed companies and an other entity	8	**26,883**	26,254
Long-term loans	9	**214**	668
Long-term deposits		**90**	90
Deferred tax - net	10	**18,890**	36,074
		25,018,029	15,744,619
CURRENT ASSETS			
Stores and spares	11	**537,248**	536,449
Trade debts	12	**654,580**	462,272
Agents' and owners' balances	13	**6,443**	1,070
Loans and advances	14	**62,618**	38,863
Deposits and short term prepayments	15	**28,079**	7,132
Interest / mark-up accrued		**2,582**	1,786
Other receivables	16	**240,382**	72,592
Incomplete voyages	17	**92,992**	80,616
Insurance claims	18	**36,672**	46,651
Taxation - net		**28,158**	27,835
Short-term investments	19	**477,300**	1,207,224
Cash and bank balances	20	**2,100,797**	1,314,633
		4,267,851	3,797,123
TOTAL ASSETS		**29,285,880**	**19,541,742**
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE HOLDING COMPANY			
Share capital	21	**1,320,634**	1,320,634
Reserves	22	**16,785,737**	15,449,428
		18,106,371	16,770,062
NON-CONTROLLING INTEREST	**23**	**1,560**	**2,235**
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		**18,107,931**	**16,772,297**
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX			
- Owners of the holding company		**1,227,292**	1,191,054
- Non-controlling interest		**1,287**	2,144
	24	**1,228,579**	1,193,198
NON-CURRENT LIABILITIES			
Long term financing	25	**6,941,693**	-
Deferred liabilities	26	**320,395**	291,288
		7,262,088	291,288
CURRENT LIABILITIES AND PROVISION			
Trade and other payables	27	**1,414,283**	1,090,585
Provision against damage claims	28	**28,327**	39,403
Accrued Mark up		**134,898**	-
Current portion of long-term financing	25	**1,079,763**	-
Taxation - net		**30,011**	154,971
		2,687,282	1,284,959
TOTAL EQUITY AND LIABILITIES		**29,285,880**	**19,541,742**
CONTINGENCIES AND COMMITMENTS	**29**		

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

Vice Admiral (R) Saleem Ahmed Meenai	**Khowaja Obaid Imran Ilyas**
Chairman & Chief Executive	*Director*

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		(Rupees in '000)	
REVENUES			
Income from shipping business	30	**9,193,246**	7,808,100
Rental income		**99,923**	81,842
		9,293,169	7,889,942
EXPENDITURE			
Fleet expenses - direct	31	**7,198,142**	6,354,925
- indirect	32	**17,038**	19,799
Real estate expenses	33	**88,060**	57,111
		7,303,240	6,431,835
GROSS PROFIT		**1,989,929**	**1,458,107**
Administrative and general expenses	34	**631,646**	623,353
Other operating expenses	35	**179,346**	253,206
Finance costs	36	**264,435**	20,912
		1,075,427	897,471
Other operating income	37	**485,938**	888,895
PROFIT BEFORE TAXATION		**1,400,440**	**1,449,531**
Taxation	38	**393,168**	481,707
PROFIT AFTER TAXATION		**1,007,272**	**967,824**
Attributable to:			
Equity holders of the holding company		**1,006,950**	967,484
Non-controlling interest		**322**	340
		1,007,272	967,824
		(Rupees)	
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY	**39**	**7.62**	**7.33**

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

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

Vice Admiral (R) Saleem Ahmed Meenai
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, 2011

	Attributable to the share holders of the holding company					
	Issued, subscribed and pad-up share capital (Note 21)	Captial reserve	Revenue reserves: General reserves	Revenue reserves: Unappro-priated profit	Non-controlling interest	Total
	(Rupees in '000)					
Balance as at July 1, 2009	1,320,634	131,344	129,307	14,297,283	1,895	15,880,463
Total comprehensive income for the year ended June 30, 2010	-	-	-	967,484	340	967,824
Surplus realised on disposal of vessels	-	-	-	290,407	-	290,407
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity- net of tax	-	-	-	29,793	-	29,793
Transactions wih owners						
Final cash dividend for the year ended June 30, 2009 paid to shareholders of the holding company (Rs 3 per Ordinary share)	-	-	-	(396,190)	-	(396,190)
Balance as at June 30, 2010	1,320,634	131,344	129,307	15,188,777	2,235	16,772,297
Total comprehensive income for the year ended June 30, 2011	-	-	-	1,006,950	322	1,007,272
Surplus realised on disposal of vessels	-	-	-	569,340	-	569,340
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity- net of tax	-	-	-	93,653	-	93,653
Transaction cost incurred for issue of further share capital of subsidiaries	-	-	-	(135,788)	-	(135,788)
Transactions wih owners						
Final cash dividend for the year ended June 30, 2010 paid to shareholders of the holding company (Rs 1.5 per Ordinary share)	-	-	-	(198,095)	-	(198,095)
Acquisition of non-controlling interest	-	-	-	249	(997)	(748)
Total transactions with owners	-	-	-	(197,846)	(997)	(198,843)
Balance as at June 30, 2011	1,320,634	131,344	129,307	16,525,086	1,560	18,107,931

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

Vice Admiral (R) Saleem Ahmed Meenai
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, 2011

	Note	2011	2010
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	40	**2,482,723**	5,948,677
Employees' gratuity paid		**(42,453)**	(31,119)
Employees' compensated absences paid		**(56,438)**	(39,736)
Post retirement medical benefits paid		**(14,213)**	(15,278)
Long-term loans and advances - net		**454**	344
Finance costs paid		**(428,873)**	-
Receipt under cross currency interest rate swap		**228,904**	-
Arrangement fee paid		**(106,662)**	-
Provision against damage claim paid		**(743)**	-
Taxes paid		**(500,322)**	(620,309)
Net cash generated from operating activities		**1,562,377**	5,242,579
Cash flows from investing activities			
Fixed capital expenditure		**(10,966,645)**	(7,063,977)
Investment in investment properties		**-**	(1,630)
Proceeds from disposal of property, plant and equipment		**1,490,857**	540,536
Interest / mark-up received		**196,649**	762,155
Consideration paid for acquisition of non controlling interest		**(748)**	-
Dividends received		**1,363**	842
Net cash used in investing activities		**(9,278,524)**	(5,762,074)
Cash flows from financing activities			
long-term financing obtained - net		**8,098,218**	-
Transaction cost paid for issue of share capital		**(135,788)**	-
Dividends paid		**(195,443)**	(390,752)
Net cash generated / (used in) financing activities		**7,766,987**	(390,752)
Net increase / (decrease) in cash and cash equivalents		**50,840**	(910,247)
Cash and cash equivalents at the beginning of the year		**2,521,857**	3,432,104
Cash and cash equivalents at the end of the year	41	**2,572,697**	2,521,857

The annexed notes 1 to 50 form an integral part of these consolidated financial statements.

Vice Admiral (R) Saleem Ahmed Meenai
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, 2011

1. THE GROUP AND ITS OPERATIONS

Pakistan National Shipping Corporation (the holding company), its subsidiary companies and an associate (together 'the Group') were incorporated under the provisions of the Pakistan National Shipping Ordinance, 1979 and the Companies Ordinance, 1984 respectively. The Group is principally engaged in the business of shipping, including charter of vessels, transportation of cargo and other related services. The Group is also engaged in renting out its properties to tenants under 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

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

Associate
- Muhammadi Engineering Works (Private) Limited

The holding company owns 73% (2010: 55%) of the share capital of Pakistan Co-operative Ship Stores (Private) Limited and 100% (2010: 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 Bolan Shipping (Private) Limited, Swat Shipping (Private) Limited, Lalazar Shipping (Private) Limited, Johar Shipping (Private) Limited, Shalamar Shipping (Private) Limited, Khairpur Shipping (Private) Limited and Makran Shipping (Private) Limited which currently do not own any vessel / tanker.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Ordinance and the requirements of and directives issued under that Ordinance. However, the requirements of and the directives issued under that Ordinance have been followed where those requirements are not consistent with the requirements of the IFRSs, as notified under the Ordinance.

2.1.1 Standards, amendments to published approved accounting standards and interpretations effective for the year ended June 30, 2011:

The following standards, interpretations and amendments to existing standards have been published that are mandatory and relevant for the Group's accounting period beginning on July 1, 2010.

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (the "Schemes") for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a trust fund to be created for the purpose of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination of such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price of listed entities or breakup value of non-listed entities. The shares related to the surrendered units would be transferred back to GoP.

The scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatisation Commission of Pakistan for payment to employees against surrendered units. The deficits, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of the empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the holding company, under the provisions of amended International Financial Reporting Standard-2 'Share Based Payments' (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan on receiving the representation from some of the entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan, has granted exemption vide SRO 587(I)/2011 dated June 7, 2011 to such entities from application of IFRS 2 to the Scheme.

Had the exemption not been granted, the impact based on the independent actuarial valuations conducted as on June 30, 2011, for the years ended June 30, 2010 and 2011 would have been as follows:

	Year ended June 30, 2011	Year ended June 30, 2010
	(Rupees in '000)	
Staff costs of the Group for the year would have been higher by	**167,338**	177,446
Profit after taxation would have been lower by	**167,338**	177,446
	(Rupees)	
Earnings per share would have been lower by	**1.27**	1.34

	Year ended June 30, 2011	Year ended June 30, 2010
	(Rupees in '000)	
Retained earnings would have been lower by	**167,338**	177,446
Reserves would have been higher by	**167,338**	177,446

Standards, amendments to published approved accounting standards and interpretations becoming effective in the year ended June 30, 2011 but not relevant:

There are certain new approved accounting standards, amendments to approved accounting standards and interpretations that are mandatory for accounting periods beginning on July 1, 2010 but are considered not to be relevant or to have any significant effect on the Group's operations and are, therefore not disclosed in these consolidated financial statements.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after July 1, 2011:

There are certain amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect to the Group's operations and are therefore not mentioned in these consolidated financial statements.

2.2 Basis of preparation

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

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

- Certain investment properties and financial instruments as referred to in notes 2.6 and 2.7.1 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' respectively.

- Accounting for staff benefits as referred to in notes 2.15 and 2.16 respectively.

2.3 Basis of consolidation

2.3.1 Subsidiaries

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

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

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

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions 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.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling 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.

Transactions with non controlling interests

Consistent with prior years, the Group treats transactions with non controlling interest as transactions with equity owners of the Group. For purchase of interest from non controlling interests, the difference between any consideration paid and relevant share aquired of the carying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the equity is remeasured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial assets. In addition, any amount previously recognised in other comprehensive income in respect to that entity are accounted for as if the Group had directly disposed of the related assets and liability.

2.3.2 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.

2.4 Fixed assets

2.4.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation except for leasehold land and buildings thereon, 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 dry docking and class renewal expenses are capitalised as and when incurred and amortised over a period of thirty to sixty months respectively.

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.

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.

A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on any 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.

The surplus held on revaluation of fixed assets can be applied by the Group in setting off or in diminution of any deficit arising from the revaluation of any other fixed assets of the Group.

Other major renewals, replacements and improvements that meet the recognition criteria in IAS 16 are capitalised and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to income as and when incurred. Gains and losses on disposals of the assets are included in income currently.

2.4.2 Capital work-in-progress

These are stated at cost less accumlated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried uder this head. These are transferred to specific assets as and when these assets are available for use.

2.4.3 Intangible assets

An intangible asset is an identifiable non-monetory asset without physical substance. 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.

2.5 Impairment of assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Impairment losses are charged to profit and loss account 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 any other asset.

2.6 Investment properties

Properties held for long-term rental yields which are significantly rented out 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 income currently.

2.7 Financial instruments

2.7.1 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term (Note 43).

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Various financial assets classified under this category are disclosed in Note 43.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories (Note 43).

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity and are carried at amortised cost (Note 43).

All financial assets are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised at trade-date i.e., the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Group measures the investments at cost less impairment in value, if any.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using effective interest rate method.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

2.7.2 Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

2.7.3 Financial liabilities

All financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

2.7.4 Derivative financial instruments

The Group uses derivative financial instruments such as interest rate and cross currency swaps to manage its risks associated with interest and exchange rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives with positive market values (unrealised gains) are included in other asset and derivatives with negative market values (unrealised losses) are included in trade and other payables in the balance sheet. Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit and loss account.

2.7.5 Interest - bearing loans and borrowings

Interest bearing loans and borrowings (borrowings) are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities (arrangement fees) are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down in this case the fee is deferred until the draw down occurs.

2.7.6 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the consolidated financial statements if the Group has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.8 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.

The Group reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form.

2.9 Trade debts and other receivables

Trade debts and other receivables are carried at invoice value less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Debts, considered irrecoverable, are written off, as and when identified.

2.10 Taxation

2.10.1 Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and tax paid on presumptive basis or minimum tax of turnover, whichever is higher. Whereas provision for current taxation in respect of subsidiaries operating vessel is based on Final Tax Regime (FTR) under clause 21 (a) of part II of the Second Schedule to the Income Tax Ordinance, 2001.

2.10.2 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.

2.11 Insurance claims

Consistent with prior years, hull claims and other claimable expenses relating to hull are charged to income currently and claims filed there against are taken to income when such claims are accepted by the underwriters.

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

2.12 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services whether billed or not.

2.13 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.

2.14 Dividend and other 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 consolidated financial statements in the period in which such dividends are declared / transfers are made.

2.15 Staff retirement benefits

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

2.15.2 Defined benefit gratuity scheme

The Group operates a funded retirement gratuity scheme for its permanent employees other than those who joined the Group after October 16, 1984. 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.

2.15.3 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.

2.16 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.

2.17 Cash and cash equivalents

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

2.18 Foreign currency translation

These consolidated 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.

2.19 Revenue recognition

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

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

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

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

2.20 Borrowing costs

Consistent with prior years, borrowing costs that are directly attributable to the acquisition and construction of assets and incurred during the period in connection with the activities necessary to prepare the asset for its intended use are capitalised as a part of the cost of related asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

2.21 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Group; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the accounting policies, management has made the following estimates and judgements which are significant to the consolidated financial statements.

(a) Valuation of property, plant and equipment and investment properties (note 4 and 6).

(b) Determining the residual values and useful lives of property, plant and equipment (note 4).

(c) Recognition of deferred tax and taxation (note 10 and 38).

(d) Determining the provision for slow moving stores and spares (note 11).

(e) Accounting for provision for impairment of trade debts (note 12).

(f) Accounting for provision against damage claims (note 28).

(g) Accounting for defined benefit plans (note 26).

(h) Measuring fair value of cross currency swap (note 16); and

(i) Measuring the value of contingent assets and liabilities (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	2011	2010
		(Rupees in '000)	
4. PROPERTY, PLANT AND EQUIPMENT			
- Operating fixed assets	4.1	**23,714,500**	14,041,845
- Capital work-in-progress	4.9	**260,814**	668,762
		23,975,314	14,710,607

4.1 The following is a statement of operating fixed assets:

	Leasehold land	Buildings on leasehold land	Vessel fleet: Cost or revaluation	Vessel fleet: Dry docking and 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, 2009																
Cost or revalued amount	607,325	177,748	6,932,302	2,332,161	9,264,463	65,114	12,011	11,611	7	18	39,828	3,468	13,152	14,391	11,815	10,220,951
Less: accumulated depreciation	-	41,122	884,784	1,284,878	2,169,662	39,814	5,319	4,408	7	18	24,823	3,468	-	8,443	6,942	2,304,026
Net book value	607,325	136,626	6,047,518	1,047,283	7,094,801	25,300	6,692	7,203	-	-	15,005	-	13,152	5,948	4,873	7,916,925
Year ended June 30, 2010																
Opening net book value	607,325	136,626	6,047,518	1,047,283	7,094,801	25,300	6,692	7,203	-	-	15,005	-	13,152	5,948	4,873	7,916,925
Additions including transfers from CWIP	-	2,243	6,640,803	92,307	6,733,110	-	1,832	709	-	-	2,175	-	-	111	2,634	6,742,814
Surplus / (deficit) on revaluation	-	-	912,629	-	912,629	-	-	-	-	-	-	-	-	-	-	912,629
Revaluation adjustment																
Cost	-	-	(228,572)	-	(228,572)	-	-	-	-	-	-	-	-	-	-	(228,572)
Accumulated depreciation	-	-	228,572	-	228,572	-	-	-	-	-	-	-	-	-	-	228,572
	-	-	-	-	-	-	-	-	-	-	-	-	-		-	-
Disposals																
Cost	-	(3,213)	(462,536)	(485,430)	(947,966)	-	-	-	-	-	(12,016)	-	-	-	-	(963,195)
Accumulated depreciation	-	362	44,260	381,366	425,626	-	-	-	-	-	10,084	-	-	-	-	436,072
	-	(2,851)	(418,276)	(104,064)	(522,340)	-	-	-	-	-	(1,932)	-	-	-	-	(527,123)
Write off																
Cost or revalued amount	-	-	-	-	-	-	-	-	-	-	(1,035)	-	-	(1)	-	(1,036)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	776	-	-	1	-	777
	-	-	-	-	-	-	-	-	-	-	(259)	-	-	-	-	(259)
Depreciation charge for the year	-	(21,527)	(349,162)	(610,805)	(959,967)	(8,754)	(1,585)	(1,274)	-	-	(4,613)	-	(1,315)	(592)	(3,514)	(1,003,141)
Closing net book value	607,325	114,491	12,833,512	424,721	13,258,233	16,546	6,939	6,638	-	-	10,376	-	11,837	5,467	3,993	14,041,845
As at June 30, 2010																
Cost or revalued amount	607,325	176,778	13,794,626	1,939,038	15,733,664	65,114	13,843	12,320	7	18	28,952	3,468	13,152	14,501	14,449	16,683,591
Less: Accumulated depreciation	-	62,287	961,114	1,514,317	2,475,431	48,568	6,904	5,682	7	18	18,576	3,468	1,315	9,034	10,456	2,641,746
Net book value	607,325	114,491	12,833,512	424,721	13,258,233	16,546	6,939	6,638	-	-	10,376	-	11,837	5,467	3,993	14,041,845

	Leasehold land	Buildings on leasehold land	Vessel fleet Cost or revaluation	Vessel fleet Dry docking and 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	------	------	------	------	------	------	------	------
Year ended June 30, 2011																
Opening net book value	607,325	114,491	12,833,512	424,721	13,258,233	16,546	6,939	6,638	-	-	10,376	-	11,837	5,467	3,993	14,041,845
Additions including transfers from CWIP	-	442,275	10,732,656	119,912	10,852,568	-	31,753	19,284	-	-	10,289	-	-	248	18,176	11,374,593
Surplus / (deficit) on revaluation	-	-	697,429	-	697,429	-	-	-	-	-	-	-	-	-	-	697,429
Disposals																
Cost	-	(609)	(1,300,434)	(931,578)	(2,232,012)	(495)	-	-	-	-	(17,000)	-	-	-	-	(2,250,116)
Accumulated depreciation	-	162	67,467	889,669	957,136	495	-	-	-	-	11,059	-	-	-	-	968,852
	-	(447)	(1,232,967)	(41,909)	(1,274,876)	-	-	-	-	-	(5,941)	-	-	-	-	(1,281,264)
Revaluation adjustments																
Cost	-	-	(572,259)	-	(572,259)	-	-	-	-	-	-	-	-	-	-	(572,259)
Accumulated depreciation	-	-	572,259	-	572,259	-	-	-	-	-	-	-	-	-	-	572,259
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write off																
Cost or revalued amount	-	(94,464)	(7,802)	(55,384)	(63,186)	-	-	-	-	-	-	-	-	-	-	(157,650)
Accumulated depreciation	-	53,673	7,802	55,384	63,186	-	-	-	-	-	-	-	-	-	-	116,859
	-	(40,791)	-	-	-	-	-	-	-	-	-	-	-	-	-	(40,791)
Other adjustments																
Cost	-	-	(372)	(5,732)	(6,104)	-	-	-	-	-	-	-	-	-	-	(6,104)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	(372)	(5,732)	(6,104)	-	-	-	-	-	-	-	-	-	-	(6,104)
Depreciation charge for the year	-	(70,461)	(686,640)	(290,174)	(976,814)	(7,686)	(3,254)	(3,535)	-	-	(3,348)	-	(1,974)	(467)	(3,669)	(1,071,208)
Closing net book value	607,325	445,067	22,343,618	206,818	22,550,436	8,860	35,438	22,387	-	-	11,376	-	9,863	5,248	18,500	23,714,500
As at June 30, 2011																
Cost or revalued amount	607,325	523,980	23,343,844	1,066,256	24,410,100	64,619	45,596	31,604	7	18	22,241	3,468	13,152	14,749	32,625	25,769,484
Less: Accumulated depreciation	-	78,913	1,000,226	859,438	1,859,664	55,759	10,158	9,217	7	18	10,865	3,468	3,289	9,501	14,125	2,054,984
Net book value	607,325	445,067	22,343,618	206,818	22,550,436	8,860	35,438	22,387	-	-	11,376	-	9,863	5,248	18,500	23,714,500
Annual rate of depreciation	-	**3 to 20**	**see note 4.5**	**20 to 40**	-	**20**	**15**	**10 to 15**	-	**10 to 15**	**10 to 15**	**15**	**10**	**5 to 10**	**25**	

4.2 The latest revaluation of Group's vessels (held in the books of the subsidiary companies) was carried out as of June 30, 2011 by Optima Ship Brokers (2010: June 30, 2010 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 697.429 million (2010: Surplus of Rs 912.629 million) on the written down values of Rs 10,913.533 million (2010: Rs 5,280.080 million) which has been incorporated in the books of the Group as at June 30, 2011. During the year the Group has purchased four vessels (M.T. Sibi, M.T Hyderabad, M.T. Chitral and M.T. Malakand) having useful lives of 30 years each. No revaluation of these vessels have been carried out as of June 30, 2011 as the management believes that since the vessels have been acquired close to the year end there is no significant change in their fair values.

