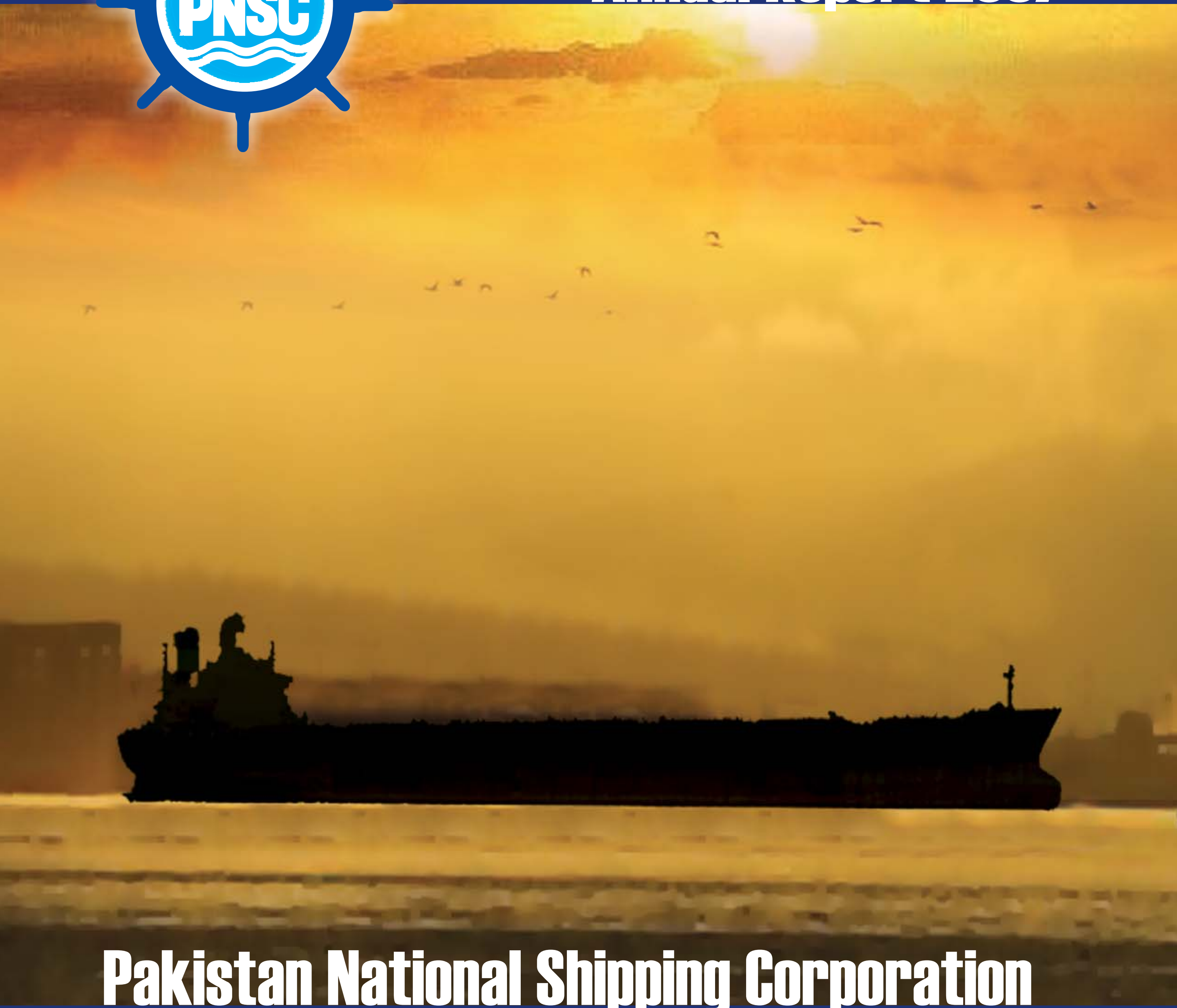
Annual Report 2007



Pakistan National Shipping Corporation

PAKISTAN NATIONAL SHIPPING CORPORATION

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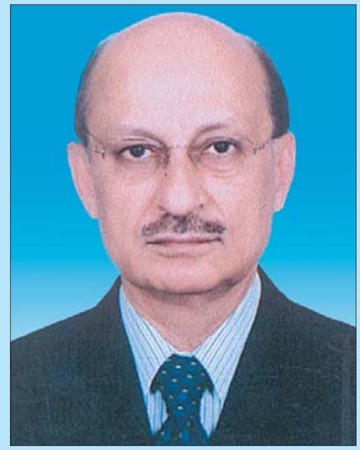
CORPORATE INFORMATION

Board	:	**Vice Admiral (Retd) S. Tauquir H. Naqvi** HI(M), S. Bt. Chairman **Capt. S. Akhlaq Hussain Abidi, MNA** Director **Mr. Kamal Afsar** Director **Dr. Arshad A. Vohra** Director **Mr. Mohammad Khusrow Khowaja** Director **Mr. Jahangir Siddiqui** Director
Audit Committee of the Board	:	**Mr. Kamal Afsar** - Chairman **Mr. Mohammad Khusrow Khowaja** - Member **Mr. Jahangir Siddiqui** - Member **Dr. Arshad A. Vohra** - Member
Secretary	:	**Ms. Zainab Suleman**
Head Office	:	**PNSC Building,** Moulvi Tamizuddin Khan Road, Karachi - 74000
Auditors	:	**A. F. Ferguson & Co.** Chartered Accountants **Ford Rhodes Sidat Hyder & Co.** Chartered Accountants
Bankers	:	**Allied Bank Limited** **ABN-AMRO Bank** **Bank Al-Falah Limited** **Bank of Punjab** **Dubai Islamic Bank** **Faysal Bank Limited** **Habib Bank Limited** **Habib Metropolitan Bank Limited** **JS Bank Limited** **Standard Chartered Bank** **United Bank Limited**

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

Capt. S. Akhlaq Hussain Abidi, MNA
Director



Mr. Kamal Afsar
Director

Board of Directors

Mr. Jahangir Siddiqui
Director

Dr. Arshad A. Vohra
Director

Mr. M. Khusrow Khowaja
Director

Management

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

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

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

Capt. Aftabuddin Siddiqui
Executive Director
(Commercial)

Mr. Imtiaz C. Agboatwala
Executive Director
(Finance)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 29th 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 Friday, the 30th November 2007 at 9:00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the Minutes of 28th Annual General Meeting of the shareholders held on 19th October 2006.

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 2007.

3. To consider and approve Board's recommendation to pay 15% Cash Dividend (i.e Rs. 1.50 per share of Rs. 10/- each) to the shareholders.

4. To elect two directors for a period of three years in accordance with the provisions of section 14 (1) (b) of the Pakistan National Shipping Corporation Ordinance, 1979 (XX of 1979) in place of the following retiring directors:
   (1) Mr. M. Khusrow Khowaja
   (2) Mr. Jahangir Siddiqui

The retiring directors are eligible for re-election.

5. To consider Board's recommendation to re-appoint the retiring auditors A. F. Ferguson & Co., Chartered Accountants, and Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as joint auditors of the Corporation for the year 2007-2008 and to fix their remuneration.

6. 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: November 09, 2007.

Note:

1. The Share Transfer Books of the Corporation will remain closed from 23rd November 2007 to 30th November 2007 (both days inclusive).

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

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

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

PAKISTAN NATIONAL SHIPPING CORPORATION
DIRECTORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2007

The Board of Directors of Pakistan National Shipping Corporation is pleased to present the twenty-ninth Annual Report together with the Audited Financial Statements for the year ended June 30, 2007.

OVERVIEW

PNSC Group's turnover for the year was Rs 9,089 million as compared to the previous year's turnover of Rs 7,924 million, with healthy contribution in respect of freight revenues from both Combi Vessels and Oil Tankers.

Direct Fleet Expenses increased from Rs 6,239 million to Rs 6,479 million showing a 4% increase over last year, mainly on account of higher fuel costs and higher overage premium due to record high crude oil prices.

Healthy revenue earnings have resulted in a Gross Profit of Rs 2,593 million as against Rs 1,669 million of last year showing a 55% increase.

Administrative & General Expenses increased by 21.5% mainly due to normal inflationary factors, including salary expense, establishment expense and expenses relating to disposal of vessel.

During the year, surplus funds were placed with Banks yielding Rs 479 million in interest earnings as compared to Rs 261 million last year. As a result Profit Before Tax was Rs 2,848 million as compared to Rs 1,428 million in 2006.

Earnings per share of Pakistan National Shipping Corporation Group of Companies as at June 30, 2007 was Rs 17.69 per share as compared to Rs 9.65 last year.

During the year MT Shalamar was sold as it had completed its useful operational life.

An unfortunate fire incident in PNSC Building took place on 18th February 2007. However, there was no interruption in PNSC's worldwide operations which continued uninterrupted.

COMMERCIAL OPERATIONS

During the year under review, PNSC and its vessel-owning subsidiary companies together performed a total of 671 voyages (inclusive of foreign chartered vessels and slot chartered vessels) and lifted 8.960 million freight tons of cargo as compared to 652 voyages and 9.409 million freight tons of cargo respectively in the previous year.

Sector-wise cargo liftings were as under:

SECTOR	2006-2007 FREIGHT TONS MILLION	2005-2006 FREIGHT TONS MILLION	2004-2005 FREIGHT TONS MILLION
Liquid	7.677	8.185	8.138
Dry Bulk	0.343	0.261	0.110
Trade Area - East	0.470	0.493	0.505
Trade Area - West	0.470	0.470	0.448
Total	**8.960**	**9.409**	**9.201**

DIVIDEND

The Directors are pleased to recommend payment of cash dividend of 15% (2006: 10% cash i.e. Rs 1.00 per share) to the shareholders whose names appear on the Share Register of the Corporation at the close of business on 22nd November 2007.

GROUNDING OF TASMAN SPIRIT

The Board is pleased to report that the Arbitration Tribunal in London issued the award and declared that:

I. the Port of Karachi was not unsafe for the Tasman Spirit;
II. the effective cause of grounding was the failure of those responsible for the navigation of the vessel to give appropriate helm orders at the appropriate times;
III. any problem with the vessel's engine was not causative of the grounding and any defect that was present did not render the vessel unseaworthy;
IV. the Charterers' claim based on a fraudulent (or alternatively negligent) misrepresentation that the vessel was in Class, failed.

When reviewed in its totality this arbitration award is in favour of PNSC.

FUTURE PROSPECTS

As part of the fleet renewal/expansion plans, your Corporation is continuing with its efforts to add more vessels to its fleet. The Board is pleased to inform that during the year, a Credit Agreement was signed on 29th May 2007 for a loan of US$ 135 million from ABN AMRO Bank N.V. for financing of additional vessels through its wholly-owned subsidiary companies.

The dry bulk market continues to remain firmer than it has ever been in the past. This augers well for the bulker and break bulk portion of PNSC group's ships. However a down turn in tanker freight rates will somewhat dampen this unless the tanker market firms up again. The overall group performance is however likely to remain good.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

It is certified that:

(i) The financial statements prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity.

(ii) Proper books of accounts of the Corporation have been maintained except for the matters stated in paragraph 2 of the financial statements for the year ended June 30, 2007. This matter has also been reported in the Auditors' Report to the members.

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

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

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

(vi) There are no significant doubts upon 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) All outstanding major Government levies in normal course of business, if any, have been disclosed in the financial statements.

(x) The total of investments made by Pakistan National Shipping Corporation Employees Contributory Provident Fund, based on the audited accounts for the year ended June 30th, 2007 stood at Rs 974.40 million (2006 : Rs 931.44 million).

(xi) During the year ended June 30th, 2007, seven Board of Directors meetings were held and the attendance of each Director is given below:

	Meetings	
Name of Directors	**Held**	**Attended**
Vice Admiral (Retd) S. Tauquir H. Naqvi	7	7
Mr. S. Haider Abbas Rizvi	7	7
Mr. Jahangir Siddiqui	7	3
Mr. Kamal Afsar	7	3
Mr. Mohammad Khusrow Khowaja	7	0
Mr. Sheikh Manzar Alam upto 29th May 2007	6	6
Dr. Arshad A. Vohra w.e.f. 30th May 2007	1	1
Mr. Tauqir Ahmed	7	2

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 following changes have occurred in the composition of the Board of Directors.

a. Mr. Sheikh Manzar Alam has been replaced by Dr. Arshad A. Vohra w.e.f. 30th May 2007.

b. The Board regrets to inform that Mr. Tauqir Ahmed expired on 18th September 2007

c. Mr. Haider Abbas Rizvi has been replaced by Capt. Syed Akhlaq Hussain Abidi w.e.f. 11th October 2007.

AUDITORS

The joint auditors, A.F. Ferguson & Co., Chartered Accountants and Ford Rhodes Sidat Hyder & Co., Chartered Accountants retire and have offered themselves for reappointment. The Board recommends that, A.F. Ferguson & Co, Chartered Accountants and Ford Rhodes Sidat Hyder & Co., Chartered Accountants may be appointed joint auditors for the year ending June 30, 2008.

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.