4.3 The revaluation of the 'leasehold land', 'buildings on leasehold land', 'beach huts' and 'workshop machinery and equipment' were carried out as of June 30, 2009 by Pee Dee & Associates on the basis of their professional assessment of present market values. The revaluation resulted in a deficit of Rs 48.315 million on the written down values of Rs 803.607 million which had been incorporated in the books of the Group as at June 30, 2009. Of the total revaluation surplus arisen, Rs 679.352 million (2010: Rs 692.352 million) remains undepreciated at June 30, 2011. However, the deficit on revaluation of buildings arisen during the year 2009 did not include the revaluation effect of PNSC building as it was in rehabilitation stage and renovation was being carried out.

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

	2011	2010
	(Rupees in '000)	
Leasehold land and buildings on leasehold land and beach huts	**383,360**	36,412
Vessel Fleet	**10,004,762**	5,671,439
Workshop machinery and equipment	**4,331**	4,730
	10,392,453	5,712,581

4.5 During the year, the management of the Group has revised the estimated useful lives of its liquid cargo vessel. 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 till 30 years. Had the estimate not been revised the depreciation charge for the year would have been higher by Rs 64.417 million.

4.6 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 Group does not have physical possession or control over the vessel.

4.7 The following operating fixed assets with a net book value exceeding Rs 50,000 were disposed of during the year:

Particulars	Mode of disposal	Cost or revalu-ation	Accumulated depreciation	Net book value	Sale proceeds	Gain	Particulars of purchaser
		Rupees in '000					
Vessels							
MV Bolan	Tender	321,692	149,761	171,931	210,865	38,934	Gravity Shipping Limited, Valetta, Malta
MV Johar	--do--	931,646	398,210	533,436	629,193	95,757	Exim Incorporated, New Jersey, United States of America
MV Swat	--do--	995,511	420,060	575,451	603,528	28,077	Gravity Shipping Limited, Valetta, Malta
		2,248,849	968,031	1,280,818	1,443,586	162,768	
Building on lease hold							
Lifts		609	162	447	2,572	2,125	Harmony Traders. 267,Haroon Banglows, Sector 38/A, Karachi
		2,249,458	968,193	1,281,265	1,446,158	164,893	

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

	Note	2011	2010
		(Rupees in '000)	
Fleet expenses - direct	31	**964,630**	939,265
Fleet expenses - indirect	32	**466**	592
Real estate expenses	33	**43,062**	15,263
Administrative and general expenses	34	**48,217**	22,817
Incomplete voyages	17	**14,833**	25,204
		1,071,208	1,003,141

4.9 Capital work-in-progress

	2011	2010
Buildings on leasehold land	**257,703**	668,762
Vessel fleet	**3,111**	-
	260,814	668,762

5. INTANGIBLE ASSET

This represents cost of Rs. 16.503 million of software "Ship Management Expert System" (SES). SES was being amortised over the useful life of five years and had been fully amortised during the year ended June 30, 2009, however, it is still in active use.

6. INVESTMENT PROPERTIES

	Leasehold land	Buildings on leasehold land	Total
	--------- (Rupees in '000) ---------		
Balance as at July 1, 2009	910,700	58,596	969,296
Additions during the year	-	1,630	1,630
Balance as at June 30, 2010	910,700	60,226	970,926
Balance as at July 1, 2010	910,700	60,226	970,926
Surplus on revaluation of investment properties	41,800	(16,088)	25,712
Balance as at June 30, 2011	952,500	44,138	996,638

6.1 During the period, revaluation of the holding company's investment properties was carried out by Pee Dee & Associates as of October 31, 2010 on the basis of their professional assessment of present market values. As a result, a revaluation gain of Rs 41.800 million was assessed in respect of leasehold land whereas a revaluation loss was assessed on buildings on leasehold land amounting to Rs 16.088 million. The management of the holding company believes that the current market values of the investment properties approximate their fair values.

7. LONG TERM INVESTMENTS IN RELATED PARTY (ASSOCIATE)

Equity Method

No. of ordinary shares 2011	No. of ordinary shares 2010	Name of the company	Country of incorporation	share of net assets 2011	share of net assets 2010	Latest available audited financial statements for the year ended	% holding	Face value per share	2011	2010
				(Rupees in '000)				(Rs)	(Rupees in '000)	
Associate - unlisted										
12,250	12,250	Muhammadi Engineering Works Ltd.	Pakistan	**1,600**	1,600	December 31, 1982 (unaudited)	49	100	**1,600**	1,600
		Less: Accumulated impairment losses								
		Less: Accumulated impairment losses							**1,600**	1,600
									-	-

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

	Note	2011	2010
		(Rupees in '000)	
Financial assets designated as 'at fair value through profit or loss'			
Listed companies			
6,930 (2010: 6,930) ordinary shares of Rs 10 each fully paid of Siemens (Pakistan) Engineering Company Limited. Market value per share Rs 1,084.21 (2009: Rs 1,039.56 per share)"		**7,514**	7,204
72,828 (2010: 72,828) ordinary shares of Rs 10 each fully paid of Pakistan State Oil Company Limited. Market value per share Rs 264.58 (2010: Rs 260.20)"		**19,269**	18,950
		26,783	26,154
Available for sale financial assets			
Other entity - carried at cost			
10,000 (2010: 10,000) ordinary shares of Rs 10 each of Pakistan Tourism Development Corporation Limited "		**100**	100
		26,883	26,254

9. LONG-TERM LOANS

	Note	2011	2010
Others - due from employees			
Considered good		**423**	1,003
Considered doubtful		**224**	-
Due from employees	9.1	**647**	1,003
Less: Provision for impairment	9.5	**224**	-
		423	1,003
Less: Recoverable within twelve months	14	**209**	335
		214	668

9.1 It comprises of house building and vehicle loans amounting to Rs 0.566 million (2010: Rs 0.817 million) and Rs 0.081 million (2010: Rs 0.186 million) respectively.

9.2 Vehicle loans represent loans to employees for purchase of vehicles and are secured against employees' personal guarantees and charge on vehicles. Such loans are recoverable over 36 or 48 monthly installments on which interest is being charged at the rate of 11% (2010: 11%) per annum.

9.3 House building loans represent loans to employees for purchase of land, residential accommodation and construction and renovation of houses. These loans are recoverable over 180 monthly installments. An amount of Rs 0.402 million (2010: Rs 0.792 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.

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

9.5 Provision for impairment

	Note	2011	2010
		(Rupees in '000)	
Balance at the beginning of the year		**-**	-
Provision made during the year		**224**	-
Balance at the end of the year		**224**	-

10. DEFERRED TAX - NET

	Note	2011	2010
Deductible temporary differences arising in respect of:			
- accelerated depreciation		**-**	1,508
- short-term provisions and deferred liabilities		**65,211**	54,990
		65,211	56,498
Taxable temporary differences arising in respect of:			
- surplus on revaluation of fixed assets	24	**16,421**	20,424
- unamortised transaction cost		**23,119**	-
- accelerated depreciation		**6,781**	-
		46,321	20,424
		18,890	36,074

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

11. STORES AND SPARES

	2011	2010
	(Rupees in '000)	
Stores		
- at depots	**17,074**	21,507
- at buildings	**1,630**	266
- on board	**13,532**	16,044
	32,236	37,817
Spares		
- at buildings	**1,795**	1,015
- on board	**68,957**	54,651
	70,752	55,666
Less: Provision for slow moving and obsolete spares	**4,251**	6,685
	66,501	48,981
Bunker on board	**438,511**	449,651
	537,248	536,449

	Note	2011	2010
		(Rupees in '000)	

12. TRADE DEBTS

	Note	2011	2010
Unsecured			
- considered good		**654,580**	462,272
- considered doubtful		**183,448**	183,418
		838,028	645,690
Less: Provision for impairment	12.2	**183,448**	183,418
		654,580	462,272

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

	Note	2011	2010
		(Rupees in '000)	
Upto 1 month		**306,860**	340,912
1 to 6 months		**180,249**	72,430
More than 6 months		**167,471**	48,930
		654,580	462,272

12.2 Provision for impairment

	Note	2011	2010
Balance at the beginning of the year		**183,418**	81,663
Provision made during the year	34	**30**	101,897
Amounts reversed / written off during the year		**-**	(142)
Balance at the end of the year		**183,448**	183,418

As at June 30, 2011, trade receivables of Rs 183.448 million (2010: Rs 183.418 million) were impaired and provided for. The ageing of these receivables is as follows:

	Note	2011	2010
		(Rupees in '000)	
One to three years		**39,093**	101,897
Three years to five years		**84,180**	26,281
Five years and over		**60,175**	55,240
		183,448	183,418

13. AGENTS' AND OWNERS' BALANCES - UNSECURED

	Note	2011	2010
Considered good		**6,443**	1,070
Considered doubtful		**4,453**	4,453
		10,896	5,523
Less: Provision for impairment	13.2	**4,453**	4,453
		6,443	1,070

13.1 The ageing analysis of these agents' and owners' balances that are past due but not impaired is as follows:

	2011	2010
	(Rupees in '000)	
Upto 1 month	**-**	-
1 to 6 months	**5,373**	1,070
More than 6 months	**1,070**	-
	6,443	1,070

		2011	2010
		(Rupees in '000)	

13.2 Provision for impairment

	2011	2010
Balance at the beginning of the year	**4,453**	18,971
Provision made during the year	**-**	4,453
Amounts adjusted / written off during the year	**-**	(18,971)
Balance at the end of the year	**4,453**	4,453

As at June 30, 2011, agents' and owners' balances of Rs 4.453 million (2010: Rs 4.453 million) were impaired and provided for. These receivable balances are outstanding for more than three years.

14. LOANS AND ADVANCES

	Note	2011	2010
		(Rupees in '000)	
Considered good			
Loans due from employees	9	**209**	335
Advances to:			
- employees		**25,872**	17,108
- contractors and suppliers		**32,737**	14,856
- others		**3,800**	6,564
		62,618	38,863

15. DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2011	2010
Deposits			
Trade:			
- considered good		**2,422**	2,265
- considered doubtful		**184**	184
		2,606	2,449
Less: Provision for impairment - trade		**184**	184
		2,422	2,265
Others:			
- considered good		**4,253**	3,040
- considered doubtful		**185**	185
		4,438	3,225
Less: Provision for impairment - others		**185**	185
		4,253	3,040
Prepayments			
Prepaid transaction cost	25.1	**18,502**	-
Other prepayments		**2,902**	1,827
		21,404	1,827
		28,079	7,132

16. OTHER RECEIVABLES

	Note	2011	2010
Rent receivable			
- considered good		**6,184**	4,161
- considered doubtfu		**4,600**	4,359
		10,784	8,520
Less: Provision for impairment of rent receivable	16.2	**4,600**	4,359
		6,184	4,161
Derivative cross currency interest rate swap	16.3	**87,960**	-
Others			
- considered good		**146,238**	68,431
- considered doubtful		**12,659**	8,851
		158,897	77,282
Less: Provision for impairment of other receivable	16.4	**12,659**	8,851
		146,238	68,431
		240,382	72,592

16.1 The ageing analysis of rent receivables past due but not impaired is as follows:

	2011	2010
	(Rupees in '000)	
Upto 1 month	**3,407**	1,085
1 to 6 months	**2,277**	1,136
More than 6 months	**500**	1,940
	6,184	4,161

16.2 Provision for impairment - Rent receivable

	2011	2010
Balance at the beginning of the year	**4,359**	7,306
Provision made during the year	**241**	33
Amounts written off / adjusted during the year	**-**	(2,980)
Balance at the end of the year	**4,600**	4,359

As at June 30, 2011, rent receivables of Rs 4.600 million (2010: Rs 4.359 million) were impaired and provided for. These receivables are outstanding for more than three years.

16.3 The holding company has entered into a cross currency interest rate swap of Rs 8,513.300 million for its borrowing (note 25). Under the terms of the cross currency swap arrangement, the holding company is required to pay LIBOR plus 3.75% to the arranging bank on the borrowing denominated in USD (USD notional) for the purpose of cross currency swap, and receive KIBOR plus 2.20% from the arranging bank. Further, the holding company shall pay / receive any exchange loss / gain on the USD notional outstanding at each quarter end. The net fair value of this cross currency interest rate swap as determined by the bank was Rs 6.130 million (favourable) to the holding company as of the balance sheet date which has been increased by the net interest receivable and exchange loss amounting to Rs 81.830 million as at June 30, 2011.

16.4 Provision for impairment of other receivables

	Note	2011	2010
		(Rupees in '000)	
Balance at the beginning of the year		**8,851**	461
Provision made during the year		**3,808**	8,390
Balance at the end of the year		**12,659**	8,851

17. INCOMPLETE VOYAGES

	Note	2011	2010
Port, light and canal and custom dues		**214**	-
Salaries and allowances		**12,389**	14,733
Diesel, fuel and lubricants		**72,996**	88,542
Stores and spares consumed		**5,744**	3,952
Insurance		**17,486**	22,190
Charter hire and related expenses		**18,532**	25,353
Depreciation	4.8	**14,833**	25,204
Victualling		**1,147**	-
Other fleet expenses - direct and indirect		**191**	12,644
		143,532	192,618
Less: Net freight		**50,540**	112,002
		92,992	80,616

18. INSURANCE CLAIMS

	Note	2011	2010
- considered good		**36,672**	46,651
- considered doubtful		**-**	-
		36,672	46,651
Less: Provision for impairment of insurance claims	18.1	**-**	-
		36,672	46,651

		2011	2010
		(Rupees in '000)	

18.1 Provision for impairment of insurance claims

	2011	2010
Balance at the beginning of the year	-	2,492
Amounts written off	-	(2,492)
Balance at the end of the year	-	-

18.2 In addition to these, amounts aggregating Rs 42.3 million (2010: Rs 42.3 million) in resepect of general average claims are receivable from cargo owners and charterers. These amounts are determined on the basis of adjustment book received by independent adjuster. The group has not recognised the claims as receivable pending acceptance from the counter parties or underwriter.

19. SHORT-TERM INVESTMENTS

	Note	2011	2010
		(Rupees in '000)	
Loans and receivables			
Term deposits with banks having maturity of:			
- six to twelve months		5,400	-
- three to six months		-	-
- three months or less	41	471,900	1,207,224
		477,300	1,207,224

19.1 The mark-up on term deposits ranges from 9% to 13.80% (2010: 11.65% to 12.25%) per annum.

20. CASH AND BANK BALANCES

	Note	2011	2010
		(Rupees in '000)	
Cash at bank:			
- in current accounts			
- local currency		528,427	137,260
- foreign currency		151,647	396,080
		680,074	533,340
- in saving accounts	20.1 & 20.2		
- local currency		1,246,108	778,467
- foreign currency		173,407	1,205
		1,419,515	779,672
Cash in hand		1,208	1,621
	41	2,100,797	1,314,633

20.1 The mark-up on savings accounts ranges from 5% to 11% (2010: 5% to 11.95%) per annum.

20.2 This includes Rs 2.126 million (2010: Rs 4.461 million) held as security by Habib Bank Limited, P.N.S.C. Branch against guarantees issued on behalf of the Corporation.

21. SHARE CAPITAL

21.1 Authorised Capital

2011	2010		2011	2010
(No. of shares)			(Rupees in '000)	
200,000,000	200,000,000	Ordinary shares of Rs 10 each	2,000,000	2,000,000

21.2 Issued, subscribed and paid-up share capital

2011	2010		2011	2010
(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

21.3 As at June 30, 2011 GoP held 106,139,647 (2010: 103,581,917) ordinary shares of the holding company.

22. RESERVES

	Note	2011	2010
		(Rupees in '000)	
Capital reserves	22.1	**131,344**	131,344
Revenue reserves (including unappropriated profit)		**16,654,393**	15,318,084
		16,785,737	15,449,428

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

23. NON-CONTROLLING INTEREST

	2011	2010
	(Rupees in '000)	
Share of non-controlling interest in:		
- share capital	**59**	99
- general reserve	**10**	19
- unappropriated profit	**1,271**	1,777
- profit for the year	**220**	340
	1,560	2,235

On March 31, 2011, the holding company has further acquired 18% of the share capital in Pakistan Co-operative Ship Stores (Private) Limited from the non controlling shareholder to increase its shareholding to 73% for a cash consideration of Rs 0.748 million.

	(Rupees in thousand)
Carrying value of non - controlling interest acquired	997
Less: Cash consideration paid to non controlling shareholder	748
Excess of net asset acquired over fair value paid	249

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

	Note	2011	2010
		(Rupees in '000)	
As at July 1		1,213,622	624,532
Surplus arising on revaluation of fixed assets during the year		697,429	912,629
		1,911,051	1,537,161
Less: Transferred to unappropriated profit:			
Surplus relating to incremental depreciation charged during the year on related assets - net of tax		93,653	29,793
Related deferred tax liability		3,058	3,339
		96,711	33,132
Less: Surplus realised on disposal of vessels		569,340	290,407
		1,245,000	1,213,622
Less: Related deferred tax liability on :			
- Revaluation as at July 1		20,424	25,712
- Incremental depreciation charged during the year on related assets transferred to profit and loss account		(3,058)	(3,339)
- Effect of allocation ratio of revenue under FTR		(945)	(1,949)
		6,421	20,424
As at June 30		1,228,579	1,193,198
Less: Surplus on revaluation of fixed assets attributable to non controlling interest		1,287	2,144
		1,227,292	1,191,054

25. LONG TERM FINANCING

	Note	2011	2010
Financing under syndicate term finance agreement	25.1	7,009,039	-
Less: Current portion		943,482	-
		6,065,557	-
Term Finance Certificates	25.1	1,012,416	-
Less: Current portion		136,281	-
		876,136	-
		6,941,693	-

25.1 During the year, the holding company has obtained financing facility of Rs 10,300 million (June 30, 2010: nil). The financing was obtained in the form of a syndicated term finance loan of Rs 9,000 million and the remaining amount of Rs 1,300 million in the form of Term Finance Certificates (TFCs) with a face value of Rs 5,000 each by way of private placement.