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

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

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

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

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Corporation's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Corporation for the year ended June 30, 2007.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Karachi

October 27, 2007

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Pakistan National Shipping Corporation
(Established under the Pakistan National Shipping Corporation Ordinance, 1979)
Year Ended: 30th June, 2007

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

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

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

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

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

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

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

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

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

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

9. The Board has not been able to arrange orientation courses for its directors during the year to apprise them of their duties and responsibilities. However, all members of the Board have been duly provided with copies of the Code of Corporate Governance and are aware of their duties as directors.

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

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

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

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

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

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

16. The meetings of the audit committee were held at least once prior to approval of the interim and final results of the Corporation as required by the Code. Meeting of the Audit Committee to review the annual accounts could not be held due to non-availability of members. Accordingly, accounts were taken directly to the Board for approval.

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 the Institute of Chartered Accountants of Pakistan.

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

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

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

PAKISTAN NATIONAL SHIPPING CORPORATION
FLEET STRENGTH AS ON JUNE 30, 2007

S. No.	Vessel	Year of Built	Dead Weight M/Tons	G.R.T.	N.R.T.
	BULK CARRIER				
1.	M. V. Kaghan	1986	65,716	36,098	21,824
	OIL TANKERS				
2.	M. T. Johar	1985	86,803	49,688	25,546
3.	M. T. Swat	1985	86,593	49,601	25,534
4.	M. T. Lalazar	1984	113,881	60,099	35,604
	COMBI VESSELS				
5.	M. V. Islamabad	1983	18,204	12,395	6,747
6.	M. V. Sibi	1981	16,436	13,402	7,693
7.	M. V. Khairpur	1981	16,430	13,402	7,693
8.	M. V. Sargodha	1980	18,242	12,395	6,747
9.	M. V. Multan	1980	18,257	12,395	6,747
10.	M. V. Malakand	1980	18,224	12,395	6,747
11.	M. V. Hyderabad	1980	18,257	12,395	6,747
12.	M. V. Chitral	1980	18,144	12,395	6,747
13.	M. V. Bolan	1980	18,144	12,395	6,747
14.	M. V. Makran	1979	23,490	16,199	8,184
	Total		**536,821**	**325,254**	**179,307**

CONSOLIDATED
REPORT AND ACCOUNTS

OF

PAKISTAN NATIONAL
SHIPPING CORPORATION
GROUP OF COMPANIES

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

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pakistan National Shipping Corporation and its subsidiary companies as at June 30, 2007 and the related consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Pakistan National Shipping Corporation and its subsidiary companies. These, financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing as applicable in Pakistan and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances, however, we were unable to conduct certain audit procedures in view of the limitations referred to in paragraph 1 below.

1. As more fully explained in note 2 to the annexed consolidated financial statements, during the year ended June 30, 2007 as a result of fire incident at the PNSC building on February 18, 2007 various records, documents and books of account of the Corporation and its subsidiary companies were destroyed and since then the Corporation and the subsidiary 'companies have been conducting an exercise to recreate the necessary accounting records, documents, supports, agreements and other information. However, the recreation of the general ledger for the period October 5, 2006 to December 31, 2006 could not be completed and therefore the books of account of the Corporation and the subsidiary companies for the period October 5, 2006 to December 31, 2006 were not made available for our review.

   Further, as the records, documents and books of account of the Corporation and the subsidiary companies were destroyed due to fire, audit trail of approval of certain transactions pertaining to the periods July 1, 2006 to October 4, 2006 and January 1, 2007 to February 18, 2007 could not be made available for our review.

2. In our opinion, except for the effects, if any, of the matters stated in paragraph 1 above the consolidated financial statements present fairly the financial position of Pakistan National Shipping Corporation and its subsidiary companies as at June 30, 2007 and the results of their operations for the year then ended.

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Karachi

October 27, 2007

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2007

	Note	2007	2006 (restated)
		(Rupees in '000)	
NON-CURRENT ASSETS			
Property, plant and equipment	6	7,069,437	7,430,919
Intangible assets	7	4,950	8,251
Investment properties	8	966,637	674,162
Long-term investments in:			
- Related party (associate)	9	-	-
- Listed companies and an other entity	10	40,632	30,781
Long-term loans	11	2,027	2,210
Long-term deposits		90	90
Deferred tax - net	12	93,366	132,684
		8,177,139	8,279,097
CURRENT ASSETS			
Stores and spares	13	444,341	472,210
Trade debts	14	557,290	209,936
Agents' and owners' balances	15	41,482	32,207
Loans and advances	16	63,197	25,135
Deposits and prepayments	17	10,616	4,846
Interest / mark-up accrued	18	84,504	42,999
Other receivables	19	86,193	65,833
Incomplete voyages	20	17,267	57,325
Insurance claims	21	1,667	83,049
Short-term investments	22	6,000,000	3,120,000
Cash and bank balances	23	907,906	1,207,054
		8,214,463	5,320,594
LESS: CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	24	1,051,948	971,666
Provision against damage claims	25	140,645	121,625
Interest accrued		110	174
Current portion of long-term financing	30	258,771	258,557
Taxation - net		49,546	152,187
		1,501,020	1,504,209
NET CURRENT ASSETS		6,713,443	3,816,385
		14,890,582	12,095,482
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up share capital	26	1,320,634	1,320,634
Reserves	27	9,063,701	6,155,661
		10,384,335	7,476,295
MINORITY INTEREST	28	1,354	1,209
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		10,385,689	7,477,504
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX			
- Group		3,890,025	3,742,259
- Minority		2,148	2,148
	29	3,892,173	3,744,407
NON-CURRENT LIABILITIES			
Long-term financing	30	215,643	474,021
Deferred liabilities	31	397,077	399,550
		14,890,582	12,095,482
CONTINGENCIES AND COMMITMENTS	32		

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

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

Kamal Afsar
Director

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007	2006 (restated)
		(Rupees in '000)	
REVENUES			
Chartering revenues	33	2,416,960	1,668,918
Freight - net		6,554,591	6,145,271
Rental income		117,573	110,425
		9,089,124	7,924,614
EXPENDITURE			
Fleet expenses - direct	34	6,479,802	6,239,764
- indirect	35	15,900	15,283
		6,495,702	6,255,047
GROSS PROFIT		2,593,422	1,669,567
Administrative and general expenses	36	468,030	385,297
Other operating expenses	37	143,509	109,951
Finance costs	38	77,353	73,274
		688,892	568,522
		1,904,530	1,101,045
Other operating income	39	943,526	331,499
		2,848,056	1,432,544
Share of loss in associate		-	(4,992)
PROFIT BEFORE TAXATION		2,848,056	1,427,552
Taxation	40	511,183	152,955
PROFIT AFTER TAXATION		2,336,873	1,274,597
Attributable to:			
Equity holders of the Corporation		2,336,728	1,274,525
Minority interest		145	72
		2,336,873	1,274,597
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE		-----------(Rupees) -----------	
TO EQUITY HOLDERS OF THE CORPORATION			
- BASIC	41	17.69	9.65

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

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

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

Kamal Afsar
Director

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2007

	Issued, subscribed and paid-up share capital	Capital Reserves		Revenue Reserves		Minority interest	Total
		Reserve for issue of bonus shares	Others	General reserves	Unappro-priated profit		
	(Rupees in '000)						
Balance as at July 1, 2005 - as previously reported	1,200,576	-	126,844	1,500,022	2,986,583	1,137	5,815,162
Reversal of allocation to workers' profits participation fund due to change in accounting policy (Note 4.1)	-	-	-	-	105,769		105,769
Reversal of allocation to workers' profits participation fund due to change in basis of WPPF computation (Note 4.2)	-	-	-	-	26,727		26,727
Balance as at July 1, 2005 - restated	1,200,576	-	126,844	1,500,022	3,119,079	1,137	5,947,658
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity- net of tax	-	-	-	-	495,364	-	495,364
Profit after taxation for the year ended June 30, 2006 as previously reported	-	-	-	-	1,238,079	72	1,238,151
Reversal of allocation to workers' profits participation fund due to change in accounting policy (Note 4.1)	-	-	-	-	15,816	-	15,816
Restatement of allocation to workers' profits Participation fund due to change in basis of WPPF computation (Note 4.2)	-	-	-	-	20,630		20,630
Profit after taxation for the year ended June 30, 2006 - restated	-	-	-	-	1,274,525	72	1,274,597
Final cash dividend for the year ended June 30, 2005 (Rs 2 per Ordinary share)	-	-	-	-	(240,115)	-	(240,115)
Transfer to reserve for issue of bonus shares	-	120,058	-	-	(120,058)	-	-
Transfer to general reserve	-	-	-	2,129,285	(2,129,285)	-	-
Transfer to capital reserve	-		4,500	-	(4,500)		-
	-	-	4,500	2,129,285	(2,133,785)	-	-
Issue of bonus shares (10%)	120,058	(120,058)	-	-	-	-	-
Balance as at June 30, 2006 - restated	1,320,634	-	131,344	3,629,307	2,395,010	1,209	7,477,504
Balance as at July 1, 2006 - restated	1,320,634	-	131,344	3,629,307	2,395,010	1,209	7,477,504
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity- net of tax	-	-	-	-	469,982	-	469,982
Transfer of surplus on revaluation of fixed assets disposed off during the year	-	-	-	-	233,393	-	233,393
Profit after taxation for the year ended June 30, 2007	-	-	-	-	2,336,728	145	2,336,873
Final cash dividend for the year ended June 30, 2006 (Re 1 per Ordinary share)	-	-	-	-	(132,063)	-	(132,063)
Transfer from general reserve	-	-	-	(3,500,000)	3,500,000	-	-
Balance as at June 30, 2007	1,320,634	-	131,344	129,307	8,803,050	1,354	10,385,689

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

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

Kamal Afsar
Director

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007	2006 (restated)
		(Rupees in '000)	
Cash flows from operating activities			
Cash (used in) / generated from operations	42	(983,142)	2,306,516
Employees' gratuity paid		(45,248)	(36,169)
Employees' compensated absences paid		(38,878)	(38,697)
Post retirement medical benefits paid		(4,945)	(7,151)
Long-term loans		183	1,090
Finance costs paid		(52,033)	(61,255)
Taxes paid		(606,722)	(186,066)
Net cash (used in) / generated from operating activities		(1,730,785)	1,978,268
Cash flows from investing activities			
Fixed capital expenditure		(464,989)	(1,601,215)
Acquisition of NTCL (net of cash and bank balances)		-	96,485
Proceeds from disposal of property, plant and equipment		528,203	2,157
Interest / mark-up received		437,314	227,462
Dividend received		2,269	1,945
Net cash generated from / (used in) investing activities		502,797	(1,273,166)
Cash flows from financing activities			
Repayment of long-term financing		(261,171)	(256,329)
Dividend paid		(129,989)	(236,710)
Net cash (used in) financing activities		(391,160)	(493,039)
Net (decrease) / increase in cash and cash equivalents		(1,619,148)	212,063
Cash and cash equivalents as at July 1		4,327,054	4,114,991
Cash and cash equivalents as at June 30	43	2,707,906	4,327,054

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

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

Kamal Afsar
Director

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1. THE GROUP AND ITS OPERATIONS

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

The Group consists of:

Holding company

Pakistan National Shipping Corporation (the Corporation)

Subsidiary companies

- Bolan Shipping (Private) Limited
- Chitral Shipping (Private) Limited
- Hyderabad Shipping (Private) Limited
- Islamabad Shipping (Private) Limited
- Johar Shipping (Private) Limited
- Kaghan Shipping (Private) Limited
- Karachi Shipping (Private) Limited [Formerly National Tanker Company (Private) Limited]
- Khairpur Shipping (Private) Limited
- Lahore Shipping (Private) Limited [Formerly Pak Nippon Car Liner (Private) Limited]
- Lalazar Shipping (Private) Limited
- Makran Shipping (Private) Limited
- Malakand Shipping (Private) Limited
- Multan Shipping (Private) Limited
- Pakistan Co-operative Ship Stores (Private) Limited
- Quetta Shipping (Private) Limited
- Sargodha Shipping (Private) Limited
- Shalamar Shipping (Private) Limited
- Sibi Shipping (Private) Limited
- Swat Shipping (Private) Limited

Associate company

- Muhammadi Engineering Works Limited

The Group owns 55 percent of the share capital of Pakistan Co-operative Ship Stores (Private) Limited and 100 percent of the share capital of the remaining eighteen subsidiary companies. All the fully owned subsidiaries of the Corporation operate one vessel / tanker each with the exception of Karachi Shipping (Private) Limited [Formerly National Tanker Company (Private) Limited], Lahore Shipping (Private) Limited [Formerly Pak Nippon Car Liner (Private) Limited], Quetta Shipping (Private) Limited and Shalamar Shipping (Private) Limited which currently do not own any vessel / tanker.

2. SIGNIFICANT EVENT DURING THE YEAR

On February 18, 2007, a fire broke out at PNSC building (hereinafter referred to as 'the fire incident') and as a result 11th to 15th floors of the PNSC building were significantly gutted. Besides the loss of false building structure, furniture, fixture, computer and other office equipment, the fire incident also resulted in the destruction of various documents, records and other historical information of the Group. The disclosures relating to the consequence of fire incident are appearing in notes 6.1, 6.8.1, 16.1, 19.1, 37 and 39.2 to these consolidated financial statements.