The holding company can draw down the amount till February 1, 2012. The financing carries mark-up of KIBOR+2.20%. The loan along with the mark-up is repayable on quaterly basis and the last repayment date is November 23, 2018. The facility is secured by a first mortgage charge over certain vessels owned by its subsidiary companies, all present and future receivables of the holding company from three major customers and its investment properties.

As at June 30, 2011, the holding company has drawn Rs 7,438.806 million (June 30, 2010: nil) and Rs 1,074.494 million (June 30, 2010: nil) from syndicated term finance and TFCs' respectively. The holding company has also paid loan arrangement fee amounting to Rs 106.662 million out of which Rs 88.160 million (June 30, 2010: nil) was included in the amortised cost of the long term financing whereas the unamortised portion amounting to Rs 18.502 million (2010: nil) has been included in deposits and short-term prepayments (note 15).

	Note	2011	2010
		(Rupees in '000)	

26. DEFERRED LIABILITIES

	Note	2011	2010
Employees' gratuity			
- funded	26.1.3	**23,579**	56,156
- unfunded	26.1.3	**26,507**	15,328
		50,086	71,484
Post retirement medical benefits	26.1.3	**111,009**	93,937
Employees' compensated absences	26.2.4	**159,300**	125,867
		320,395	291,288

26.1 Retirement benefit schemes

26.1.1 As stated in notes 2.15.2 and 2.15.3 of these consolidated financial statements, the Group operates a funded retirement gratuity scheme for permanent employees other than those who joined the holding company after October 16, 1984, an unfunded retirement gratuity scheme for contractual employees and an unfunded post retirement medical benefit scheme for permanent 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, 2011 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the defined benefit obligation schemes:

	2011		2010	
	Employees' gratuity (funded and unfunded)	Post retirement medical benefits	Employees' gratuity (funded and unfunded)	Post retirement medical benefits
Discount rate	14.5%	14.5%	13%	13%
Increase in salary	12.5%	N/A	11%	N/A
Rate of return on plan assets	14.5%	N/A	13%	N/A
Medical escalation rate	N/A	11.5%	N/A	10%
Death rates	based on LIC (1975-79) Ultimate mortality tables.			

26.1.2 The disclosures made in note 26.1.3 to 26.1.12 are based on the information included in the actuarial valuation report as of June 30, 2011.

	2011			2010		
	Employees' gratuity		Post retirement medical benefits	Employees' gratuity		Post retirement medical benefits
	funded	Unfunded		Funded	Unfunded	
	----------- (Rupees in '000) -----------					

26.1.3 Balance sheet reconciliation

Present value of defined benefit obligation	312,663	28,300	143,944	261,670	21,845	103,452
Fair value of plan assets (note 26.1.5)	(210,767)	-	-	(221,806)	-	-
	101,896	28,300	143,944	39,864	21,845	103,452
Unrecognised net actuarial (loss) / gain	(78,317)	(1,793)	(16,238)	16,292	(6,517)	(9,515)
Unrecognised prior service cost	-	-	(16,697)	-	-	-
Recognised liability	23,579	26,507	111,009	56,156	15,328	93,937

26.1.4 Movement in present value of defined benefit obligation

As at July 1	261,670	21,845	103,452	288,787	12,176	95,987
Current service cost	9,750	4,428	2,597	8,936	2,750	2,403
Interest cost	38,698	2,687	12,590	32,014	1,521	10,825
Actuarial loss / (gain)	74,065	1,793	16,238	(16,279)	6,517	9,515
Un-recognised prior service cost	-	-	23,280	-	-	-
Benefits paid	(71,520)	(2,453)	(14,213)	(51,788)	(1,119)	(15,278)
As at June 30	312,663	28,300	143,944	261,670	21,845	103,452

	2011 Employees' gratuity funded	2011 Employees' gratuity Unfunded	2011 Post retirement medical benefits	2010 Employees' gratuity Funded	2010 Employees' gratuity Unfunded	2010 Post retirement medical benefits
	(Rupees in '000)					

26.1.5 Movement in fair value of plan assets

As at July 1	221,806	-	-	219,846	-	-
Expected return on plan assets	24,733	-	-	23,735	-	-
Contribution	40,000	-	-	30,000	-	-
Actuarial gain	(4,252)	-	-	13	-	-
Benefits paid	(71,520)	-	-	(51,788)	-	-
As at June 30	210,767	-	-	221,806	-	-

26.1.6 Expenses

Current service cost	9,750	4,428	2,597	8,936	2,750	2,403
Interest cost	38,698	2,687	12,590	32,014	1,521	10,825
Expected return on plan assets	(24,733)	-	-	(23,735)	-	-
Prior service cost - vested	-	-	3,243	-	-	-
Amortisation of unrecognised prior service cost - non vested	-	-	3,340	-	-	-
Recognition of actuarial loss / (gain)	(16,292)	6,517	9,515	60,420	1,030	15,942
	7,423	13,632	31,285	77,635	5,301	29,170

26.1.7 Actual return on plan assets

Expected return on plan assets	24,733	-	-	23,735	-	-
Actuarial gain on plan assets	(4,252)	-	-	13	-	-
Actual return on plan assets	20,481	-	-	23,748	-	-

26.1.8 Plan assets comprise of investment and cash at bank aggregating to Rs 210.767 million (2010: Rs 221.806 million).

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

26.1.10 Principal actuarial assumptions used are disclosed in note 26.1.1 to these consolidated financial statements.

26.1.11 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	**2011**	**2010**	**2009**	**2008**	**2007**
	(Rupees in '000)				
Present value of defined benefit obligation	**340,963**	283,515	300,963	242,517	246,776
Fair value of plan assets	**(210,767)**	(221,806)	(219,846)	(235,159)	-
Deficit	**130,196**	61,709	81,117	7,358	246,776
Experience (gain) / loss on defined benefit obligation	**75,858**	(9,762)	66,553	(11,067)	41,022
Experience gain / (loss) on plan assets	**(4,252)**	13	5,103	(2,352)	-
Post retirement medical benefits					
Present value of defined benefit obligation	**143,944**	103,452	95,987	87,407	84,594
Experience adjustment on defined benefit obligation	**(16,238)**	9,515	15,942	654	1,981

26.1.12 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	441	(418)
Effect on defined benefit obligation	4,027	(3,823)

26.2 Employees' compensated absences

26.2.1 As stated in note 2.16, 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, 2011 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the scheme:

	2011	2010
Discount rate	**14.5%**	13%
Increase in salary	**12.5%**	11%

26.2.2 The disclosures made in notes 26.2.3 to 26.2.7 are based on the information included in the actuarial valuation as of June 30, 2011.

26.2.3 Balance sheet reconciliation

	2011	2010
	(Rupees in '000)	
Present value of defined benefit obligation (recognised)	**159,300**	125,867

26.2.4 Movement in present value of defined benefit obligation

	2011	2010
As at July 1	**125,867**	120,182
Current service cost	**42,835**	30,758
Interest cost	**21,306**	14,838
Actuarial loss / (gain)	**25,730**	(175)
Benefits paid	**(56,438)**	(39,736)
As at June 30	**159,300**	125,867

26.2.5 Expenses

	2011	2010
Current service cost	**42,835**	30,758
Interest cost	**21,306**	14,838
Recognition of actuarial loss / (gain)	**25,730**	(175)
	89,871	45,421

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

	2011	2010	2009	2008	2007
	--------------- (Rupees in '000) ---------------				
Present value of defined benefit obligation	**159,300**	125,867	120,182	105,957	108,710
Experience (gain) / loss on defined benefit obligation	**25,730**	(175)	16,107	(9,567)	12,650

26.2.7 Principal actuarial assumptions used are disclosed in note 26.2.1 to these consolidated financial statements.

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

	(Rupees in '000)
Gratuity	115,440
Post retirement medical benefits	21,470
Compensated absences	60,635

26.4 During the year the Group contributed Rs 10.684 million (2010: 9.334 million) to the provident fund.

27. TRADE AND OTHER PAYABLES

	Note	2011	2010
		(Rupees in '000)	
Creditors		**300,195**	128,748
Agents' and owners' balances		**148,878**	114,232
Accrued liabilities		**667,512**	646,553
Deposits	27.1	**30,907**	23,257
Workers' Profits Participation Fund	27.2	**11,503**	50,194
Unclaimed dividends		**25,032**	22,380
Advance from customers		**136,813**	31,317
Other liabilities			
- amounts retained from contractors		**25,740**	28,022
- others		**67,703**	45,882
		93,443	73,904
		1,414,283	1,090,585

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

27.2 Workers' Profits Participation Fund

	2011	2010
As at July 1	**50,194**	58,252
Allocation for the year	**11,503**	50,194
Interest on fund utilised during the year	**143**	3,466
	61,840	111,912
Less: Payments made during the year	**50,337**	61,718
As at June 30	**11,503**	50,194

28. PROVISION AGAINST DAMAGE CLAIMS

	2011	2010
As at July 1	**39,403**	99,810
Charge during the year	**9,218**	8,838
Reversed during the year	**(19,551)**	(69,245)
Utilised during the year	**(743)**	-
As at June 30	**28,327**	39,403

29. CONTINGENCIES AND COMMITMENTS

Contingencies

29.1 Amount in respect of claims not admitted by the Group as at June 30, 2011 aggregate to Rs 152.815 million (2010: Rs 196.921 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo and damages to cargo. These include Rs 6.695 million (2010: Rs 13.685 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 68.062 million (2010: Rs 112.901 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 28.327 million (2010: Rs 39.403 million) against the aforementioned claims in these consolidated financial statements.

29.2 The holding company has not accepted liability in respect of customs duty approximating Rs 2.500 million (2010: 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 holding company 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 holding company.

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 (2010: Rs 97.012 million). Although a major portion of this amount has been settled by the Government, the Government holds the holding company liable for this amount by virtue of the net assets of the East & West Steamship Company having become vested in the holding company.

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 (2010: Rs 1.300 million and Rs 66.800 million) respectively.

The Group disclaims any liability in respect of the abovementioned amounts and any accretions to it upto final determination and settlement of the matters.

29.4 Certain other claims have been filed against the holding company in respect of employees' matters for an aggregate amount of approximately Rs 102.987 million (2010: Rs 31.261 million). These cases are pending and the management is confident that the outcome of these cases will be in the holding company's favour and accordingly no provision for above claims has been made in these consolidated financial statements.

29.5 While framing the tax assessment for the income year ended June 30, 1990, the assessing officer had made an addition to income of Rs 3,974.455 million, being the remission of liabilities due to the Federal government under the scheme of financial restructuring of the holding company. 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. The assessing officer while framing the order of income year ended June 30, 1996 has treated the aforementioned payment of tax liability by the Government as the income of holding company. The ITAT has given the decision in favour of the Group on the appeals filed against the above orders. However, the department filed an appeal with the honourable High Court against the aforementioned orders of ITAT. The Honourable High Court has decided the said appeal against the holding company. The leave to appeal filed by the holding company has been accepted by the Honourable Supreme Court and suspended the decision of High Court. The Honourable Supreme Court will hear the appeal in due course.

29.6 During the year, the Officer Inland Revenue (OIR) has issued assessment orders under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax years 2008, 2009 and 2010. According to the orders, the OIR has made certain additions and determined additional tax demand of Rs 293.431 million. Such addition have been made mainly as the OIR has disallowed a portion of administrative expenses by attributing the same to the subsidiary companies and further disallowed a portion of contribution made to approved gratuity fund (only in respect of tax year 2008) on the contention that the same is attributable to the subsidiary companies. The holding company has paid Rs 100 million under protest and has filed an appeal with the Commissioner of Income Tax (Appeals) and at present the matter is pending for hearing. The management of the holding company is confident that the subject matter in respect of tax years 2008, 2009 and 2010 will eventually be decided in favour of the holding company. However, as a matter of prudence, the management had made aggregate provision of Rs 100.00 million against the aforementioned demands in the consolidated financial statements for the year ended June 30, 2011.

29.7 While framing tax assessment for the income year ended June 30, 2005, the Taxation Officer (TO) has issued order against Lalazar Shipping (Private) Limited (LSPL) under section 122 (5A) of the Income Tax Ordinance, 2001 (The Ordinance) whereby demand of Rs 139.118 million was raised by the tax department. According to the order, the TO is of the view that the income appearing under the head ‘other income’ in the annual audited financial statements for the said year is taxable under Normal Tax Regime with reference to section 39 of the Ordinance. LSPL had filed appeals with the Commissioner of Income Tax (Appeals) and Income Tax Appellate Tribunal, however, the appeals were decided in favour of the Tax Department.

During the year, the Honourable High Court has heard the appeal filed by LSPL and reduced the tax demand raised by TO to Rs 68.284 million. LSPL has paid the reduced tax demand under protest and filed an appeal with the Honourable Supreme Court for which leave to appeal was granted to the LSPL. Further, the tax department has also filed an appeal with the Honourable Supreme Court against the order and the matter is at present pending for hearing. The management is confident that the matter shall eventually be decided in favour of LSPL. 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 68.284 million in these consolidated financial statements in respect of prior years' taxation.

29.8 The Taxation Officer (TO) issued an amended assessment order under section 122(5A) of the Income Tax Ordinance, 2001 in respect of tax year 2003 against Karachi Shipping (Private) Limited (KSPL). According to the amended order, TO made additions to taxable income of the company aggregating to Rs. 163.523 million mainly on account of interest income and gain on sale of fixed assets, which have been taxed separately. KSPL made payment of Rs. 70.315 million under protest, being the additional tax demand raised by the TO in his order and filed an appeal against the subject order with Commissioner of Income Tax (Appeals) – CIT(A). Consequently, KSPL filed a petition to Alternate Dispute Resolution Committee (ADRC) with respect to the said matter. During the year ended June 30, 2009 the ADRC upheld the decision of TO and decided the matter against KSPL. As the management was not satisfied with the order, KSPL continued to pursue its remedy against CIT(A) which is at present pending for hearing.

The management is confident that the matter in the appeal shall eventually be decided in its favour. Accordingly, no provision has been made for these consolidated financial statements for the above demand.

Commitments

29.10 Commitments in respect of capital expenditure amount to Rs 165.029 million (2010: 171.730 million).

29.11 Outstanding letters of guarantee amount to Rs 2.126 (2010: Rs 4.461 million).

29.12 Commitments in respect of loan arrangement fee amount to Rs Nil (2010: Rs 115.362 million).

30. INCOME FROM SHIPPING BUSINESS

	Note	2011	2010
		(Rupees in '000)	
Owned vessels			
Combi vessels		**1,467,403**	1,835,033
Bulk carrier		**1,007,233**	494,046
Oil tanker		**4,445,327**	3,723,021
		6,919,963	6,052,100
Chartered vessels			
Slot charter		**1,308,690**	1,222,470
Oil tanker		**964,593**	533,530
		2,273,283	1,756,000
		9,193,246	7,808,100

31. FLEET EXPENSES - DIRECT

	Note	2011	2010
Stevedoring and transhipment expenses		**32,165**	89,351
Diesel, fuel and lubricants consumed		**2,425,797**	2,181,256
Ocean loss		**137,126**	39,965
Port, light, canal and customs dues		**610,614**	644,808
Salaries and allowances		**550,570**	523,145
Charter hire and related expenses	31.1	**1,317,694**	937,105
Fleet communication expenses		**20,413**	11,515
Agency commission and brokerage		**166,806**	117,173
Victualling expenses		**54,278**	55,206
Insurance		**305,714**	252,633
Claim charges		**21,864**	13,535
Stores and spares consumed		**190,852**	125,787
Repairs, maintenance and special surveys		**260,959**	162,374
Overage premium		**49,307**	174,766
Depreciation			
Incomplete voyage as at July 1	17	**25,204**	16,835
Fleet expenses - direct	4.8	**964,630**	939,265
		989,834	956,100
Exchange loss		**12,266**	13,050
Sundry expenses		**51,883**	57,156
		7,198,142	6,354,925

31.1 Charter hire and related expenses

	2011	2010
- Slot charter	**517,661**	502,346
- Oil tanker	**800,033**	434,759
	1,317,694	937,105

32. FLEET EXPENSES - INDIRECT

	Note	2011	2010
Conference establishment expenses		**277**	309
Salaries and allowances – regional offices	32.1	**5,534**	5,033
Agents' and other general expenses	32.2	**10,036**	13,235
Depreciation	4.8	**466**	592
General establishment expenses – regional offices		**725**	630
		17,038	19,799

32.1 This includes Rs 0.107 million (2010: Rs 0.221 million) in respect of provident fund contribution.

32.2 Agents' and other general expenses

	Note	2011	2010
		(Rupees in '000)	
Legal fees and charges		**-**	2,632
Printing and stationery		**18**	116
Advertisement and publicity		**2,844**	4,243
Telephone, telex and postage		**6,634**	4,880
Bank charges and commission		**500**	639
Other miscellaneous expenses		**40**	725
		10,036	13,235

33. REAL ESTATE EXPENSES

	Note	2011	2010
Salaries and allowances	33.1	**9,807**	7,836
General establishment expenses	33.2	**25,527**	25,364
Rent, rates and taxes		**9,180**	7,368
Insurance		**344**	1,143
Depreciation	4.8	**43,062**	15,263
Legal and professional charges		**140**	137
		88,060	57,111

33.1 This includes Rs 0.321 million (2010: Rs 0.182 million) in respect of provident fund contribution.

33.2 General establishment expenses

	Note	2011	2010
		(Rupees in '000)	
Repairs and maintenance		**5,975**	8,282
Medical expenses		**46**	19
Security charges		**3,485**	3,934
Entertainment and canteen subsidy		**26**	150
Books, periodicals and subscriptions		**16**	38
Telephone, telex and postage		**47**	12,907
Light, power and water		**15,912**	34
Vehicle running, repairs and maintenance		**20**	-
		25,527	25,364

34. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2011	2010
Workshop management expense		**49,131**	-
Salaries and allowances	34.1	**374,279**	339,486
General establishment expenses	34.2	**126,053**	113,713
Rent, rates and taxes		**6,635**	6,763
Scholarship and training expenses		**1,238**	514
Insurance		**6,924**	4,003
Depreciation	4.8	**48,217**	22,817
Directors' fee		**390**	690
Legal and professional charges		**14,319**	20,590
Provision for doubtful debts against:			
- trade	12	**30**	101,897
- others		**4,273**	12,876
Others		**157**	4
		631,646	**623,353**

34.1 This includes Rs 9.935 million (2010: Rs 8.931 million) in respect of provident fund contribution.

	Note	2011	2010
		(Rupees in '000)	

34.2 General establishment expenses

	Note	2011	2010
Repairs and maintenance		**2,754**	6,733
Medical cost		**41,150**	14,587
Medical insurance		**-**	19,371
Contribution to employees welfare fund		**8**	9
Contribution to group term insurance		**1,805**	1,723
Security charges		**1,483**	390
Travelling and conveyance		**20,797**	15,450
Entertainment and canteen subsidy		**2,275**	2,196
Books, periodicals and subscription		**4,482**	4,114
Uniform and liveries		**644**	731
Hajj expenses		**1,050**	925
Printing and stationery		**4,128**	4,028
Telephone, telex and postage		**8,424**	(5,526)
Light, power and water		**1,540**	11,512
Computer expenses		**7,803**	6,992
Advertisement and publicity		**3,992**	4,510
Vehicle running and repairs		**11,811**	11,400
Ship inspection expenses		**4,410**	6,094
Sundries		**7,497**	8,474
		126,053	113,713

35. OTHER OPERATING EXPENSES

	Note	2011	2010
Workers' Profits Participation Fund	27.2	**11,503**	50,194
Donations	35.1	**2,000**	3,000
Auditors' remuneration	35.2	**11,860**	8,860
Employees' gratuity			
- funded	26.1.6	**7,423**	77,635
- unfunded	26.1.6	**13,632**	5,301
		21,055	82,936
Post retirement medical benefits	26.1.6	**31,285**	29,170
Employees' compensated absences	26.2.5	**89,871**	45,421
Fixed assets written off		**-**	259
Loss on disposal of fixed assets		**-**	24,528
Loss on fixed assets due to fire - net	35.3	**2,554**	-
Provision in respect of damage claims		**9,218**	8,838
		179,346	253,206

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

	2011			2010		
	A. F. Ferguson & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total	A. F. Ferguson & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total
	(Rupees in '000)					
Audit fee - the holding company	703	703	1,406	633	633	1,266
Audit fee - subsidiaries	1,345	1,345	2,690	1,200	1,200	2,400
Review of half yearly financial statements	295	295	590	265	265	530
Review of compliance with the best practices of the code of Corporate Governance	72	72	144	66	66	132
Fee for audit of the consolidated financial statements	89	89	178	80	80	160
Tax advisory services	5,438	-	5,438	3,672	-	3,672
Fee for special review	650	-	650	-	-	-
Out of pocket expenses	352	412	764	419	281	700
	8,944	2,916	11,860	6,335	2,525	8,860

35.3 The amount represents amount of fixed assets destroyed due to fire net of insurance claims received for those items.