Financial and accounting records and data (including computerized soft data) were lost pertaining to the period July 1, 2006 to February 18, 2007 which is part of the period covered by these consolidated financial statements however subsequently various computerized data were recovered from the back-up maintained by the Group which includes data for the period July 1, 2006 to October 4, 2006 whereas computerized data for the period October 5, 2006 to February 18, 2007 could not be recovered. The computerized data includes general ledger accounting system of the Group. After recovery of soft data for the period July 1, 2006 to October 4, 2006 the Group has reprinted the journal vouchers from computerized data and arranged duplicate supporting documents.

Moreover journal vouchers, supporting documentation (i.e. receipts, bills, third party invoices), legal agreements with third parties, documents relating to insurance claims, personnel records, bank statements, cheque books, bank reconciliation statements and documents evidencing approvals for revenue and capital expenditures were also destroyed in the fire.

Subsequent to the fire incident the management of the Group commenced a comprehensive exercise to recreate necessary accounting records, documents, supports, agreements and other information which entails the following activities:

- Data gathering exercise was initiated and in this regard duplicate documents were arranged from the Group's employees, customers, suppliers, bankers, and regulatory authorities. The Group has managed to rearrange most of the lost records till the date of issuance of these consolidated financial statements.

- General ledger for the period October 5, 2006 to December 31, 2006 could not be recovered from the computerized data and accordingly the books of account of the Group do not exist for that period. The Group's management believes that non-availability of general ledger for the period October 5, 2006 to December 31, 2006 did not affect the preparation of the consolidated financial statements because the ledger account balances that were accumulated for the preparation of the interim condensed financial statements for the six months period ended December 31, 2006 of the holding company and the management financial statements of the subsidiary companies have been used for preparing these consolidated financial statements.

- The Group has hired external consultants for the task of recreation of general ledger for the period October 5, 2006 to December 31, 2006. This exercise was substantially completed at the time of issuance of these consolidated financial statements.

- General ledger for the period January 1, 2007 to February 18, 2007 has been recreated by the management by obtaining duplicate bank statements from all the concerned banks, identifying the details of the transactions appearing in the bank statements, incorporating all the transactions in the relevant general ledger accounts and obtaining the supporting documents from the relevant third parties. Accordingly, the management of the Group succeeded in rearranging the complete accounting records for that period.

As stated in the above paragraphs the books of account relating to the periods July 1, 2006 to October 4, 2006 and January 1, 2007 to February 18, 2007 have been either recovered or recreated. However, in respect of the period October 5, 2006 to December 31, 2006 relevant supporting documents have been rearranged whereas the recreation of books of account is in progress. Further, subsidiary records of the Group relating to 'Revenue' and 'Fleet Expenses - Direct' relating to the entire year were not destroyed during the fire incident on February 18, 2007. Accordingly, the management of the Group believes that the balances, transactions and other events have been fairly reflected in these consolidated financial statements.

3. 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.

3.1 Statement of compliance

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

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

The following standards and amendments of approved accounting standards, with effective dates mentioned against each, are either not relevant to the group's operations or are not expected to have significant effect on the group's consolidated financial statements:

IAS 1 Presentation of Financial Statements – amendments relating to capital disclosures	effective from January 1, 2007
IAS 23 (Revised) Borrowing Costs	effective from January 1, 2009
IAS 41 Agriculture	effective from May 22, 2007
IFRS 2 Share based Payment	effective from December 6, 2006
IFRS 3 Business Combinations	effective for business combinations for which agreement date is on or after December 6, 2006
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	effective from December 6, 2006
IFRS 6 Exploration for and Evaluation of Mineral Resources	effective from December 6, 2006

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

3.2 Basis of preparation

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

- Certain property, plant and equipment as referred to in note 3.4.1 have been included at revalued amounts; and
- Certain investment properties and investments as referred to in notes 3.6 and 3.6.1 respectively have been carried at fair value to comply with the requirements of IAS-40 'Investment Property' and IAS-39 'Financial Instruments: Recognition and Measurement'.

3.3 Basis of consolidation

3.3.1 Subsidiaries

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

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

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

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

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

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

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

3.3.2 Associates

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

3.4 Fixed assets

3.4.1 Property, plant and equipment

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

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

Cost in relation to vessels includes cost of acquisition and other related expenses incidental to the purchase of vessels accumulated to the date the vessels are commissioned into service. It also includes cost of spares capitalised during the year.

It is the practice of the subsidiary companies to carry out continuous surveys and repairs on a 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 dry docks according to the specifications of Lloyd's Register, London or American Bureau of Shipping, U.S.A. These expenses are capitalised as and when incurred and amortised over a period of thirty to sixty months.

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 the asset is in idle condition during that period. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

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

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

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

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

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

3.4.2 Capital work-in-progress

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

3.4.3 Intangible assets

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

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

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

3.5 Impairment of assets

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

3.6 Investment properties

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

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

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

3.6.1 Other investments

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

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

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

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

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

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

3.7 Long-term loans and advances

These are initially recognised at cost inclusive of transaction costs and are subsequently measured at amortised cost less provision for impairment losses (note 11).

3.8 Stores and spares

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

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

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

3.9 Trade debts

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

3.10 Taxation

3.10.1 Current

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

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

3.10.2 Deferred

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

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

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

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

3.11 Insurance claims

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

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

3.12 Trade and other payables

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

3.13 Provisions

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

3.14 Dividend and other appropriations

Dividend and appropriations are recognised in the period in which these are declared.

3.15 Staff Retirement benefits

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

3.15.1 Defined benefit gratuity scheme

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

The Group's crew 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 the scheme.

3.15.2 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 the scheme.

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

3.16 Employees' compensated absences

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

3.17 Cash and cash equivalents

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

3.18 Foreign currency translation

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

3.19 Revenue recognition

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

3.20 Borrowing costs

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

3.21 Financial instruments

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

3.22 Offsetting of financial assets and financial liabilities

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

4. EFFECT ON GROUP'S FINANCIAL STATEMENTS AS RESULT OF CHANGE IN AN ACCOUNTING POLICY OF THE CORPORATION AND CHANGE IN BASIS OF COMPUTATION OF WPPF IN THE SEPARATE FINANCIAL STATEMENTS OF THE CORPORATION

4.1 Consequent to revisions in the International Accounting Standards No. 27 'Consolidated and Separate Financial Statements' (IAS-27) made applicable in Pakistan to the financial statements covering accounting periods beginning on or after January 1, 2005, investments in subsidiaries and associates are required to be carried in the separate financial statements of the investor, at cost or at fair value in accordance with IAS-39 'Financial Instruments: Recognition and Measurement'. The Corporation had requested the Securities and Exchange Commission of Pakistan (SECP) to allow it to account for investments in subsidiaries and associates under the equity method in its separate financial statements. The SECP acceded to the request of the Corporation and gave a one time exemption for the purpose of the financial statements of the Corporation for the year ended June 30, 2006. During the current year, the Corporation has changed its accounting policy pertaining to measurement of investments in subsidiaries and associates and now carries its investments in subsidiaries and associate at cost in its separate financial statements.