36. FINANCE COSTS

	Note	2011	2010
		(Rupees in '000)	
Interest on long-term financing		**570,741**	-
Gain on cross currency interest rate swap derivative	36.1	**(310,734)**	-
Interest on Workers' Profits Participation Fund		**143**	3,466
Bank charges and commission		**4,285**	4,628
Loan arrangement fee		**-**	12,818
		264,435	20,912

36.1 This relates to the amount received during the year on account of interim exchanges under the swap arrangement as explained in note 16.3 amounting to Rs 310.734 million.

37. OTHER OPERATING INCOME

	Note	2011	2010
		(Rupees in '000)	
Income from financial assets / liabilities			
Interest/mark-up on loans and advances to employees		**150**	104
Income from saving and term deposits		**197,295**	616,623
Dividend income		**1,363**	842
Agency fee		**6,155**	-
Gain on insurance claims - destroyed items		**-**	21,054
Gain on revaluation of swap derivative		**6,130**	-
Insurance claims	37.1	**1,740**	4,374
Liabilities no longer payable written back		**46**	59,175
Gain on revaluation of long-term investments		**629**	3,539
Gain on revaluation of investment properties	6	**25,712**	-
Exchange gain	37.2	**14,432**	36,616
Income from non-financial assets			
Profit on disposal of fixed assets		**165,252**	37,941
Provisions no longer required written back		**19,551**	85,290
Sundries		**47,483**	23,337
		485,938	888,895

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

	2011	2010
	(Rupees in '000)	
- the insurance policies	**1,740**	4,284
- others	**-**	90
	1,740	4,374

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

38. TAXATION

	2011	2010
	(Rupees in '000)	
Tax charge for:		
- current year	**200,784**	447,577
- prior years	**168,387**	41,615
	369,171	489,192
Deferred	**18,129**	(13,470)
	387,300	475,722
Taxes paid abroad relating to current year	**5,868**	5,985
	393,168	481,707

38.1 Relationship between tax expense and accounting profit

	2011	2010
Accounting profit before tax	**1,400,440**	1,449,531
Tax rate	**35%**	35%
Tax on accounting profit	**490,154**	507,336
Tax effect in respect of income / expenses not admissible for calculation of taxable profit	**2,429**	(189)
Tax effect of lower tax rates on certain incomes:		
- Tax saving due to lower tax rates	**(42,605)**	(44,371)
- Tax saving due to lower tax rates - subsidiaries profit	**(327,256)**	(108,699)
- Tax on dividend income	**43,179**	-
- Tax liability under final tax regime	**46,717**	33,469
	(279,965)	(119,601)
Effect of charging deferred tax on different ratio than current tax	**945**	3,634
Tax effect of flood surcharge	**8,399**	-
Others (including the impact arising as a consequence of change in allocation ratio of revenue chargeable under FTR and non-FTR tax regime)	**(3,049)**	42,927
	(271,241)	(73,229)
	218,913	434,107
Taxes paid abroad	**5,868**	5,98
Prior years taxation	**168,387**	41,615
Tax expense for the year	**393,168**	481,707

39. EARNINGS PER SHARE

	2011	2010
	(Rupees in '000)	
Profit after taxation attributable to equity holders of the Group	**1,006,950**	967,484
	(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	**7.62**	7.33

There are no dilutive potential ordinary shares outstanding as at June 30, 2011 and 2010.

40. CASH GENERATED FROM OPERATIONS

	Note	2011	2010
		(Rupees in '000)	
Profit before taxation		**1,400,440**	1,449,531
Adjustments for non-cash charges and other items:			
Depreciation		**1,081,579**	994,772
Profit on disposal of property, plant and equipment		**(165,252)**	(37,941)
Property, plant and equipment written off		**-**	259
Loss on sale of property, plant and equipment		**-**	24,528
Loss on fixed assets due to fire - net		**2,554**	-
Provision in respect of damage claims		**9,218**	8,838
Provision for employees' gratuity		**21,055**	82,936
Provision for employees' compensated absences		**89,871**	45,421
Provision for post retirement medical benefits		**31,285**	29,170
Dividend income		**(1,363)**	(842)
Liabilities no longer required written back		**(46)**	(59,175)
Provision no longer required written back		**(19,551)**	(85,290)
Interest / mark-up income		**(197,445)**	(616,727)
Interest / mark-up expense		**575,169**	-
Loan arrangement fee		**-**	12,818
(Gain) / loss on revaluation of investments		**(629)**	(3,539)
Gain on revaluation of investment properties		**(25,712)**	-
Gain on cross currency interest rate swap derivative		**(316,864)**	-
Working capital changes	40.1	**(1,586)**	4,103,918
		2,482,723	5,948,677

40.1 Working capital changes

	2011	2010
(Increase) / decrease in current assets:		
Stores and spares	**(799)**	(91,767)
Trade debts - net	**(192,308)**	335,751
Agents' and owners' balances - net	**(5,373)**	19,350
Loans and advances	**(23,755)**	37,989
Deposits and short term prepayments	**(2,445)**	14,128
Other receivables	**(79,830)**	63,460
Incomplete voyages	**(22,747)**	11,340
Insurance claims	**9,979**	(13,588)
Short term investment	**(5,400)**	3,900,000
	(322,678)	4,276,663
Increase / (decrease) in current liabilities:		
Trade and other payables	**321,092**	(172,745)
	(1,586)	4,103,918

41. CASH AND CASH EQUIVALENTS

	Note	2011	2010
		(Rupees in '000)	
Short-term investments	19	**471,900**	1,207,224
Cash and bank balances	20	**2,100,797**	1,314,633
		2,572,697	2,521,857

42. REMUNERATION OF CHAIRMAN, EXECUTIVE DIRECTORS / DIRECTORS AND OTHER EXECUTIVES

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

	Chairman & Chief Executive		Executive Directors		Other executives	
	2011	2010	2011	2010	2011	2010
	(Rupees in '000)					
Managerial remuneration and allowances	1,885	2,220	13,168	9,765	165,973	129,838
Retirement benefits	-	-	167	294	5,403	1,577
House rent	333	472	1,953	1,414	53,317	30,990
Conveyance	-	-	-	-	3,744	864
Entertainment	142	10	216	233	1,237	149
Medical	435	-	1,043	721	4,381	1,039
Utilities	163	129	1,264	1,038	23,727	21,237
Personal staff subsidy	7	-	9	18	172	132
Club membership fee and expenses	33	8	103	104	-	-
Bonus	-	420	1,502	1,680	17,184	19,334
Other allowances	285	-	898	1,179	68,577	89,900
	3,283	3,259	20,323	16,446	343,715	295,060
Number of persons	2	2	5	5	185	117

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 2.15 and 2.16 to these consolidated financial statements. The Chairman and Chief Executive, Executive Directors and certain Executives are provided with Group owned and maintained cars.

42.2 The aggregate amount charged in the consolidated financial statements for fee to non-executive directors was Rs 0.390 million (2010: Rs 0.690 million).

42.3 During the year the former chairman left the holding company on March 21, 2011 and the incoming chairman joined office on March 27, 2011.

43. FINANCIAL INSTRUMENTS BY CATEGORY

	2011	2010
	(Rupees in '000)	
FINANCIAL ASSETS		
Financial assets at fair value through profit or loss		
Long-term investments - listed companies	**26,783**	26,154
Derivative cross currency interest rate swap	**87,960**	-
Loans and receivables		
Long-term loans - employees	**214**	1,003
Trade debts	**654,580**	462,272
Agents' and owners' balances	**6,443**	1,070
Deposits	**4,253**	5,305
Interest / mark-up accrued	**2,582**	1,786
Other receivables	**152,422**	68,785
Insurance claims	**36,672**	46,651
Short-term investments	**477,300**	1,207,224
Cash and bank balances	**2,100,797**	1,314,633
	3,435,263	3,108,729
Available-for-sale financial assets		
Long-term investments - other entity	**100**	100
	3,550,106	3,134,983
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Long term financing	**8,021,456**	-
Trade and other payables	**1,265,967**	1,009,074
Accrued mark up on long term financing	**134,898**	-
	9,422,321	1,009,074

44. FINANCIAL RISK MANAGEMENT

44.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk) and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

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. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including trade debts and committed transactions. Out of the total financial assets, the financial assets that are subject to credit risk amounted to Rs 3,548.898 million (2010: Rs 3,133.362 million).

For banks and financial institutions, only independently rated parties with a minimum credit rating of A are accepted.

A significant component of the receivable balances of the Group relates to amounts due from the private sector organisations. Due to the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non–performance by these counter parties on their obligations to the Group. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

44.1.2 Market Risk

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group faces foreign currency risk on receivable, payable transactions at foreign ports and the derivative cross currency interest rate swap. Foreign currency risk is covered as a considered management decision, since the income from the derivative cross currency interest rate swap fluctuates widely due to change in exchange rate.

As at June 30, 2011, if the currency had weakened by 5% against the US dollar with all other variables held constant, pre-tax profit for the year would have been Rs 386.541 million (2010: Rs 11.507 million) lower, mainly as a result of foreign exchange gains / losses on translation of US dollar denominated assets and liabilities.

If at the same date the currency had strengthened by 5% against US dollar with all other variables held constant, pre-tax profit for the year would have been Rs 427.044 million (2010: Rs 11.507 million) higher, mainly as a result of foreign exchange gains / losses on translation of US dollar denominated assets and liabilities.

As at June 30, 2011, the affect of fluctuations in other foreign currency denominated assets or liabilities balances would not be material, therefore, not disclosed.

Cash flow and fair value 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 a high exposure to interest rate risk due to the financing obtained during the year (note 25). In order to manage its exposure to such risks the management of the holding company has entered into a derivative cross currency interest rate swap (note 16) under which the holding company receives KIBOR on the PKR notional in exchange for payment of LIBOR on the USD notional.

The Group has interest bearing liabilities and have floating interest rates. At June 30, 2011, if interest rates on borrowings had been 250 basis points higher/lower with all other variables held constant, profit after taxation for the year would have been lower/higher by Rs 21.981 million (2010: Rs Nil).

Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group believes it is not exposed to any significant price risk.

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.

The management forecasts the liquidity of the Group on basis of expected cash flow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios and maintaining debt financing plans.

Financial liabilities in accordance with their contractual maturities are presented below:

	Contractual cash flows	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years
	(Rupees in '000)				
Long term financing	12,997,943	2,283,141	2,109,521	5,326,428	3,278,853
Trade and other payables	1,265,967	1,265,967	-	-	-
Accrued mark-up on long-term financing	134,898	134,898	-	-	-
	14,398,808	3,684,006	2,109,521	5,326,428	3,278,853

44.1.4 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

The Group classifies financial istruments measured in the balance sheet at fair value in accordance with the following fair value measurment:

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

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

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

The Group's financial assets measured at fair value comprise of level 1 financial assets amounting to Rs 26.783 million (2010: Rs 26.154 million) and level 3 amounting to Rs 87.960 million (2010: nil)

44.1.5 Capital risk management

The Group's objectives when managing capital is 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.

The Group manages its capital structure by monitoring return on net assets and makes adjustment to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares.

The Group is subject to external restrictions in respect of long term financing against which it need to comply with certain covenants; debt equity ratio shall not exceed 60:40 and debt service ratio of 1.25 times. The Group is in compliance with the requirements of such covenants and maintains a debt equity ratio of 30:70 and debt service coverage ratio of 3.4 times.

45. ENTITY WIDE INFORMATION

45.1 The Group constitutes as a single reportable segment, the principal classes of services provided are transportation of dry cargo and liquid cargo through chartered and owned vessels.

45.2 Information about services

The Group's principal classes of services accounted for as disclosed in note 30 of these consolidated financial statements.

45.3 Information about geographical areas

The Group does not hold non-current assets in any foreign country.

45.4 Information about major customers

The Group has the following exposure to concentration of credit risk with clients representing greater than 10 % of the total revenue balances:

	---------- 2011 ---------	
	Revenue	
	Amount (Rupees in '000)	% of Total
Client 1	**2,055,533**	**23**
Client 2	**1,119,273**	**12**
	3,174,806	**35**

	---------- 2010 ---------	
	Revenue	
	Amount (Rupees in '000)	% of Total
Client 1	1,943,862	25
Client 2	964,094	12
	2,907,956	37

46. RELATED PARTY DISCLOSURES

Related parties comprise of companies affiliated to the holding company and the directors, chief 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:

	Note	2011	2010
		(Rupees in '000)	
Contribution to Provident Fund		**10,684**	9,334
Key management personnel compensation	42	**23,606**	19,705
Directors' fee		**390**	690

47. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

47.1 The Board of Directors at the meeting held on September 28, 2011 have proposed cash dividend of Re 1.00 per share (2010: Rs 3.00 per share) for the year ended June 30, 2011, amounting to Rs 132.063 million (2010: Rs 396.190 million) subject to the approval of the members at the annual general meeting to be held on October 29, 2011. The consolidated financial statements for the year ended June 30, 2011 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

48. CORRESPONDING FIGURES

Significant corresponding figures have been rearranged and reclassified, wherever necessary for the purposes of comparison.

Note	From	To	Note	(Rupees in '000)
30	Revenue	Ocean loss	31	**39,965**
27	Other liabilities - freight	Advance from customer	27	**31,317**

The following Administrative and general expenses have been rearranged and reclassified for the purpose of better presentation and comparison.

Description	**Transferred to Real Estate Expenses (Rupees in '000)**
Salaries and allowances	7,836
General establishment expenses:	
- Repairs and maintenance	8,282
- Medical expenses	19
- Security charges	3,934
- Entertainment and canteen subsidy	150
- Books, periodicals and subscriptions	38
- Telephone, telex and postage	12,907
- Light, power and water	34
Rent, rates and taxes	7,368
Insurance	1,143
Depreciation	15,263
Legal and professional charges	137
	57,111

49. GENERAL

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

50. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on September 28, 2011 by the Board of Directors of the holding company.

Vice Admiral (R) Saleem Ahmed Meenai
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

REPORT AND ACCOUNTS

OF

PAKISTAN NATIONAL SHIPPING CORPORATION (HOLDING COMPANY)

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

ERNST & YOUNG FORD RHODES SIDAT HYDER
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, 2011 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion-

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively give a true and fair view of the state of the Corporation's affairs as at June 30, 2011 and of the profit, its changes in equity and cash flows for the year then ended; and

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

A. F. FERGUSON & CO.
Chartered Accountants
Audit Engagement Partner : Saad Kaliya
Karachi, September 28, 2011

ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Audit Engagement Partner : Riaz A. Rehman Chamdia
Karachi, September 28, 2011

PAKISTAN NATIONAL SHIPPING CORPORATION
BALANCE SHEET
AS AT JUNE 30, 2011

	Note	2011	2010
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	**1,408,252**	1,436,371
Intangible asset	5	**-**	-
Investment properties	6	**996,638**	970,926
Long-term investments in:			
- Related parties (subsidiaries and an associate)	7	**19,197,791**	1,558,416
- Listed companies and an other entity	8	**26,883**	26,254
		19,224,674	1,584,670
Long-term loans and advances	9		
- Related parties (subsidiaries)		**4,655,158**	11,665,738
- Others		**214**	668
		4,655,372	11,666,406
Deferred tax-net	10	**18,890**	36,074
		26,303,826	15,694,447
CURRENT ASSETS			
Stores and spares	11	**20,499**	22,788
Trade debts	12	**272,125**	193,195
Agents' and owners' balances	13	**6,443**	1,070
Loans and advances	14	**62,384**	38,863
Deposits and short-term prepayments	15	**27,550**	7,085
Interest / mark-up accrued		**2,505**	1,780
Other receivables	16	**328,364**	22,315
Incomplete voyages	17	**18,532**	24,019
Insurance claims	18	**30**	572
Short-term investments	19	**471,900**	1,207,224
Cash and bank balances	20	**2,098,976**	1,307,961
		3,309,308	2,826,872
TOTAL ASSETS		**29,613,134**	18,521,319
EQUITY AND LIABILITIES			
Share capital	21	**1,320,634**	1,320,634
Reserves	22	**5,565,343**	5,140,981
		6,885,977	6,461,615
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX	23	**662,817**	671,928
NON-CURRENT LIABILITIES			
Long-term financing	24	**6,941,694**	-
Deferred liabilities	25	**320,395**	291,288
		7,262,089	291,288
CURRENT LIABILITIES			
Trade and other payables	26	**13,531,891**	10,904,729
Provision against damage claims	27	**28,327**	39,403
Current portion of long-term financing	24	**1,079,763**	-
Accrued markup on long-term financing		**134,898**	-
Taxation-net		**27,372**	152,356
		14,802,251	11,096,488
TOTAL EQUITY AND LIABILITIES		**29,613,134**	18,521,319
CONTINGENCIES AND COMMITMENTS	28		

The annexed notes 1 to 51 form an integral part of these financial statements.

Vice Admiral (R) Saleem Ahmed Meenai
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		(Rupees in '000)	
REVENUES			
Chartering revenues	29	**2,273,283**	1,756,000
Services fee	30	**276,470**	240,837
Rental income		**99,468**	81,110
Dividend income from subsidiaries		**435,140**	-
		3,084,361	2,077,947
EXPENDITURE			
Fleet expenses - direct	31	**1,359,511**	960,492
Fleet expenses - indirect	32	**14,434**	14,733
Vessel management expenses	33	**483,827**	320,605
Real estate expenses	34	**88,062**	55,750
		1,945,834	1,351,580
GROSS PROFIT		**1,138,527**	726,367
Administrative and general expenses	35	**126,118**	186,338
Other operating expenses	36	**166,967**	216,283
Finance costs	37	**261,994**	19,161
		555,079	421,782
Other operating income	38	**317,110**	834,377
PROFIT BEFORE TAXATION		**900,558**	1,138,962
Taxation	39	**288,157**	427,429
PROFIT AFTER TAXATION		**612,401**	711,533
		(Rupees)	
EARNINGS PER SHARE	40	**4.64**	5.39

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

The annexed notes 1 to 51 form an integral part of these financial statements.

Vice Admiral (R) Saleem Ahmed Meenai
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2011

	Issued, subscribed and paid-up share capital	Capital reserve	Unappropriated profit	Total
	------------------------- (Rupees in '000)			-------------------------
Balance as at July 1, 2009	1,320,634	126,843	4,687,747	6,135,224
Final cash dividend for the year ended June 30, 2009 (Rs 3 per ordinary share)	-	-	(396,190)	(396,190)
Total comprehensive income for the year ended June 30, 2010	-	-	711,533	711,533
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity - net of tax (note 23)	-	-	11,048	11,048
Balance as at June 30, 2010	1,320,634	126,843	5,014,138	6,461,615
Final cash dividend for the year ended June 30, 2010 (Rs 1.5 per ordinary share)	-	-	(198,095)	(198,095)
Total comprehensive income for the year ended June 30, 2011	-	-	612,401	612,401
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity - net of tax (note 23)	-	-	10,056	10,056
Balance as at June 30, 2011	1,320,634	126,843	5,438,500	6,885,977

The annexed notes 1 to 51 form an integral part of these financial statements.

Vice Admiral (R) Saleem Ahmed Meenai
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	41	**3,254,959**	6,350,607
Employees' gratuity paid		**(42,453)**	(31,119)
Employees' compensated absences paid		**(56,438)**	(39,736)
Post retirement medical benefits paid		**(14,213)**	(15,278)
Long-term loans and advances		**230**	344
Finance costs paid		**(426,431)**	-
Receipts under cross currency interest rate swap		**228,904**	-
Arrangement fee paid		**(106,662)**	-
Provision against damage claims paid		**(743)**	
Taxes paid		**(395,012)**	(565,209)
Net cash generated from operating activities		**2,442,141**	5,699,609
Cash flows from investing activities			
Fixed capital expenditure		**(104,822)**	(328,692)
Expenditure on 'Investment Properties'		**-**	(1,630)
Proceeds from disposal of property, plant and equipment		**41,168**	4,711
Long-term loans and advances - related parties		**7,010,580**	(6,657,351)
Long-term investments in - related parties		**(17,639,375)**	-
Interest / mark-up received		**196,073**	762,154
Dividends received form others		**1,363**	842
Dividends received from subsidiary companies		**205,788**	-
Net cash used in investing activities		**(10,289,225)**	(6,219,966)
Cash flows from financing activities			
Long-term financing obtained - net		**8,098,218**	-
Dividend paid		**(195,443)**	(390,752)
Net cash generated from / (used in) financing activities		**7,902,775**	(390,752)
Net increase / (decrease) in cash and cash equivalents		**55,691**	(911,109)
Cash and cash equivalents at the beginning of the year		**2,515,185**	3,426,294
Cash and cash equivalents at the end of the year	42	**2,570,876**	2,515,185

The annexed notes 1 to 51 form an integral part of these financial statements.

Vice Admiral (R) Saleem Ahmed Meenai
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, 2011

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 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) in the year 2002. However, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Ordinance and the requirements of and directives issued under that Ordinance. However, the requirements of and the directives issued under that Ordinance have been followed where those requirements are not consistent with the requirements of the IFRSs, as notified under the Ordinance.

2.1.1 Standards, amendments to published approved accounting standards and interpretations becoming effective for the year ended June 30, 2011:

The following standard, interpretations and amendments to existing standards have been published that are mandatory and relevant for the Corporation's accounting period beginning on July 1, 2010:

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (the "Schemes") for employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises where GoP holds significant investments (non-SOEs). The scheme is applicable to permanent and contractual employees who were in employment of these entities on the date of launch of the Scheme, subject to completion of five years vesting period by all contractual employees and by permanent employees in certain instances.

The Scheme provides for a cash payment to employees on retirement or termination based on the price of shares of respective entities. To administer this scheme, GoP shall transfer 12% of its investment in such SOEs and non-SOEs to a trust fund to be created for the purpose of such entities. The eligible employees would be allotted units by each Trust Fund in proportion to their respective length of service and on retirement or termination of such employees would be entitled to receive such amounts from Trust Funds in exchange for the surrendered units as would be determined based on market price of listed entities or breakup value of non-listed entities. The shares related to the surrendered units would be transferred back to GoP.

The scheme also provides that 50% of dividend related to shares transferred to the respective Trust Fund would be distributed amongst the unit-holder employees. The balance 50% dividend would be transferred by the respective Trust Fund to the Central Revolving Fund managed by the Privatisation Commission of Pakistan for payment to employees against surrendered units. The deficits, if any, in Trust Funds to meet the re-purchase commitment would be met by GoP.

The Scheme, developed in compliance with the stated GoP policy of the empowerment of employees of State Owned Enterprises need to be accounted for by the covered entities, including the Corporation, under the provisions of amended International Financial Reporting Standard-2 'Share Based Payments' (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the Securities & Exchange Commission of Pakistan on receiving the representation from some of the entities covered under the Scheme and after having consulted the Institute of Chartered Accountants of Pakistan, has granted exemption vide SRO 587(I)/2011 dated June 7, 2011 to such entities from application of IFRS 2 to the Scheme.

Had the exemption not been granted, the impact based on the independent actuarial valuations conducted as on June 30, 2011, for the years ended June 30, 2010 and 2011 would have been as follows:

	Year ended June 30, 2011	Year ended June 30, 2010
	(Rupees in '000)	
Staff costs of the Corporation for the year would have been higher by	**162,588**	173,279
Profit after taxation would have been lower by	**162,588**	173,279
	(Rupees)	
Earnings per share would have been lower by	**1.23**	1.31

	Year ended June 30, 2011	Year ended June 30, 2010
	(Rupees in '000)	
Retained earnings would have been lower by	**162,588**	173,279
Reserves would have been higher by	**162,588**	173,279

Standards, amendments to published approved accounting standards and interpretations becoming effective for the year ended June 30, 2011 but not relevant:

There are certain new approved accounting standards, amendments to approved accounting standards and interpretations that are mandatory for accounting periods beginning on July 1, 2010 but are considered not to be relevant or to have any significant effect on the Corporation's operations and are, therefore not disclosed in these financial statements.

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

There are certain amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect to the Corporation's operations and are therefore not mentioned in these financial statements.

2.2 Basis of preparation

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

- Certain property, plant and equipment as referred to in note 2.3.1 have been stated at revalued amounts;

- certain investment properties and financial instruments as referred to in notes 2.5 and 2.6.4 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' respectively; and

- accounting for staff benefits as referred to in notes 2.14 and 2.15.

2.3 Fixed assets

2.3.1 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.

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

Consistent with prior years, 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. 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.

A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on any 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.

The surplus held on revaluation of fixed assets can be applied by the Corporation in setting off or in diminution of any deficit arising from the revaluation of any other fixed asset of the Corporation.

Major renewals, replacements and improvements that meet the recognition criteria in IAS 16 are capitalised and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to income as and when incurred. Gains and losses on disposals of the assets are included in income currently.

2.3.2 Capital work-in-progress

These are stated at cost less accumlated impairment losses, if any. All expenditure connected with specific assets incurred during installation and construction period are carried uder this head. These are transferred to specific assets as and when these assets are available for use.

2.3.3 Intangible assets

An intangible asset is an identifiable non monetary asset without physical substance. 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.

2.4 Impairment of assets

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

2.5 Investment properties

Properties held for long-term rental yields which are significantly rented out 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 income currently.

2.6 Financial instruments

2.6.1 Financial assets

The Corporation classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) **Financial assets at fair value through profit or loss**
Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term (note 44).

b) **Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Various financial assets classified under this category are disclosed in note 44.

c) **Available-for-sale financial assets**
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories (note 44).

d) **Held to maturity**
Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are carried at amortised cost (note 44).

All financial assets are recognised at the time when the Corporation becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised at trade-date i.e., the date on which the Corporation commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets carried at fair value through profit and loss are initially recognised at fair value and transactions costs are expensed in the profit and loss account.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Corporation measures the investments at cost less impairment in value, if any.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using effective interest rate method.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Corporation has transferred substantially all risks and rewards of ownership.

2.6.2 Impairment

The Corporation assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

2.6.3 Financial liabilities

All financial liabilities are recognised at the time when the Corporation becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit and loss account.

2.6.4 Derivative financial instruments

The Corporation uses derivative financial instruments such as interest rate and cross currency swaps to manage its risks associated with interest and exchange rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives with positive market values (unrealised gains) are included in other assets and derivatives with negative market values (unrealised losses) are included in trade and other payables in the balance sheet. Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to the profit and loss account.

2.6.5 Interest - bearing loans and borrowings

Interest bearing loans and borrowings (borrowings) are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities (arrangement fees) are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down in which case the fee is deferred until the draw down occurs.

2.6.6 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the financial statements if the Corporation has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.7 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.

The Corporation reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form.

2.8 Trade debts and other receivables

Trade debts and other receivables (other than the derivatives) are carried at invoice value less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is an objective evidence that the Corporation will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Debts, considered irrecoverable, are written off, as and when identified.

2.9 Taxation

2.9.1 Current

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

2.9.2 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.

2.10 Insurance claims

Consistent with prior years, hull claims and other claimable expenses relating to hull are charged to income currently and claims filed there against are taken to income when such claims are accepted by the underwriters.

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

2.11 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.

2.12 Provisions

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

2.13 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.

2.14 Staff retirement benefits

2.14.1 The Corporation operates an approved provident fund scheme for all its permanent employees. Equal monthly contributions are made, both by the Corporation and its employees, to the fund at the rate of 10 percent of the basic salaries of employees.

2.14.2 Defined benefit gratuity scheme

The Corporation operates a funded retirement gratuity scheme for its permanent employees other than those who joined the Corporation after October 16, 1984. 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.

2.14.3 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.

2.15 Employees' compensated absences

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

2.16 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.

2.17 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.

2.18 Revenue recognition

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

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

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

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

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

2.19 Borrowing costs

Consistent with prior years, borrowing costs that are directly attributable to the acquisition and construction of assets and incurred during the period in connection with the activities necessary to prepare the asset for its intended use are capitalised as a part of the cost of related asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

2.20 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Corporation; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Corporation's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the accounting policies, management has made the following estimates and judgements which are significant to the financial statements.

(a) Valuation of property, plant and equipment and investment properties (notes 4 and 6);

(b) Determination of the residual values and useful lives of property, plant and equipment (note 4);

(c) Recognition of taxation and deferred tax (notes 39 and 10);

(d) Accounting for provision for impairment against loans and advances, trade debts, agents and owners balances, deposits and other receivables (notes 9, 12, 13, 15 and 16);

(e) Accounting for provision against damage claims (note 27);

(f) Accounting for defined benefit plans (note 25);

(g) Measuring fair value of cross currency interest rate swap (note 16.3);

(h) Recoverable amount of investment in related parties (note 7); and

(i) Measuring the value of contingent assets and liabilities (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	2011	2010
		(Rupees in '000)	
4. PROPERTY, PLANT AND EQUIPMENT			
- Operating fixed assets	4.1	**1,150,549**	767,609
- Capital work-in-progress	4.7	**257,703**	668,762
		1,408,252	1,436,371

4.1 The following is a statement of operating fixed assets:

	Leasehold land (notes 4.2 &4.3)	Building on leasehold land (notes 4.2 & 4.3)	Vessel (note 4.4)	Vehicles	Office equipment	Furniture and fittings	Motor launch and jetty	Equip-ment on board	Container fittings	Beach huts (notes 4.2 & 4.3)	Workshop machinery and equipment (notes 4.2 & 4.3)	Computer equipment	Total
	(Rupees in '000)												
As at June 30, 2009													
Cost or revalued amount	607,325	171,624	1,440	64,846	11,978	11,600	18	787	3,468	13,152	14,392	11,815	912,445
Less: accumulated depreciation	-	40,675	1,440	39,546	5,288	4,396	18	671	3,468	-	8,443	6,942	110,887
Net book value	607,325	130,949	-	25,300	6,690	7,204	-	116	-	13,152	5,949	4,873	801,558
Year ended June 30, 2010													
Opening net book value	607,325	130,949	-	25,300	6,690	7,204	-	116	-	13,152	5,949	4,873	801,558
Additions	-	2,243	-	-	1,832	709	-	-	-	-	111	2,634	7,529
Disposals													
Cost	-	(3,213)	-	-	-	-	-	-	-	-	-	-	(3,213)
Accumulated depreciation	-	362	-	-	-	-	-	-	-	-	-	-	362
	-	(2,851)	-	-	-	-	-	-	-	-	-	-	(2,851)
Write off													
Cost	-	-	-	-	-	-	-	-	-	-	1	-	1
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	(1)	-	(1)
	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	(21,477)	-	(8,754)	(1,585)	(1,274)	-	(116)	-	(1,315)	(592)	(3,514)	(38,627)
Closing net book value	607,325	108,864	-	16,546	6,937	6,639	-	-	-	11,837	5,468	3,993	767,609
As at June 30, 2010													
Cost or revalued amount	607,325	170,654	1,440	64,846	13,810	12,309	18	787	3,468	13,152	14,504	14,449	916,762
Less: accumulated depreciation	-	61,790	1,440	48,300	6,873	5,670	18	787	3,468	1,315	9,036	10,456	149,153
Net book value	607,325	108,864	-	16,546	6,937	6,639	-	-	-	11,837	5,468	3,993	767,609
Year ended June 30, 2011													
Opening net book value	607,325	108,864	-	16,546	6,937	6,639	-	-	-	11,837	5,468	3,993	767,609
Additions	-	442,275	-	-	31,753	19,284	-	4,145	-	-	248	18,176	515,881
Disposals													
Cost	-	(609)	-	(495)	-	-	-	-	-	-	-	-	(1,104)
Accumulated depreciation	-	162	-	495	-	-	-	-	-	-	-	-	657
	-	(447)	-	-	-	-	-	-	-	-	-	-	(447)
Write off													
Cost	-	(94,464)	-	-	-	-	-	-	-	-	-	-	(94,464)
Accumulated depreciation	-	53,673	-	-	-	-	-	-	-	-	-	-	53,673
	-	(40,791)	-	-	-	-	-	-	-	-	-	-	(40,791)
Depreciation charge for the year	-	(70,418)	-	(7,686)	(3,254)	(3,535)	-	(700)	-	(1,974)	(467)	(3,669)	(91,703)
Closing net book value	607,325	439,483	-	8,860	35,436	22,388	-	3,445	-	9,863	5,249	18,500	1,150,549
As at June 30, 2011													
Cost or revalued amount	607,325	517,856	1,440	64,351	45,563	31,593	18	4,932	3,468	13,152	14,752	32,625	1,337,075
Less: accumulated depreciation	-	78,373	1,440	55,491	10,127	9,205	18	1,487	3,468	3,289	9,503	14,125	186,526
Net book value	607,325	439,483	-	8,860	35,436	22,388	-	3,445	-	9,863	5,249	18,500	1,150,549
Annual rate of depreciation (%)		**3 to 20**	**4**	**20**	**15**	**10 to 15.**	**10 to 15**	**10 to 15**	**15**	**10**	**5 to 10**	**33**	

4.2 The revaluation of the 'leasehold land', 'buildings on leasehold land', 'beach huts' and 'workshop machinery and equipment' were carried out as of June 30, 2009 by Pee Dee & Associates on the basis of their professional assessment of present market values. The revaluation resulted in a deficit of Rs 53.085 million on the written down values of Rs 804.511 million which had been incorporated in the books of the Corporation as at June 30, 2009. Out of the total revaluation surplus arisen, Rs 679.238 million (2010: Rs 692.352 million) remains undepreciated at June 30, 2011. However, the deficit on revaluation of buildings arisen during the year 2009 did not include the revaluation effect of PNSC building as it was in rehabilitation stage and renovation was being carried out.

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

	2011	2010
	(Rupees in '000)	
Leasehold land and buildings on leasehold land and beach huts	**378,351**	36,412
Workshop machinery and equipment	**4,331**	4,730
	382,682	41,142

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

4.5 The following operating fixed assets with a net book value exceeding Rs 50,000 were disposed off during the year:

Particulars	Mode of disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Particulars of purchaser
		---------- Rupees in '000				----------	
Buildings on leasehold land							
Lifts	Tender	609	162	447	2,572	2,125	Harmony Traders, 267 Haroon banglows, KDA Scheme 33, Karachi
		609	**162**	**447**	**2,572**	**2,125**	

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

	Note	2011	2010
		(Rupees in '000)	
Fleet expenses - indirect	32	**467**	592
Vessel management expenses	33	**44,962**	10,188
Real estate expenses	34	**43,062**	15,263
Administrative and general expenses	35	**3,212**	12,584
		91,703	38,627

4.7 Capital work-in-progress

	2011	2010
Buildings on leasehold land	**257,703**	668,762

5. INTANGIBLE ASSET

5.1 This represents cost of Rs. 16.503 million of software "Ship Management Expert System" (SES). SES was being amortised over the useful life of five years and had been fully amortised during the year ended June 30, 2009, however, it is still in active use.

6. INVESTMENT PROPERTIES

	Note	Leasehold land	Buildings on leasehold land	Total
		--------- (Rupees in '000) ---------		
Balance as at July 1, 2009		910,700	58,596	969,296
Additions during the year		-	1,630	1,630
Balance as at June 30, 2010		910,700	60,226	970,926
Balance as at July 1, 2010		910,700	60,226	970,926
Surplus / (deficit) on revaluation	6.1	41,800	(16,088)	25,712
Balance as at June 30, 2011		952,500	44,138	996,638

6.1 During the year, revaluation of the Corporation's investment properties was carried out by Pee Dee & Associates as of October 31, 2010 on the basis of their professional assessment of present market values. As a result, a revaluation gain of Rs 41.800 million was assessed in respect of leasehold land whereas a revaluation loss was assessed on buildings on leasehold land amounting to Rs 16.088 million. The management of the Corporation believes that the current market values of the investment properties approximate their fair values.