The aforesaid change in accounting policy has been applied retrospectively and comparative information has been restated in accordance with International Accounting Standard No. 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (IAS-8).

Due to aforesaid change in accounting policy, profits of subsidiaries have not been incorporated in the separate financial statements of the Corporation and this change has been applied retrospectively. Accordingly, the amount allocable to Workers Profits Participation Fund (WPPF) in respect of profits of subsidiaries recognised in the separate financial statements of the Corporation in the previous year has been reversed. Consequent to such revision these consolidated financial statements have been restated only to the extent of change in balances applicable to amount payable to and amount allocable to the WPPF. Therefore the amounts payable to the WPPF in respect of prior years pertaining to the share of profits of subsidiaries recognised under the equity method of accounting has been reversed. Had the above accounting policy not been changed, the WPPF liability and allocation for the year would have been higher by Rs 179.387 million (2006: Rs 121.106 million) and Rs 43.975 million (2006: Rs 13.443 million) respectively and earnings per share for the year would have been lower by Re. 0.333 (2006: Re. 0.102).

4.2 During the year ended June 30, 2007 the Corporation has obtained an opinion from a legal advisor who has advised the Corporation that in his opinion shipping income of the Group and the unrealised gain on revaluation of investment properties shall not be considered for the purpose of computation of the amount allocable to 'Workers' Profits Participation Fund' (the fund) and accordingly the contribution payable to the fund for the year ended June 30, 2006 has been restated. The shipping income of the Group earned from chartering of vessels does not fall within the ambit of definition of 'profit' as provided in the Companies Profits (Workers' Participation) Act, 1968 because this income is, according to the legal opinion, a foreign income. Accordingly, the Group has changed the method for computing the amount allocable to the fund and this change has been made retrospectively whereby the balances for the year ended June 30, 2006 have been restated retrospectively.

Had the Group charged amount allocable to the fund on its chartering income and the unrealised gain on revaluation of investment properties also, the operating expenses for the year would have been higher by Rs 34.542 million (2006: Rs 20.630 million) and profit for the year would have been lower by the same amount. As a result, earnings per share for the year would have been lower by Re. 0.262 (2006: Re. 0.156). Further, the amount of trade and other payables would have been higher by Rs 88.061 million (2006: Rs 47.836 million) and the reserves would have been lower by the same amount as at June 30, 2007.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Assumption and estimation in recognition of taxation and deferred tax (note 40 and 12).

(b) Assumption and estimation in valuation of property, plant and equipment and investment properties (note 6 and 8).

(c) Assumptions and estimations used in determining the residual values and useful lives of property, plant and equipment (note 6).

(d) Assumption and estimation in accounting for defined benefit plans (note 31).

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.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2007	2006
		(Rupees in '000)	
Fixed assets	6.1	7,053,286	7,403,755
Capital work-in-progress	6.8	16,151	27,164
		7,069,437	7,430,919

6.1 The following is a statement of fixed assets:

	Lease-hold land (note 6.2 and 6.4)	Buildings on lease-hold land	Vessel fleet: Cost or revaluation	Vessel fleet: Dry docking class renewal	Vessel fleet: Total	Vehicles	Office machines and appliances	Furniture and fixtures	Electrical fittings	Motor launch and jetty	Equipment on board	Container fittings	Beach huts	Workshop machinery and equipment	Computer equipment	Total
	Rupees in '000															
As at July 1, 2005																
Cost or revalued amount	471,715	147,142	5,841,819	659,531	6,501,350	41,067	10,754	15,632	7	18	28,386	3,468	348	11,556	15,673	7,247,116
Accumulated depreciation	-	34,211	124,152	106,965	231,117	26,930	8,566	12,354	7	18	8,144	3,468	348	7,199	9,800	342,162
Net book value	471,715	112,931	5,717,667	552,566	6,270,233	14,137	2,188	3,278	-	-	20,242	-	-	4,357	5,873	6,904,954
Year ended June 30, 2006																
Opening net book value	471,715	112,931	5,717,667	552,566	6,270,233	14,137	2,188	3,278	-	-	20,242	-	-	4,357	5,873	6,904,954
Additions	-	1,626	992,119	568,859	1,560,978	12,755	479	908	-	-	9,877	-	-	3,025	1,310	1,590,958
Surplus on revaluation	7,517	1,172	-	-	-	-	-	-	-	-	-	-	-	-	-	8,689
Adjustments																
Cost or revalued amount	7,816	1,217	-	(5,742)	(5,742)	3,404	2,381	2,407	-	-	-	-	-	-	-	11,483
Accumulated depreciation	-	103	-	-	-	3,404	2,233	2,401	-	-	-	-	-	-	-	8,141
	7,816	1,114	-	(5,742)	(5,742)	-	148	6	-	-	-	-	-	-	-	3,342
Disposal																
Cost or revalued amount	-	-	-	-	-	(2,965)	-	-	-	-	-	-	-	(22)	-	(2,987)
Accumulated depreciation	-	-	-	-	-	2,965	-	-	-	-	-	-	-	22	-	2,987
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	(13,961)	(828,012)	(246,137)	(1,074,149)	(5,506)	(516)	(778)	-	-	(5,308)	-	-	(914)	(3,056)	(1,104,188)
Closing net book value	487,048	102,882	5,881,774	869,546	6,751,320	21,386	2,299	3,414	-	-	24,811	-	-	6,468	4,127	7,403,755
As at June 30, 2006																
Cost or revalued amount	487,048	151,157	6,833,938	1,222,648	8,056,586	54,261	13,614	18,947	7	18	38,263	3,468	348	14,559	16,983	8,855,259
Accumulated depreciation	-	48,275	952,164	353,102	1,305,266	32,875	11,315	15,533	7	18	13,452	3,468	348	8,091	12,856	1,451,504
Net book value	487,048	102,882	5,881,774	869,546	6,751,320	21,386	2,299	3,414	-	-	24,811	-	-	6,468	4,127	7,403,755
Year ended June 30, 2007																
Opening net book value	487,048	102,882	5,881,774	869,546	6,751,320	21,386	2,299	3,414	-	-	24,811	-	-	6,468	4,127	7,403,755
Additions	2,969	16,718	68,589	360,904	429,493	2,789	5,194	4,821	-	-	1,604	-	-	858	6,961	471,407
Surplus on revaluation	169,876	78,296	632,462	-	632,462	-	-	-	-	-	-	-	2,723	-	-	883,357
Adjustments																
Cost or revalued amount	-	-	(1,540,099)	(3,003)	(1,543,102)	-	-	-	-	-	-	-	-	-	(1,702)	(1,544,804)
Accumulated depreciation	-	-	1,540,099	-	1,540,099	-	-	-	-	-	-	-	-	-	-	1,540,009
	-	-	-	(3,003)	(3,003)	-	-	-	-	-	-	-	-	-	(1,702)	(4,705)
Disposals / revaluation adjustments*																
Cost or revalued amount	(15,333)	(51,107)	(657,246)	(105,363)	(762,609)	(3,136)	(3,793)	(3,781)	-	-	(3,214)	-	(348)	-	-	(843,321)
Accumulated depreciation	-	48,947	245,233	101,851	347,084	3,136	3,687	3,766	-	-	1,533	-	348	-	-	408,501
	(15,333)	(2,160)	(412,013)	(3,512)-	(415,525)	-	(106)	(15)	-	-	(1,681)	-	-	-	-	(434,820)
Write off																
Cost or revalued amount	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,431)	-	(1,431)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	469	-	469
	-	-	-	-	-	-	-	-	-	-	-	-	-	(962)	-	(962)
Destroyed due to fire – note 19																
Cost or revalued amount	-	(10,676)	-	-	-	-	(6,738)	(6,738)	-	-	-	-	-	-	(14,890)	(44,672)
Accumulated depreciation	-	9,988	-	-	-	-	5,149	9,771	-	-	-	-	-	-	12,693	37,601
		(688)	-	-	-	-	(1,589)	(2,597)	-	-		-	-	-	(2,197)	(7,071)
Depreciation charge for the year	-	(14,276)	(891,458)	(335,023)	(1,226,481)	(6,074)	(670)	(592)	-	-	(5,903)	-	-	(1,070)	(2,609)	(1,257,675)
Closing net book value	644,560	180,772	5,279,354	889,912	6,168,266	18,101	5,128	5,031	-	-	18,831	-	2,723	5,294	4,580	7,053,286
As at June 30, 2007																
Cost or revalued amount	644,560	184,388	5,337,644	1,475,186	6,812,830	53,914	8,277	7,619	7	18	36,653	3,468	2,723	13,986	7,352	7,775,795
Less: Accumulated depreciation	-	3,616	58,290	586,274	644,564	35,813	3,149	2,588	7	18	17,822	3,468	-	8,692	2,772	722,509
Net book value	644,560	180,772	5,279,354	888,912	6,168,266	18,101	5,128	5,031	-	-	18,831	-	2,723	5,294	4,580	7,053,286
Annual rate of depreciation	-	2.5 to 20	see note 3.4	20 to 40		20	15	10 to 15	-	10 to 15	10 to 15	15	15	5 to 10	25	