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

No. of shares - ordinary 2011	No. of shares - ordinary 2010	Name of the company	Country of incorporation	Latest available audited financial statements for the year ended	Percentage holding 2011	Percentage holding 2010	Face value per share	2011	2010
(i) Subsidiary companies - unlisted							(Rs)	(Rupees in '000)	
10,000,000	10,000,000	Bolan Shipping (Private) Limited	Pakistan	June 30, 2011	100	100	10	**100,000**	100,000
275,344,100	9,436,000	Chitral Shipping (Private) Limited	Pakistan	June 30, 2011	100	100	10	**2,753,442**	94,360
5,686,000	5,686,000	Hyderabad Shipping (Pvt) Ltd.	Pakistan	June 30, 2011	100	100	10	**56,860**	56,860
15,686,000	15,686,000	Islamabad Shipping (Pvt) Ltd.	Pakistan	June 30, 2011	100	100	10	**156,860**	156,860
36,000	36,000	Johar Shipping (Private) Limited	Pakistan	June 30, 2011	100	100	10	**360**	360
7,286,000	7,286,000	Kaghan Shipping (Private) Limited	Pakistan	June 30, 2011	100	100	10	**72,860**	72,860
330,000,000	3,354,166	Karachi Shipping (Private) Limited	Pakistan	June 30, 2011	100	100	10	**3,451,994**	185,536
16,736,000	16,736,000	Khairpur Shipping (Private) Limited	Pakistan	June 30, 2011	100	100	10	**167,360**	167,360
340,000,000	36,000	Lahore Shipping (Private) Limited	Pakistan	June 30, 2011	100	100	10	**3,400,000**	360
14,686,000	14,686,000	Lalazar Shipping (Private) Limited	Pakistan	June 30, 2011	100	100	10	**146,860**	146,860
9,486,000	9,486,000	Makran Shipping (Private) Limited	Pakistan	June 30, 2011	100	100	10	**94,860**	94,860
336,016,700	4,636,000	Malakand Shipping (Private) Limited	Pakistan	June 30, 2011	100	100	10	**3,360,167**	46,360
6,936,000	6,936,000	Multan Shipping (Private) Limited	Pakistan	June 30, 2011	100	100	10	**69,360**	69,360
1,600	1,200	Pakistan Co-operative Ship Stores (Pvt) Ltd.	Pakistan	June 30, 2011	73	55	100	**868**	120
500,000,000	36,000	Quetta Shipping (Private) Limited	Pakistan	June 30, 2011	100	100	10	**5,000,000**	360
6,936,000	6,936,000	Sargodha Shipping (Private) Limited	Pakistan	June 30, 2011	100	100	10	**69,360**	69,360
6,786,000	6,786,000	Shalamar Shipping (Private) Limited	Pakistan	June 30, 2011	100	100	10	**67,860**	67,860
9,636,000	9,636,000	Sibi Shipping (Private) Limited	Pakistan	June 30, 2011	100	100	10	**96,360**	96,360
13,236,000	13,236,000	Swat Shipping (Private) Limited	Pakistan	June 30, 2011	100	100	10	**132,360**	132,360
								19,197,791	1,558,416
(ii) Associate - unlisted									
12,250	12,250	Muhammadi Engineering Works Ltd.	Pakistan	Dec. 31, 1982	49	49	100	**1,600**	1,600
		Less: Accumulated impairment losses		(unaudited)				**1,600**	1,600
								-	-
								19,197,791	1,558,416

	Note	2011	2010
		(Rupees in '000)	

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

	Note	2011	2010
Financial assets designated as 'at fair value through profit or loss'			
Listed companies			
6,930 (2010: 6,930) ordinary shares of Rs 10 each fully paid of Siemens (Pakistan)Engineering Limited. Market value per share Rs 1,084.21 (2010: Rs 1,039.56 per share)		**7,514**	7,204
72,828 (2010: 72,828) ordinary shares of Rs 10 each fully paid of Pakistan State Oil Company Limited. Market value per share Rs 264.58 (2010: Rs 260.20)		**19,269**	18,950
		26,783	26,154
Available for sale financial asset			
Other entity - carried at cost			
10,000 (2010: 10,000) ordinary shares of Rs 10 each of Pakistan Tourism Development Corporation Limited		**100**	100
		26,883	26,254

9. LONG-TERM LOANS AND ADVANCES

	Note	2011	2010
Related parties (subsidiaries)	9.1	**4,655,158**	11,665,738
Others - due from employees			
Considered good	9.2	**423**	1,003
Considered doubtful		**224**	-
		647	1,003
Less: Provision for impairment	9.6	**224**	-
		423	1,003
Less: Recoverable within one year	14	**209**	335
		214	668

9.1 These represent amounts granted by the Corporation as an advance against future issue of share capital to its wholly owned subsidiaries for purchase of vessels.

	2011	2010
	(Rupees in '000)	
Quetta Shipping (Private) Limited	**-**	4,999,640
Lahore Shipping (Private) Limited	**-**	3,399,640
Karachi Shipping (Private) Limited	**-**	3,266,458
Hyderabad Shipping (Private) Limited	**2,211,395**	-
Sibi Shipping (Private) Limited	**2,443,763**	-
	4,655,158	11,665,738

9.2 It comprises of house building and vehicle loans amounting to Rs 0.342 million (2010: Rs 0.817 million) and Rs 0.081 million (2010: Rs 0.186 million) respectively.

9.3 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% (2010: 11%) per annum.

9.4 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 0.316 million (2010: Rs 0.792 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.

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

9.6 Provision for impairment

	Note	2011	2010
		(Rupees in '000)	
Balance at the beginning of the year		-	-
Provision made during the year		224	-
Balance at the end of the year		224	-

10. DEFERRED TAX - NET

	Note	2011	2010
Deductible temporary differences arising in respect of:			
- accelerated depreciation		-	1,508
- short-term provisions and deferred liabilities		65,211	54,990
		65,211	56,498
Taxable temporary differences arising in respect of:			
- surplus on revaluation of fixed assets	23	16,421	20,424
- unamortised transaction cost		23,119	
- accelerated depreciation		6,781	-
		46,321	20,424
		18,890	36,074

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

11. STORES AND SPARES

	Note	2011	2010
		(Rupees in '000)	
Stores			
- at depot		17,074	21,507
- at buildings		1,630	266
		18,704	21,773
Spares			
- at buildings		1,795	1,015
		20,499	22,788

12. TRADE DEBTS

	Note	2011	2010
Unsecured			
- considered good	12.1	272,125	193,195
- considered doubtful		17,625	17,596
		289,750	210,791
Less: Provision for impairment	12.2	17,625	17,596
		272,125	193,195

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

	2011	2010
	(Rupees in '000)	
Upto 1 month	**172,099**	122,070
1 to 6 months	**45,141**	56,449
More than 6 months	**54,885**	14,676
	272,125	193,195

12.2 Provision for impairment

	2011	2010
Balance at the beginning of the year	**17,596**	17,738
Provision made during the year	**29**	-
Amounts reversed	**-**	(142)
Balance at the end of the year	**17,625**	17,596

As at June 30, 2011, trade receivables of Rs 17.625 million (2010: Rs 17.596 million) were impaired and provided for. These receivable balances are outstanding for more than three years.

13. AGENTS' AND OWNERS' BALANCES - unsecured

	Note	2011	2010
		(Rupees in '000)	
Considered good	13.1	**6,443**	1,070
Considered doubtful		**4,453**	4,453
		10,896	5,523
Less: provision for impairment	13.2	**4,453**	4,453
		6,443	1,070

13.1 The ageing analysis of these agents' and owners' balances that are past due but not impaired is as follows:

	2011	2010
	(Rupees in '000)	
Upto 1 month	**-**	-
1 to 6 months	**5,373**	1,070
More than 6 months	**1,070**	-
	6,443	1,070

13.2 Provision for impairment

	2011	2010
Balance at the beginning of the year	**4,453**	18,971
Provision made during the year	**-**	4,453
Amounts written off	**-**	(18,971)
Balance at the end of the year	**4,453**	4,453

As at June 30, 2011, agents' and owners' balances of Rs 4.453 million (2010: Rs 4.453 million) were impaired and provided for. These receivable balances are outstanding for more than three years.

14. LOANS AND ADVANCES

	Note	2011	2010
		(Rupees in '000)	
Considered good			
Loans:			
Due from employees	9	**209**	335
Advances to:			
- employees		**25,638**	17,108
- contractors and suppliers		**32,737**	14,856
- others		**3,800**	6,564
		62,384	38,863

15. DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2011	2010
		(Rupees in '000)	
Deposits			
Trade:			
- considered good		**2,375**	2,218
- considered doubtful		**184**	184
		2,559	2,402
Less: Provision for impairment - trade		**184**	184
		2,375	2,218
Others:			
- considered good		**4,252**	3,040
- considered doubtful		**185**	185
		4,437	3,225
Less: Provision for impairment - others		**185**	185
		4,252	3,040
Prepayments			
- Prepaid transaction cost	24.1	**18,502**	-
- Other prepayments		**2,421**	1,827
		20,923	1,827
		27,550	7,085

16. OTHER RECEIVABLES

	Note	2011	2010
Rent receivable:			
- considered good	16.1	**6,184**	4,161
- considered doubtful		**4,600**	4,359
		10,784	8,520
Less: Provision for impairment of rent receivable	16.2	**4,600**	4,359
		6,184	4,161
Derivative cross currency interest rate swap	16.3	**87,960**	-
Others:			
- considered good	16.4	**234,220**	18,154
- considered doubtful		**12,659**	8,851
		246,879	27,005
Less: Provision for impairment of other receivables	16.5	**12,659**	8,851
		234,220	18,154
		328,364	22,315

16.1 The ageing analysis of rent receivables that are past due but not impaired is as follows:

	2011	2010
	(Rupees in '000)	
Upto 1 month	**3,407**	1,085
1 to 6 months	**2,277**	1,136
More than 6 months	**500**	1,940
	6,184	4,161

16.2 Provision for impairment of rent receivables

	2011	2010
Balance at the beginning of the year	**4,359**	7,306
Provision made during the year	**241**	33
Amounts written off / adjusted	**-**	(2,980)
Balance at the end of the year	**4,600**	4,359

As at June 30, 2011, rent receivables of Rs 4.600 million (2010: Rs 4.359 million) were impaired and provided for. These receivables are outstanding for more than three years.

16.3 The Corporation has entered into a cross currency interest rate swap of Rs 8,513.300 million for its borrowing (note 24). Under the terms of the cross currency swap arrangement, the Corporation is required to pay LIBOR plus 3.75% to the arranging bank on the borrowing denominated in USD (USD notional) for the purpose of cross currency swap, and receive KIBOR plus 2.20% from the arranging bank. Further, the Corporation shall pay / receive any exchange loss / gain on the USD notional outstanding at each quarter end. The net fair value of this cross currency interest rate swap as determined by the bank was Rs 6.130 million (favourable) to the Corporation as of the balance sheet date which has been increased by the net interest receivable and exchange loss amounting to Rs 81.830 million as at June 30, 2011.

16.4 This includes dividend receivable from subsidiaries, receivable from sundry debtors, General Sales Tax refund claims and insurance claims receivables amounting to Rs 229.352 million (June 30, 2010: nil), Rs 4.455 million (2010: Rs 2.526 million), Rs 12.197 million (2010: Rs 3.807 million) and Rs nil (2010: Rs 11.167) respectively.

	Note	2011	2010
		(Rupees in '000)	
16.5 Provision for impairment of other receivables			
Balance at the beginning of the year		**8,851**	461
Provision made during the year		**3,808**	8,390
Balance at the end of the year		**12,659**	8,851

17. INCOMPLETE VOYAGES

	Note	2011	2010
Charter hire and related expenses		**18,532**	24,141
Less: Net freight		**-**	122
		18,532	24,019

18. INSURANCE CLAIMS

	Note	2011	2010
- Considered good		**30**	572
- Considered doubtful		**-**	-
		30	572
Less: Provision for impairment of insurance claims	18.1	**-**	-
		30	572

18.1 Provision for impairment of insurance claims

	Note	2011	2010
Balance at the beginning of the year		**-**	2,492
Amounts written off		**-**	(2,492)
Balance at the end of the year		**-**	-

19. SHORT-TERM INVESTMENTS

Loans and receivables

	Note	2011	2010
Term deposits with banks having maturity of three months or less		**471,900**	1,207,224

19.1 The mark-up on term deposits ranges from 9% to 13.80% (2010: 11.65% to 12.25%) per annum.

20. CASH AND BANK BALANCES

	Note	2011	2010
		(Rupees in '000)	
Cash at bank:			
- in current accounts			
- local currency		**526,606**	135,090
- foreign currency		**151,647**	396,080
		678,253	531,170
- in savings accounts	20.1 & 20.2		
- local currency		**1,246,108**	773,967
- foreign currency		**173,407**	1,205
		1,419,515	775,172
Cash in hand		**1,208**	1,619
		2,098,976	1,307,961

20.1 The mark-up on savings accounts ranges from 5% to 11 % (2010: 5% to 11.95%) per annum.

20.2 This includes Rs 2.126 million (2010: Rs 4.461 million) held as security by Habib Bank Limited, P.N.S.C. Branch against guarantees issued on behalf of the Corporation.

21. SHARE CAPITAL

21.1 Authorised share capital

2011	2010		2011	2010
(No. of shares)			(Rupees in '000)	
200,000,000	200,000,000	Ordinary shares of Rs 10 each	**2,000,000**	2,000,000

21.2 Issued, subscribed and paid-up share capital

2011	2010		2011	2010
(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 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

21.3 As at June 30, 2011 GoP held 106,139,647 (2010: 103,581,917) ordinary shares of the Corporation.

22. RESERVES

	Note	2011	2010
		(Rupees in '000)	
Capital reserves	22.1	**126,843**	126,843
Revenue reserves - Unappropriated profit		**5,438,500**	5,014,138
		5,565,343	5,140,981

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

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

	Note	2011	2010
		(Rupees in '000)	
As at July 1		**692,352**	706,739
Less: Transferred to unappropriated profit:			
Surplus relating to incremental depreciation charged during the year on related assets - net of tax		**10,056**	11,048
Related deferred tax liability		**3,058**	3,339
		13,114	14,387
		679,238	692,352
Less: Related deferred tax liability on:			
- Revaluation as at July 1		**20,424**	25,712
- Incremental depreciation charged during the year on related assets transferred to profit and loss account		**(3,058)**	(3,339)
- Effect of allocation of revenue between FTR and NTR		**(945)**	(1,949)
		16,421	20,424
As at June 30		**662,817**	671,928

24. LONG-TERM FINANCING

	Note	2011	2010
Financing under syndicate term finance agreement	24.1	**7,009,040**	-
Less: Current portion		**943,482**	-
		6,065,558	-
Term Finance Certificates	24.1	**1,012,417**	-
Less: Current portion		**136,281**	-
		876,136	-
		6,941,694	-

24.1 During the year, the Corporation has obtained financing facility of Rs 10,300 million (June 30, 2010: nil). The financing was obtained in the form of a syndicated term finance loan of Rs 9,000 million and the remaining amount of Rs 1,300 million in the form of Term Finance Certificates (TFCs) with a face value of Rs 5,000 each by way of private placement.

The Corporation can draw down the amount till February 1, 2012. The financing carries mark-up of KIBOR+2.20%. The loan along with the mark-up is repayable on quaterly basis and the last repayment date is November 23, 2018. The facility is secured by a first mortgage charge over certain vessels owned by its subsidiary companies, all present and future receivables of the Corporation from three major customers and its investment properties.

As at June 30, 2011, the Corporation has drawn Rs 7,438.806 million (June 30, 2010: nil) and Rs 1,074.494 million (June 30, 2010: nil) from syndicated term finance and TFCs' respectively. The Corporation has also paid loan arrangement fee amounting to Rs 106.662 million out of which Rs 88.160 million (June 30, 2010: nil) was included in the amortised cost of the long term financing whereas the unamortised portion amounting to Rs 18.502 million (June 30, 2010: nil) has been included in deposits and short-term prepayments (note 15).

25. DEFERRED LIABILITIES

	Note	2011	2010
		(Rupees in '000)	
Employees' gratuity			
- funded	25.1.3	**23,579**	56,156
- unfunded	25.1.3	**26,507**	15,328
		50,086	71,484
Post retirement medical benefits	25.1.3	**111,009**	93,937
Employees' compensated absences	25.2.3	**159,300**	125,867
		320,395	291,288

25.1 Retirement benefit schemes

25.1.1 As stated in notes 2.14.2 and 2.14.3 of these financial statements, the Corporation operates a funded retirement gratuity scheme for permanent employees other than those who joined the Corporation after October 16, 1984, an unfunded retirement gratuity scheme for contractual employees and an unfunded post retirement medical benefit scheme for permanent 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, 2011 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the defined benefit obligation schemes:

	2011		2010	
	Employees' gratuity (funded and unfunded)	**Post retirement medical benefits**	**Employees' gratuity (funded and unfunded)**	**Post retirement medical benefits**
Discount rate	14.5%	14.5%	13%	13%
Increase in salary	12.5%	N/A	11%	N/A
Rate of return on plan assets	14.5%	N/A	13%	N/A
Medical escalation rate	N/A	11.5%	N/A	10%
Death rates	based on LIC (1975-79) Ultimate mortality tables.			

25.1.2 The disclosures made in notes 25.1.3 to 25.1.12 are based on the information included in the actuarial valuation report as of June 30, 2011.

	2011			2010		
	Employees' gratuity		Post retirement medical benefits	Employees' gratuity		Post retirement medical benefits
	funded	Unfunded		Funded	Unfunded	
	(Rupees in '000)					
25.1.3 Balance sheet reconciliation						
Present value of defined benefit obligation	312,663	28,300	143,944	261,670	21,845	103,452
Fair value of plan assets (note 25.1.5)	(210,767)	-	-	(221,806)	-	-
	101,896	28,300	143,944	39,864	21,845	103,452
Unrecognised net actuarial (loss) / gain	(78,317)	(1,793)	(16,238)	16,292	(6,517)	(9,515)
Unrecognised prior service cost	-	-	(16,697)	-	-	-
Recognised liability	23,579	26,507	111,009	56,156	15,328	93,937
25.1.4 Movement in present value of defined benefit obligation						
As at July 1	261,670	21,845	103,452	288,787	12,176	95,987
Current service cost	9,750	4,428	2,597	8,936	2,750	2,403
Interest cost	38,698	2,687	12,590	32,014	1,521	10,825
Actuarial loss / (gain)	74,065	1,793	16,238	(16,279)	6,517	9,515
Prior service cost	-	-	23,280	-	-	-
Benefits paid	(71,520)	(2,453)	(14,213)	(51,788)	(1,119)	(15,278)
As at June 30	312,663	28,300	143,944	261,670	21,845	103,452
25.1.5 Movement in fair value of plan assets						
As at July 1	221,806	-	-	219,846	-	-
Expected return on plan assets	24,733	-	-	23,735	-	-
Contribution	40,000	-	-	30,000	-	-
Actuarial (loss) / gain	(4,252)	-	-	13	-	-
Benefits paid	(71,520)	-	-	(51,788)	-	-
As at June 30	210,767	-	-	221,806	-	-
25.1.6 Expenses						
Current service cost	9,750	4,428	2,597	8,936	2,750	2,403
Interest cost	38,698	2,687	12,590	32,014	1,521	10,825
Expected return on plan assets	(24,733)	-	-	(23,735)	-	-
Prior service cost - vested	-	-	3,243	-	-	-
Amortisation of unrecognised prior service cost - non vested	-	-	3,340	-	-	-
Recognition of actuarial (gain) / loss	(16,292)	6,517	9,515	60,420	1,030	15,942
	7,423	13,632	31,285	77,635	5,301	29,170
Less: charged to subsidiaries	166	1,748	977	3,396	783	946
Expenses	7,257	11,884	30,308	74,239	4,518	28,224
25.1.7 Actual return on plan assets						
Expected return on plan assets	24,733	-	-	23,735	-	-
Actuarial (loss) / gain on plan assets	(4,252)	-	-	13	-	-
Actual return on plan assets	20,481	-	-	23,748	-	-

25.1.8 Plan assets comprise of investment and cash at bank aggregating to Rs 210.767 million (2010: Rs 221.806 million).

25.1.9 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.

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

25.1.11 Principal actuarial assumptions used are disclosed in note 25.1.1 to these financial statements.

25.1.12 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	2011	2010	2009	2008	2007
	(Rupees in '000)				
Present value of defined benefit obligation	**340,963**	283,515	300,963	242,517	246,776
Fair value of plan assets	**(210,767)**	(221,806)	(219,846)	(235,159)	-
Deficit	**130,196**	61,709	81,117	7,358	246,776
Experience loss / (gain) on defined benefit obligation	**75,858**	(9,762)	66,553	(11,067)	41,022
Experience (loss) / gain on plan assets	**(4,252)**	13	5,103	(2,352)	-
Post retirement medical benefits					
Present value of defined benefit obligation	**143,944**	103,452	95,987	87,407	84,594
Experience adjustment on defined benefit obligation	**(16,238)**	9,515	15,942	654	1,981

25.1.13 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	441	(418)
Effect on defined benefit obligation	4,027	(3,823)

25.2 Employees' compensated absences

25.2.1 As stated in note 2.15, the Corporation 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, 2011 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the scheme:

	2011	2010
Discount rate	**14.5%**	13.0%
Increase in salary	**12.5%**	11.0%

25.2.2 The disclosures made in notes 25.2.3 to 25.2.7 are based on the information included in the actuarial valuation as of June 30, 2011.

25.2.3 Balance sheet reconciliation

	2011	2010
	(Rupees in '000)	
Present value of defined benefit obligation (recognised)	**159,300**	125,867

25.2.4 Movement in present value of defined benefit obligation

	2011	2010
	(Rupees in '000)	
As at July 1	**125,867**	120,182
Current service cost	**42,835**	30,758
Interest cost	**21,306**	14,838
Actuarial loss / (gain)	**25,730**	(175)
Benefits paid	**(56,438)**	(39,736)
As at June 30	**159,300**	125,867

25.2.5 Expenses

	2011	2010
Current service cost	**42,835**	30,758
Interest cost	**21,306**	14,838
Recognition of actuarial loss / (gain)	**25,730**	(175)
	89,871	45,421
Less: Charged to subsidiaries	**2,074**	1,445
Expense	**87,797**	43,976

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

	2011	2010	2009	2008	2007
	---------------- (Rupees in '000) ----------------				
Present value of defined benefit obligation	**159,300**	125,867	120,182	105,957	108,710
Experience loss / (gain) on defined benefit obligation	**25,730**	(175)	16,107	(9,567)	12,650

25.2.7 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.

25.2.8 Principal actuarial assumptions used are disclosed in note 25.2.1 to these financial statements.

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

	(Rupees in '000)
Gratuity	115,440
Post retirement medical benefits	21,470
Compensated absences	60,635

25.4 During the year the Corporation contributed Rs 10.684 million (2010: 9.334 million) to the provident fund.

	Note	2011	2010
		(Rupees in '000)	

26. TRADE AND OTHER PAYABLES

Creditors		**115,012**	21,816
Current account balances with subsidiary companies	26.1	**12,874,760**	10,354,326
Agents' and owners' balances		**148,878**	114,232
Accrued liabilities		**95,543**	213,303
Deposits	26.2	**30,907**	23,257
Workers' Profits Participation Fund	26.3	**11,503**	50,194
Unclaimed dividends		**25,032**	22,380
Advance from customers		**136,813**	15,301
Other liabilities			
- amounts retained from contractors		**25,740**	28,022
- others		**67,703**	61,898
		93,443	89,920
		13,531,891	10,904,729

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

	2011	2010
	(Rupees in '000)	
Bolan Shipping (Private) Limited	**772,441**	576,380
Chitral Shipping (Private) Limited	**703,466**	655,289
Hyderabad Shipping (Private) Limited	**868,240**	816,792
Islamabad Shipping (Private) Limited	**339,928**	427,991
Kaghan Shipping (Private) Limited	**1,028,899**	927,590
Khairpur Shipping (Private) Limited	**449,944**	449,708
Makran Shipping (Private) Limited	**318,367**	320,386
Malakand Shipping (Private) Limited	**611,282**	764,397
Multan Shipping (Private) Limited	**581,125**	560,018
Sargodha Shipping (Private) Limited	**34,125**	65,316
Sibi Shipping (Private) Limited	**361,260**	365,078
Shalamar Shipping (Private) Limited	**1,497,515**	1,495,403
Swat Shipping (Private) Limited	**1,152,820**	442,313
Lalazar Shipping (Private) Limited	**736,950**	799,926
Johar Shipping (Private) Limited	**1,215,606**	587,194
Lahore Shipping (Private) Limited	**521,061**	102,439
Karachi Shipping (Private) Limited	**559,382**	186,214
Quetta Shipping (Private) Limited	**1,122,349**	811,892
	12,874,760	10,354,326

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

26.3 Workers' Profits Participation Fund

	Note	2011	2010
		(Rupees in '000)	
As at July 1		**50,194**	58,252
Allocation for the year	36	**11,503**	50,194
Interest on funds utilised during the year		**143**	3,466
		61,840	111,912
Less: Payments made during the year		**50,337**	61,718
As at June 30		**11,503**	50,194

	Note	2011	2010
		(Rupees in '000)	

27. PROVISION AGAINST DAMAGE CLAIMS

	Note	2011	2010
As at July 1		**39,403**	99,810
Charge during the year	36	**9,218**	8,838
Utilised during the year		**(743)**	-
Reversed during the year		**(19,551)**	(69,245)
As at June 30		**28,327**	39,403

28. CONTINGENCIES AND COMMITMENTS

Contingencies

28.1 Amount in respect of claims not admitted by the Corporation as at June 30, 2011 aggregate to Rs 152.815 million (2010: Rs 196.921 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo and damages to cargo. These include Rs 6.695 million (2010: Rs 13.685 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 68.062 million (2010: Rs 112.901 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 28.327 million (2010: Rs 39.403 million) against the aforementioned claims in these financial statements.

28.2 The Corporation has not accepted liability in respect of customs duty approximating Rs 2.500 million (2010: Rs 2.500 million) relating to the sale of the vessel M.V. Bhambore during the year ended June 30, 1978. The duty was claimed from the Corporation and the matter has been taken up with the appropriate Government agencies.

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

Following the Supreme Court's adjudication of the East & West Steamship Company's matter in favour of the former owners, the Government provisionally assessed additional compensation due to the former owners at approximately Rs 97.012 million (2010: 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 (2010: 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.

28.4 Certain other claims have been filed against the Corporation in respect of employees' matters for an aggregate amount of approximately Rs 102.987 million (2010: Rs 31.261 million). These cases are pending and the management is confident that the outcome of these cases will be in the Corporation's favour and accordingly no provision for above claims has been made in these financial statements.

28.5 While framing the tax assessment for the income year ended June 30, 1990, the assessing officer had made an addition to income of Rs 3,974.455 million, being the remission of liabilities due to the Federal government under the scheme of financial restructuring of the Coproration. 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. The assessing officer while framing the order of income year ended June 30, 1996 has treated the aforementioned payment of tax liability by the Government as the income of Corporation. The ITAT has given the decision in favour of the Corporation on the appeals filed against the above orders. However, the department has filed an appeal with the honourable High Court against the aforementioned orders of ITAT. The Honourable High Court has decided the appeal against the Corporation. The leave to appeal filed by the Corporation has been accepted by the Honourable Supreme Court and the decision of the High Court has been suspended. Hearing of the appeal is pending in the Honourable Supreme Court.

28.6 During the year, the Officer Inland Revenue (OIR) has issued assessment orders under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax years 2008, 2009 and 2010. According to the orders, the OIR has made certain additions and determined additional tax demand of Rs 293.431 million. Such addition have been made mainly as the OIR has disallowed a portion of administrative expenses by attributing the same to the subsidiary companies and further disallowed a portion of contribution made to approved gratuity fund (only in respect of tax year 2008) on the contention that the same is attributable to the subsidiary companies. The Corporation has paid Rs 100 million under protest and has filed an appeal with the Commissioner of Income Tax (Appeals) and at present the matter is pending for hearing. The management of the Corporation is confident that the subject matter in respect of tax years 2008, 2009 and 2010 will eventually be decided in favour of the Corporation. However, as a matter of prudence, the management had made aggregate provision of Rs 100.00 million against the aforementioned demands in the financial statements for the year ended June 30, 2011.

28.7 Commitments in respect of capital expenditure amount to Rs 165.029 million (2010: Rs 171.730 million).

28.8 Outstanding letters of guarantee amount to Rs 2.126 million (2010: Rs 4.461 million).

28.9 Commitments in respect of loan arrangement fee amount to Rs Nil (2010: Rs 115.362 million).

	Note	2011	2010
		(Rupees in '000)	

29. CHARTERING REVENUES

	Note	2011	2010
Foreign flag vessels:			
Voyage charter revenue		**964,593**	533,530
Slot charter revenue		**1,308,690**	1,222,470
		2,273,283	1,756,000

30. SERVICES FEE

	Note	2011	2010
Technical and commercial services fee		**207,351**	180,628
Administrative and financial services fee		**69,119**	60,209
		276,470	240,837

31. FLEET EXPENSES - DIRECT

	Note	2011	2010
Charter hire and related expenses	31.1	**1,317,694**	937,105
Claims		**350**	1,669
Ocean loss		**34,827**	9,325
Exchange loss		**6,640**	12,393
		1,359,511	960,492

		Note	2011	2010
			(Rupees in '000)	

31.1 Charter, hire and related expenses

	Note	2011	2010
Foreign flag vessels:			
- Voyage charter expenses		**800,033**	434,759
- Slot charter expenses		**517,661**	502,346
		1,317,694	937,105

32. FLEET EXPENSES - INDIRECT

	Note	2011	2010
Conference establishment expenses		**277**	309
Salaries and allowances - regional offices	32.1	**5,534**	5,033
Agents' and other general expenses	32.2	**7,431**	8,169
Depreciation	4.6	**467**	592
General establishment expenses - regional offices		**725**	630
		14,434	14,733

32.1 This includes Rs 0.107 million (2010: Rs 0.221 million) in respect of provident fund contribution.

	Note	2011	2010
		(Rupees in '000)	

32.2 Agents' and other general expenses

	Note	2011	2010
Printing and stationery		**18**	114
Advertisement and publicity		**2,844**	2,850
Telephone, telex and postage		**4,029**	4,871
Bank charges and commission		**500**	299
Other miscellaneous expenses		**40**	35
		7,431	8,169

33. VESSEL MANAGEMENT EXPENSES

	Note	2011	2010
Workshop management expenses		**49,130**	-
Salaries and allowances	33.1	**305,513**	257,908
General establishment expenses	33.2	**71,341**	47,805
Rent, rates and taxes		**6,418**	1,998
Insurance		**6,463**	2,706
Depreciation	4.6	**44,962**	10,188
		483,827	320,605

33.1 This includes Rs 7.692 million (2010: Rs 6.926 million) in respect of provident fund contribution.

	2011	2010
	(Rupees in '000)	

33.2 General establishment expenses

	2011	2010
Repairs and maintenance	**2,248**	2,375
Medical expenses	**33,596**	12,354
Security charges	**1,211**	330
Travelling and conveyance	**5,555**	6,417
Entertainment and canteen subsidy	**1,575**	1,780
Uniform and liveries	**601**	690
Printing and stationery	**3,363**	3,337
Telephone, telex and postage	**6,415**	5,528
Light, power and water	**1,257**	-
Computer expenses	**5,877**	5,368
Vehicle running, repairs and maintenance	**9,643**	9,626
	71,341	47,805

34. REAL ESTATE EXPENSES

	Note	2011 (Rupees in '000)	2010
Salaries and allowances	34.1	**9,807**	7,836
General establishment expenses	34.2	**25,528**	24,003
Rent, rates and taxes		**9,180**	7,368
Insurance		**345**	1,143
Depreciation	4.6	**43,062**	15,263
Legal and professional charges		**140**	137
		88,062	55,750

34.1 This includes Rs 0.321 million (2010: Rs 0.183 million) in respect of provident fund contribution.

34.2 General establishment expenses

	Note	2011 (Rupees in '000)	2010
Repairs and maintenance		**5,975**	8,282
Medical expenses		**47**	19
Security charges		**3,485**	3,934
Entertainment and canteen subsidy		**26**	150
Books, periodicals and subscriptions		**16**	38
Telephone, telex and postage		**47**	34
Light, power and water		**15,912**	11,546
Vehicle running, repairs and maintenance		**20**	-
		25,528	24,003

35. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2011	2010
Salaries and allowances	35.1	**68,698**	81,510
General establishment expenses	35.2	**35,879**	54,395
Rent, rates and taxes		**458**	4,751
Scholarship and training expenses		**1,238**	514
Insurance		**461**	1,297
Depreciation	4.6	**3,212**	12,584
Directors' fee		**390**	690
Legal and professional charges		**11,480**	17,721
Provision for doubtful debts		**4,302**	12,876
		126,118	186,338

35.1 This includes Rs 2.564 million (2010: Rs 2.004 million) in respect of provident fund contribution.

35.2 General establishment expenses

	2011 (Rupees in '000)	2010
Repairs and maintenance	**506**	4,358
Medical expenses	**7,554**	2,233
Medical insurance	**-**	19,371
Contribution to employees welfare fund	**8**	9
Contribution to group term insurance	**1,805**	1,723
Hajj expenses	**1,050**	925
Security charges	**272**	60
Travelling and conveyance	**1,249**	1,160
Entertainment and canteen subsidy	**354**	416
Books, periodicals and subscription	**4,379**	3,446
Uniform and liveries	**43**	41
Printing and stationery	**756**	603
Telephone, telex and postage	**1,443**	1,070
Light, power and water	**283**	-
Computer expenses	**1,321**	970
Advertisement and publicity	**3,984**	4,510
Vehicle running, repairs and maintenance	**2,168**	1,774
Ship inspection expenses	**4,410**	6,094
Sundries	**4,294**	5,632
	35,879	54,395

	Note	2011	2010
		(Rupees in '000)	

36. OTHER OPERATING EXPENSES

Workers' Profits Participation Fund	26.3	**11,503**	50,194
Donations	36.1	**2,000**	3,000
Auditors' remuneration	36.2	**4,446**	3,294
Employees' gratuity			
- funded	25.1.6	**7,257**	74,239
- unfunded	25.1.6	**11,884**	4,518
		19,141	78,757
Post retirement medical benefits	25.1.6	**30,308**	28,224
Employees' compensated absences	25.2.5	**87,797**	43,976
Loss on fixed assets due to fire - net	36.3	**2,554**	-
Provision in respect of damage claims	27	**9,218**	8,838
		166,967	216,283

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

36.2 Auditors' remuneration

	2011			2010		
	A. F. Ferguson & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total	A. F. Ferguson & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total
	(Rupees in '000)					
Audit fee	**703**	**703**	**1,406**	633	633	1,266
Fee for review of half yearly financial statements	**295**	**295**	**590**	265	265	530
Fee for review of statement of compliance with best practices of the code of corporate governance	**72**	**72**	**144**	66	66	132
Fee for audit of consolidated financial statements	**89**	**89**	**178**	80	80	160
Tax advisory services fee	**1,003**	**-**	**1,003**	810	-	810
Fee for special review	**650**	**-**	**650**	-	-	-
Out of pocket expenses	**222**	**253**	**475**	218	178	396
	3,034	**1,412**	**4,446**	2,072	1,222	3,294

36.3 The amount represents amount of fixed assets destroyed due to fire net of insurance claim received for those items.

	Note	2011	2010
		(Rupees in '000)	

37. FINANCE COSTS

Interest on long-term financing		**570,741**	-
Gain on cross currency interest rate swap derivative	37.1	**(310,734)**	-
Interest on Workers' Profits Participation Fund		**143**	3,466
Bank charges		**1,844**	2,877
Loan arrangement fee		**-**	12,818
		261,994	19,161

37.1 This relates to the amount received during the year on account of interim exchanges under the swap arrangement as explained in note 16.3 amounting to Rs 310.734 million.

38. OTHER OPERATING INCOME

	Note	2011	2010
		(Rupees in '000)	
Income from financial assets / liabilities			
Interest / mark-up on loans and advances to employees		**150**	104
Income from saving and term deposits		**196,798**	616,623
Agency fee		**6,155**	-
Gain on insurance claims - destroyed items		**-**	21,054
Dividend income		**1,363**	842
Insurance claims	38.1	**1,574**	1,282
Exchange gain	38.2	**14,432**	36,572
Gain on revaluation of long-term investments		**629**	3,539
Gain on revaluation of investment properties	6	**25,712**	-
Gain on revaluation of swap derivative		**6,130**	-
Liabilities no longer payable written back		**46**	59,175
Income from non-financial assets			
Profit on disposal of fixed assets		**2,484**	1,860
Provisions no longer required written back		**19,551**	71,052
Sundries		**42,086**	22,274
		317,110	834,377

38.1 This represents recoveries from hull, cargo and other claims according to the insurance policies.

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

39. TAXATION

	2011	2010
	(Rupees in '000)	
Tax charge for:		
- current year	**169,921**	422,073
- prior years	**100,103**	18,723
	270,024	440,796
Deferred	**18,129**	(13,470)
	288,153	427,326
Taxes paid abroad relating to current year	**4**	103
	288,157	427,429

39.1 Relationship between tax expense and accounting profit

	2011	2010
	(Rupees in '000)	
Accounting profit before tax	**900,558**	1,138,962
Tax rate	**35%**	35%
Tax on accounting profit	**315,195**	398,637
Tax effect in respect of income / expenses not admissible for calculation of taxable profit	**2,429**	(189)
Effect of charging deferred tax on different ratio than current tax	**945**	3,634
Tax effect of lower tax rates on certain incomes:		
- Tax saving due to lower tax rates	**(151,716)**	(44,371)
- Tax liability under final tax regime	**17,657**	8,160
	(134,059)	(36,211)
Tax effects of flood surcharge	**7,122**	-
Others (including the impact arising as a consequence of change in allocation ratio of revenue chargeable under FTR and non-FTR tax regime)	**(3,576)**	42,804
	(127,139)	10,038
	188,056	408,675
Tax effects of adjustments in respect of taxes paid abroad	**(2)**	31
Tax effects of adjustments in respect of prior years	**100,103**	18,723
Tax expense for the year	**288,157**	427,429

40. EARNINGS PER SHARE

	2011	2010
Profit after taxation attributable to ordinary shareholders	**612,401**	711,533
	(Number of shares)	
Weighted average ordinary shares in issue during the year	**132,063,380**	132,063,380
	(Rupees)	
Earnings per share - basic	**4.64**	5.39

There are no dilutive potential ordinary shares outstanding as at June 30, 2011 and 2010.

	Note	2011	2010
		(Rupees in '000)	

41. CASH GENERATED FROM OPERATIONS

	Note	2011	2010
Profit before taxation		**900,558**	1,138,962
Adjustments for non-cash charges and other items:			
Depreciation	4.6	**91,703**	38,627
Profit on disposal of fixed assets		**(2,484)**	(1,860)
Loss on fixed assets due to fire		**2,554**	-
Provision in respect of damage claims		**9,218**	8,838
Provision for employees' gratuity	25.1.6	**19,141**	78,757
Provision for post retirement medical benefits	25.1.6	**30,308**	28,224
Provision for employees' compensated absences	25.2.5	**87,797**	43,976
Dividend income		**(436,503)**	(842)
Provision for impairment on doubtful receivables		**4,302**	12,876
Provision reversed in respect of trade debts		**-**	(142)
Provisions no longer required written back		**(19,551)**	(71,052)
Liabilities no longer payable written back		**(46)**	(59,175)
Interest / mark-up income		**(196,798)**	(616,727)
Interest / mark-up expense		**572,728**	-
Loan arrangement fee		**-**	12,818
Gain on revaluation of long-term investments		**(629)**	(3,539)
Gain on cross currency interest rate swap derivative		**(316,864)**	-
Gain on revaluation of investment properties		**(25,712)**	-
Working capital changes	41.1	**2,535,237**	5,740,866
		3,254,959	6,350,607

41.1 Working capital changes

	Note	2011	2010
(Increase) / decrease in current assets			
Stores and spares		**2,289**	(166)
Trade debts		**(78,959)**	176,223
Agents' and owners' balances		**(5,373)**	14,897
Loans and advances		**(23,521)**	37,989
Deposits and short-term prepayments		**(1,963)**	13,816
Other receivables		**7,214**	42,550
Incomplete voyages		**5,487**	(13,397)
Insurance claims		**542**	2,287
Short term investments		**-**	3,900,000
		(94,284)	4,174,199
Increase in current liabilities			
Trade and other payables		**2,629,521**	1,566,667
		2,535,237	5,740,866

42. CASH AND CASH EQUIVALENTS

	Note	2011	2010
Short-term investments	19	**471,900**	1,207,224
Cash and bank balances	20	**2,098,976**	1,307,961
		2,570,876	2,515,185

43. REMUNERATION OF CHAIRMAN, EXECUTIVE DIRECTORS / DIRECTORS AND OTHER EXECUTIVES

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

	Chairman & Chief Executive		Executive Directors		Other executives	
	2011	2010	2011	2010	2011	2010
	(Rupees in '000)					
Managerial remuneration and allowances	**1,885**	2,220	**13,168**	9,765	**165,973**	129,838
Retirement benefits	**-**	-	**167**	294	**5,403**	1,577
House rent	**333**	472	**1,953**	1,414	**53,317**	30,990
Conveyance	**-**	-	**-**	-	**3,744**	864
Entertainment	**142**	10	**216**	233	**1,237**	149
Medical	**435**	-	**1,043**	721	**4,381**	1,039
Utilities	**163**	129	**1,264**	1,038	**23,727**	21,237
Personal staff subsidy	**7**	-	**9**	18	**172**	132
Club membership fee and expenses	**33**	8	**103**	104	**-**	-
Bonus	**-**	420	**1,502**	1,680	**17,184**	19,334
Other allowances	**285**	-	**898**	1,179	**68,577**	89,900
	3,283	3,259	**20,323**	16,446	**343,715**	295,060
Number of persons	**2**	2	**5**	5	**185**	117

43.1 Retirement benefits represent amount contributed towards various retirement benefit plans. The executives of the Corporation are entitled to retirement benefits as outlined in note 2.14 and 2.15 to these financial statements. The Chairman and Chief Executive, Executive Directors and certain Executives are provided with Corporation owned and maintained cars.