The latest revaluation of Group's vessels (held in the books of the subsidiary companies) was carried out as of June 30, 2007 by Optima Ship Brokers on the basis of their professional assessment of present market values and on the basis of independent surveying reports submitted by Lloyd's Register Group, surveyor and consultants. The latest revaluation resulted in a surplus of Rs 632.462 million over the written down values of Rs 4,646.893 million which has been incorporated in the books of the Group as at June 30, 2007.

6.2 The latest revaluation of the Group's 'leasehold land', 'buildings on leasehold land' and beach huts were carried out as of June 30, 2007 by Pee Dee & Associates on the basis of their professional assessment of present market values. The latest revaluation resulted in a surplus of Rs 250.895 million over the then written down values of Rs 577.160 million which had been incorporated in the books of the Group as at June 30, 2007. Of the total revaluation surplus arisen, Rs 817.283 million (2006: Rs 563.804 million) remains undepreciated at June 30, 2007.

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

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

	2007	2006
	(Rupees in '000)	
Leasehold land and buildings on leasehold land	24,240	13,453
Vessel Fleet	3,297,017	2,194,850
Workshop machinery and equipment	4,232	4,938
	3,325,489	2,213,241

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

6.6 Except for the following vessel and related items, no item of property, plant and equipment having book value exceeding Rs 50,000 was disposed off during the year by the Group.

	Cost	Accumulated depreciation	Written down value	Sale proceed	Profit / (loss)	Mode of disposal	Particulars
	(Rupees in'000)						
Vessel (M. T Shalamar)	657,246	245,233	412,013	525,363	113,350	Sale through Broker	Gainful Trading Limited
Dry docking	105,363	101,851	3,512	-	(3,512)		
Equipment on board	3,214	1,533	1,681	-	(1,681)		
	765,823	348,617	417,206	525,363	108,157		

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

	Note	2007	2006
		--------(Rupees '000)--------	
Fleet expenses - direct	34	1,211,743	1,050,949
Fleet expenses - indirect	35	1,070	914
Administration and general expenses	36	24,335	23,595
Incomplete voyages	20	20,527	28,730
		1,257,675	1,104,188

6.8 Capital work-in-progress

	2007	2006
Buildings on leasehold land	4,325	25,260
Beach huts	9,814	154
Computer equipment	1,061	-
Office machines and appliances	400	400
Workshop machinery and equipment	551	651
Vessel	-	699
	16,151	27,164

6.8.1 During the year capital work in progress amounting to Rs 4.595 million has been written off due to destruction by fire.

7. INTANGIBLE ASSETS

Following is the statement of the intangible assets:

	Note	Goodwill	Computer software
		--------(Rupees '000)--------	
As at June 30, 2005			
Cost		-	16,503
Less: accumulated amortisation		-	(4,951)
Net book value		-	11,552
Year ended June 30, 2006			
Opening net book value		-	11,552
Addition during the year		24,362	-
Less: Amortisation charge for the year		-	(3,301)
Less: Impairment during the year	36	(24,362)	-
Closing net book value		-	8,251
As at June 30, 2006			
Cost		-	16,503
less: accumulated amortisation		-	(8,252)
Net book value		-	8,251

	Note	Goodwill	Computer software
		--------(Rupees '000)--------	
Year ended June 30, 2007			
Opening net book value		-	8,251
Less: amortisation charge for the year	36	-	(3,301)
Closing net book value		-	4,950
As at June 30, 2007			
Cost		-	16,503
Less:accumulated amortisation		-	(11,553)
Net book value		-	4,950
Annual rate of amortisation		-	20%

8. INVESTMENT PROPERTIES

	Leasehold land	Building on leasehold land	Total
	--------------(Rupees in '000)------------		
Balance as at July 1, 2006	644,980	29,182	674,162
Surplus on revaluation of investment properties	265,720	26,755	292,475
Balance as at June 30, 2007	910,700	55,937	966,637