43.2 The aggregate amount charged in the financial statements for fee to non-executive directors was Rs 0.390 million (2010: Rs 0.690 million).

43.3 During the year the former chairman left the Corporation on March 21, 2011 and the incoming chairman joined office on March 21, 2011

	2011	2010
	(Rupees in '000)	

44. FINANCIAL INSTRUMENTS BY CATEGORY

	2011	2010
FINANCIAL ASSETS		
Financial assets at fair value through profit or loss		
Long term investments - listed companies	**26,783**	26,154
Derivative cross currency interest rate swap	**87,960**	-
Loans and receivables		
Loans - employees	**423**	1,003
Trade debts	**272,125**	193,195
Agents' and owners' balances	**6,443**	1,070
Deposits	**6,627**	5,258
Interest / mark-up accrued	**2,505**	1,780
Other receivables	**240,404**	18,508
Insurance claims	**18**	572
Short-term investments	**471,900**	1,207,224
Cash and bank balances	**2,098,976**	1,307,961
	3,099,421	2,736,571
Available-for-sale financial assets		
Long-term investments - other entity	**100**	100
	3,214,264	2,762,825
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables	**13,383,575**	10,839,234
Long-term financing	**8,021,457**	-
Accrued markup on long-term financing	**134,898**	-
	21,539,930	10,839,234

45. FINANCIAL RISK MANAGEMENT

45.1 Financial risk factors

The Corporation's activities are exposed to a variety of financial risks namely credit risk, market risk (including currency risk, cash flow and fair value interest rate risk and price risk) and liquidity risk. The Corporation is not exposed to any significant price risk as it does not hold any major investments exposed to price risk. The Corporation has established adequate procedures to manage each of these risks as explained below.

45.1.1 Concentration of credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transactions. Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

As at June 30, 2011, out of the total financial assets of Rs 3,214.264 million (2010: Rs 2,762.825 million) the financial assets which are subject to credit risk amounted to Rs 3,213.056 million (2010: Rs 2,761.206 million). The management of the Corporation believes that it is not exposed to major concentration of credit risk.

For banks and financial institutions, only independently rated parties with a minimum credit rating of A are accepted.

A significant component of the receivable balances of the Corporation relates to amounts due from the Public Sector organisations. Due to the Corporation's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non–performance by those counter parties on their obligations to the Corporation. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

The sector wise analysis of receivables, comprising trade debts, agents' and owners' balances, deposits and other receivables is given below:

	2011	2010
	(Rupees in '000)	
Public Sector	**286,034**	112,148
Private Sector	**37,709**	145,318
	323,743	257,466

Out of Rs 323.743 million (2010: 257.466 million), the Corporation has provided Rs 22.447 million (2010: 22.418 million) as the amounts being doubtful to be recovered from them.

45.1.2 Market risk

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The corporation faces foreign currency risk on receivable, payable transactions at foreign ports and the derivative cross currency interest rate swap. Foreign currency risk is covered as a considered management decision, since the income from the derivative cross currency interest rate swap fluctuates widely due to change in exchange rate.

As at June 30, 2011, if the currency had weakened by 5% against the US dollar with all other variables held constant, pre-tax profit for the year would have been Rs 362.242 million (2010: Rs 11.507 million) lower, mainly as a result of foreign exchange gains / losses on translation of US dollar denominated assets and liabilities.

If at the same date the currency had strengthened by 5% against US dollar with all other variables held constant, pre-tax profit for the year would have been Rs 454.341 million (2010: Rs 11.507 million) higher, mainly as a result of foreign exchange gains / losses on translation of US dollar denominated assets and liabilities.

As at June 30, 2011, the affect of fluctuations in other foreign currency denominated assets or liabilities balances would not be material, therefore, not disclosed.

Cash flow and fair value 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 a high exposure to interest rate risk due to the financing obtained during the year (note 24). In order to manage its exposure to such risks the management of the Corporation has entered into a derivative cross currency interest rate swap (note 16) under which the Corporation receives KIBOR on the PKR notional in exchange for payment of LIBOR on the USD notional.

The Corporation has interest bearing liabilities and have floating interest rates. At June 30, 2011, if interest rates on borrowings had been 250 basis points higher / lower with all other variables held constant, profit after taxation for the year would have been lower / higher by Rs 21.981 million (2010: Rs Nil).

Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Corporation believes it is not exposed to any significant price risk.

45.1.3 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.

The management forecasts the liquidity of the Corporation on basis of expected cashflow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios and maintaining debt financing plans.

Financial liabilities in accordance with their contractual maturities are presented below:

	Contractual cash flows	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years
	---------------------- (Rupees in thousand) ----------------------				
Long term financing	12,997,943	2,283,141	2,109,521	5,326,428	3,278,853
Trade and other payables	13,383,575	13,383,575	-	-	-
Accrued mark-up on long-term financing	134,898	134,898	-	-	-
	26,516,416	15,801,614	2,109,521	5,326,428	3,278,853

45.1.4 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

The corporation classifies financial instruments measured in the balance sheet at fair value in accordance with the following fair value measurement:

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

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

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

The Corporation's financial assets measured at fair value comprise only of level 1 financial assets amounting to Rs 26.783 million (2010: Rs 26.154 million) and level 3 financial assets amounting to Rs 87.960 million (2010: nil).

45.2 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.

The Corporation manages its capital structure by monitoring return on net assets and makes adjustment to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Corporation may adjust the amount of dividends paid to shareholders or issue new shares.

The Corporation is not subject to externally imposed capital requirements.

During the year, the Corporation's strategy was to maintain the debt equity ratio below 60:40 in accordance with the long-term finance agreements. The debt equity ratios as at June 30, 2011 and 2010 were as follows:

	2011	2010
	(Rupees in '000)	
Long-term financing (note 24)	**8,021,457**	-
Total equity	**6,885,977**	6,461,615
Total	**14,907,434**	6,461,615
	54:46	-

The increase in the debt equity ratio is due to financing obtained amounting to Rs 8,021 million during the year.

46. ENTITY WIDE INFORMATION

46.1 The Corporation constitutes as a single reportable segment, the principal classes of services provided are transportation of dry cargo and liquid cargo through chartered vessels.

46.2 Information about services

The Corporation's principal classes of services accounted for the following amount of revenue:

	2011	2010
	(Rupees in '000)	
Transportation of dry cargo	**1,308,690**	1,222,470
Transportation of liquid cargo	**964,593**	533,530
	2,273,283	1,756,000

46.3 Information about geographical areas

The Corporation does not hold non-current assets in any foreign country.

46.4 Information about major customers

The corporation has the following exposure to concentration of credit risk with clients representing greater than 10 % of the total revenue balances:

	---------- 2011 ---------	
	Revenue Amount (Rupees in '000)	% of Total
Client 1	**612,216**	**27%**
Client 2	**415,481**	**19%**
Client 3	**277,596**	**12%**
	1,305,293	**58%**

	---------- 2010 ---------	
	Revenue Amount (Rupees in '000)	% of Total
Client 1	227,682	10%
Client 2	38,356	2%
Client 3	154,428	7%
	420,466	19%

47. 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 note 26.1 to these financial statements. Particulars of remuneration to key management personnel are disclosed in note 43 of these financial statements. Investments in related parties and long-term loans and advances to related parties are disclosed in note 7 and 9 of these financial statements.

Related party	Relationship with the Corporation	2011	2010
		(Rupees in '000)	
Service fee charged			
Bolan Shipping (Private) Limited	Subsidiary	**7,406**	19,885
Chitral Shipping (Private) Limited	Subsidiary	**12,814**	2,540
Hyderabad Shipping (Private) Limited	Subsidiary	**3,451**	-
Islamabad Shipping (Private) Limited	Subsidiary	**20,053**	15,265
Johar Shipping (Private) Limited	Subsidiary	**9,085**	31,865
Kaghan Shipping (Private) Limited	Subsidiary	**16,335**	19,762
Karachi Shipping (Private) Limited	Subsidiary	**51,434**	10,299
Khairpur Shipping (Private) Limited	Subsidiary	**-**	11,192
Lahore Shipping (Private) Limited	Subsidiary	**52,998**	17,306
Makran Shipping (Private) Limited	Subsidiary	**-**	6,410
Malakand Shipping (Private) Limited	Subsidiary	**5,957**	-
Multan Shipping (Private) Limited	Subsidiary	**10,328**	11,516
Quetta Shipping (Private) Limited	Subsidiary	**48,111**	46,338
Sargodha Shipping (Private) Limited	Subsidiary	**20,910**	6,633
Sibi Shipping (Private) Limited	Subsidiary	**1,732**	-
Swat Shipping (Private) Limited	Subsidiary	**15,856**	41,826
		276,470	240,837
Rental expense			
Pakistan Co-operative Ship Stores (Private) Limited	Subsidiary	**488**	547
Transfer of stores and spares			
Bolan Shipping (Private) Limited	Subsidiary	**1,313**	1,124
Chitral Shipping (Private) Limited	Subsidiary	**220**	41
Hyderabad Shipping (Private) Limited	Subsidiary	**93**	-
Islamabad Shipping (Private) Limited	Subsidiary	**2,381**	1,991
Johar Shipping (Private) Limited	Subsidiary	**516**	2,803
Kaghan Shipping (Private) Limited	Subsidiary	**124**	66
Karachi Shipping (Private) Limited	Subsidiary	**2,017**	420
Khairpur Shipping (Private) Limited	Subsidiary	**1,509**	951
Lahore Shipping (Private) Limited	Subsidiary	**2,378**	1,671
Makran Shipping (Private) Limited	Subsidiary	**-**	152
Malakand Shipping (Private) Limited	Subsidiary	**119**	-
Multan Shipping (Private) Limited	Subsidiary	**1,494**	2,127
Quetta Shipping (Private) Limited	Subsidiary	**2,675**	3,146
Sargodha Shipping (Private) Limited	Subsidiary	**1,520**	3,228
Sibi Shipping (Private) Limited	Subsidiary	**108**	-
Swat Shipping (Private) Limited	Subsidiary	**677**	2,366
		17,144	20,086

Related party	Relationship with the Corporation	Note	2011	2010
			(Rupees in '000)	
Retirement benefit costs charged				
Bolan Shipping (Private) Limited	Subsidiary		**313**	1,163
Chitral Shipping (Private) Limited	Subsidiary		**-**	960
Islamabad Shipping (Private) Limited	Subsidiary		**895**	572
Johar Shipping (Private) Limited	Subsidiary		**205**	115
Kaghan Shipping (Private) Limited	Subsidiary		**659**	41
Khairpur Shipping (Private) Limited	Subsidiary		**-**	1,061
Karachi Shipping (Private) Limited	Subsidiary		**78**	-
Lahore Shipping (Private) Limited	Subsidiary		**66**	-
Makran Shipping (Private) Limited	Subsidiary		**-**	369
Malakand Shipping (Private) Limited	Subsidiary		**-**	-
Multan Shipping (Private) Limited	Subsidiary		**873**	1,312
Quetta Shipping (Private) Limited	Subsidiary		**561**	64
Sargodha Shipping (Private) Limited	Subsidiary		**1,108**	839
Swat Shipping (Private) Limited	Subsidiary		**207**	74
			4,965	6,570
Dividend income				
Sibi Shipping (Private) Limited	Subsidiary		**115,632**	-
Malakand Shipping (Private) Limited	Subsidiary		**101,992**	-
Hyderabad Shipping (Private) Limited	Subsidiary		**113,720**	-
Chitral Shipping (Private) Limited	Subsidiary		**103,796**	-
			435,140	-
Contribution to provident fund			**10,684**	9,334
Key management personnel compensation			**23,606**	19,705
Investment in subsidiary companies	Subsidiary		**11,665,738**	-
Advance extended against purchase of vessel to related parties	Subsidiary	9.1	**4,655,158**	11,665,738

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

47.2 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' which are settled through a current account with each of the subsidiary.

48. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors at their meeting held on September 28, 2011 have proposed for the year ended June 30, 2011 cash dividend of Re 1.00 per share (2010: Rs 1.5 per share), amounting to Rs 132.063 million (2010: Rs 198.085 million) subject to the approval of the members at the annual general meeting to be held on October 29, 2011. The financial statements for the year ended June 30, 2011 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

49. CORRESPONDING FIGURES

Following corresponding figures have been reclassified for the purposes of better presentation and comparison.

Note	From	To	Note	(Rupees in '000)
26	Other liabilities - freight	Advance from customers	26	15,301
29	Chartering revenue	Fleet expenses - direct	31	9,325

The following administrative and general expenses have been reclassified for the purpose of better presentation and comparison.

Description	Transferred to vessel management expenses	Transferred to real estate expenses
	----------- (Rupees in '000) -----------	
Salaries and allowances	257,908	7,836
General establishment expenses:		
- Repairs and maintenance	2,375	8,282
- Medical expenses	12,354	19
- Security charges	330	3,934
- Travelling and conveyance	6,417	-
- Entertainment and canteen subsidy	1,780	150
- Books, periodicals and subscriptions	-	38
- Uniform and liveries	690	-
- Printing and stationery	3,337	-
- Telephone, telex and postage	5,528	34
- Light, power and water	-	11,546
- Computer expenses	5,368	-
- Vehicle running, repairs and maintenance	9,626	-
Rent, rates and taxes	1,998	7,368
Insurance	2,706	1,143
Depreciation	10,188	15,263
Legal and professional charges	-	137

50. GENERAL

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

51. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 28, 2011 by the Board of Directors of the Corporation.

Vice Admiral (R) Saleem Ahmed Meenai
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

2011

PATTERN OF SHAREHOLDING

No. of Total Shares	Shareholders			Shareholdings Held
11147	1	To	100	369,133
3154	101	To	500	721,921
851	501	To	1000	611,939
676	1001	To	5000	1,414,856
83	5001	To	10000	582,500
19	10001	To	15000	229,149
15	15001	To	20000	271,730
10	20001	To	25000	228,742
7	25001	To	30000	201,541
3	30001	To	35000	101,968
3	35001	To	40000	117,327
7	40001	To	45000	296,218
2	45001	To	50000	100,000
2	50001	To	55000	106,600
2	55001	To	60000	119,865
1	65001	To	70000	69,387
2	70001	To	75000	146,071
3	75001	To	80000	234,520
1	90001	To	95000	93,415
2	95001	To	100000	200,000
2	100001	To	105000	207,095
1	105001	To	110000	105,488
1	135001	To	140000	137,026
2	150001	To	155000	305,335
2	155001	To	160000	317,642
1	185001	To	190000	185,139
1	190001	To	195000	194,623
1	235001	To	240000	235,916
2	240001	To	245000	484,493
1	295001	To	300000	298,808
1	435001	To	440000	436,564
1	605001	To	610000	608,707
1	660001	To	665000	661,775
1	745001	To	750000	746,603
1	935001	To	940000	938,000
1	1045001	To	1050000	1,046,386
1	1230001	To	1235000	1,230,173
1	11565001	To	11570000	11,567,077
1	105135001	To	105140000	106,139,647
16,013				**132,063,379**

CATEGORIES OF SHAREHOLDERS
as at June 30, 2011

CATEGORIES OF SHAREHOLDERS	NO.	SHARES HELD	%
Associated Companies, Undertakings and Related Parties			
M/s PNSC Employess Empowerment Trust	1	11,567,077	8.76
Mohammadi Engg. Works Ltd.	1	4,766	0.00
NIT & ICP	15	527,731	0.40
Directors, CEO, their spouses and minor children			
Mr. Khowaja Obaid Imran Ilyas	1	2,299	0.00
Mr. Anwar Shah	1	100	0.00
Mr. Khowaja Obaid Imran Ilyas	1	115	
Executives	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions	76	2,146,498	1.63
Insurance Companies	14	1,270,638	0.96
Modarabas and Mutual Funds	11	698,548	0.53
Shareholders holding 10% or more voting interest			
Federal Government	1	106,139,647	80.37
Individual*	15,793	7,776,263	5.89
Foreign/Non-resident Investors	10	693,284	0.52
Others	88	1,236,413	0.94
	16,013	**132,063,379**	**100**

*(including 3656 shareholders whose current domicile is not known)
N.B. ;- The above two statements including 1566 shareholders holding 11,463,305 shares through Central Depository Company of Pakistan Limited.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 33rd 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 Saturday, the 29th October 2011 at 07:00 p.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the Minutes of 32nd Annual General Meeting of the shareholders held on 14th October 2010.
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 2011.
3. To consider and approve Board's recommendation to pay 10% Cash Dividend (i.e. Re.1 per share of Re. 10 each) to the shareholders.
4. To consider Board's recommendation to re-appoint the retiring auditors A.F. Ferguson & Co., Chartered Accountants, and Ernst & Young Ford Rhodes SidatHyder, Chartered Accountants, as joint auditors of the Corporation for the year 2011-2012 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: October 7th, 2011

Note:

1. The Share Transfer Books of the Corporation will remain closed from 22nd October 2011 to 29th October 2011 (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 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 computerized National Identity Cards of the grantors, and the signature on the proxy form has to be the same as appearing on the National Identity Card.
4. The shareholders are requested to immediately notify change, if any, in their mailing addresses.
5. The Shareholders who have not yet submitted photocopies of their valid Computerized National Identity Cards (CNIC) to the Corporation are requested to send the same at the earliest to the Corporation's Share Registrar, Technology Trade (PVT.) LTD, Dagia House 241-C, Block-2, P.E.C.H.S Off: Shahrah-E-Quaideen, Karachi.

PAKISTAN NATIONAL SHIPPING CORPORATION

Proxy form

Please quote your
Folio No./ CDC Account No.

I/We ____

of ____

being shareholder of 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 29th day of October 2011 at 07:00 p.m. and at any adjournment thereof.

Dated this ____________________ day of ____________________ 2011.

Revenue Stamp
of
Rs 5

Signature of the Shareholder ____________________

Address ______________________________

____

Folio No./CDC Account No. ____________________

Transfer Receipt No. ____________________

P.N.S.C Building Molvi Tamizuddin Khan Raod,P.O.Box No. 5350,Karachi-Pakistan.
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