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

9. LONG TERM INVESTMENTS IN RELATED PARTY (ASSOCIATE)

Equity method

(No. of shares - ordinary) 2007	(No. of shares - ordinary) 2006	Name of the company	Country of incorpora-tion	Share of net assets 2007	Share of net assets 2006	Latest available audited financial statements for the year ended	Percentage holding	Face value per share	2007	2006
				(Rupees in '000)				(Rupees)	(Rupees in '000)	
Associate - unlisted										
12,250	12,250	Muhammadi Engineering Works Limited	Pakistan	1,600	1,600	December 31, 1982 (unaudited)	49	100	1,600	1,600
		Less: Accumulated impairment losses							(1,600)	(1,600)
									-	-

	Note	2007	2006
		(Rupees in '000)	

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

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

Listed companies

	2007	2006
6,930 (2006: 6,930) ordinary shares of Rs 10 each fully paid of Siemens (Pakistan) Engineering Company Limited. Market value per share Rs 1,735 (2006: Rs 1,180 per share)	12,024	8,177
72,828 (2006: 72,828) ordinary shares of Rs 10 each fully paid of Pakistan State Oil Company Limited. Market value per share Rs 391.45 (2006: Rs 309 per share)	28,508	22,504
	40,532	30,681

Available for sale financial asset

Other entity - carried at cost

	2007	2006
10,000 (2006: 10,000) ordinary shares of Rs 10 each of Pakistan Tourism Development Corporation Limited	100	100
	100	100
	40,632	30,781

11. LONG-TERM LOANS

	Note	2007	2006
Considered good			
Due from employees	11.1	2,787	3,130
Less: recoverable within twelve months	16	(760)	(920)
		2,027	2,210

11.1 It comprises of vehicle and house building loans amounting to Rs 0.704 million (2006: Rs 0.073 million) and Rs 2.083 million (2006: Rs 3.057 million) respectively.

11.2 Vehicle loans represent loans to employees for purchase of vehicles and are secured against employees' personal guarantees and charge on vehicles. These loans are interest free and are recoverable over 36 or 48 monthly installments (2006: 72 monthly installments).

11.3 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 1.997 million (2006: Rs 2.802 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.

	Note	2007	2006
		(Rupees in '000)	
12. DEFERRED TAX - NET			
Deductible temporary differences arising in respect of:			
- accelerated depreciation		6,484	3,790
- short-term provisions and deferred liabilities		138,521	151,518
		145,005	155,308
Taxable temporary differences arising in respect of:			
- surplus on revaluation of fixed assets	29	51,639	22,624
		93,366	132,684
13. STORES AND SPARES			
Stores			
- at depots		12,615	19,288
- at buildings		250	204
- on board		28,253	25,111
		41,118	44,603
Bunker on board		349,297	369,940
Spares			
- at buildings		1,424	2,012
- on board		85,797	91,082
		87,221	93,094
Less: provision for spares		(33,295)	(35,427)
		53,926	57,667
		444,341	472,210
14. TRADE DEBTS			
Freight and hire - unsecured			
- considered good		557,290	209,910
- considered doubtful		98,260	92,923
		655,550	302,833
Less: provision for doubtful trade debts		(98,260)	(92,897)
		557,290	209,936
15. AGENTS' AND OWNERS' BALANCES			
Considered good			
- secured		12,021	12,512
- unsecured		29,461	19,695
		41,482	32,207
Considered doubtful		14,048	14,037
		55,530	46,244
Less: provision for doubtful balances		(14,048)	(14,037)
		41,482	32,207

		2007	2006
		(Rupees in '000)	

16. LOANS AND ADVANCES

	Note	2007	2006
Considered good:			
Loans due from employees	11	760	920
Advances to:			
- executives		-	9
- other employees		31,927	18,353
- contractors and suppliers		21,377	3,246
- others		9,133	2,607
		63,197	25,135

16.1 The maximum aggregate amounts due from the executives at the end of any month during the year cannot be ascertained because the related information is not available due to the fire incident as referred to in note 2 to these consolidated financial statements.

	2007	2006
	(Rupees in '000)	

17. DEPOSITS AND PREPAYMENTS

	2007	2006
Deposits		
Trade:		
- considered good	2,225	2,445
- considered doubtful	184	184
	2,409	2,629
Less: provision for doubtful trade deposits	(184)	184
	2,225	2,445
Others:		
- considered good	4,812	1,541
- considered doubtful	185	1,514
	4,997	3,055
Less: provision for doubtful deposits - others	(185)	(1,514)
	4,812	1,541
Prepayments	3,579	860
	10,616	4,846

18. INTEREST / MARK-UP ACCRUED

	2007	2006
Interest / mark-up accrued on term deposits	84,504	42,999

	Note	2007	2006
		(Rupees in '000)	

19. OTHER RECEIVABLES

	Note	2007	2006
Rent receivable:			
- considered good		12,393	11,857
- considered doubtful		8,243	7,864
		20,636	19,721
Less: provision for doubtful rent receivable		(8,243)	(7,864)
		12,393	11,857
Insurance claimable for destroyed items	19.1	7,071	-
Others:			
- considered good		66,729	53,976
- considered doubtful		23,158	26,319
		89,887	80,295
Less: provision for doubtful receivables – others		(23,158)	(26,319)
		66,729	53,976
		86,193	65,833

19.1 This represents net book values of items destroyed due to fire (note 2 and 6.1). The group is in the process of filing insurance claim against the assets lost, and, accordingly, the carrying value of such assets has been recorded as other receivables in these consolidated financial statements. The group is confident that the insurance claim would be settled at an amount in excess of the carrying value of the assets.

	Note	2007	2006
		(Rupees in '000)	

20. INCOMPLETE VOYAGES

	Note	2007	2006
Cost			
Salaries and allowances		10,743	18,765
Diesel, fuel and lubricants		33,944	39,556
Stores and spares issued		4,396	4,523
Insurance		16,828	17,779
Charter hire and related expenses		2,577	3,377
Depreciation	6.7	20,527	28,730
Other fleet expenses		1,407	13,099
		90,422	125,829
Less: net freight		(73,155)	(68,504)
		17,267	57,325

21. INSURANCE CLAIMS

	Note	2007	2006
Considered good		1,667	83,049
Considered doubtful	21.1	5,424	163,240
		7,091	246,289
Less: provision for doubtful claims		(5,424)	(163,240)
		1,667	83,049

21.1 This includes amounts aggregating Rs Nil (2006: Rs 154.547 million) net of insurance premium which are recoverable from the P&I Club, Oceanus Mutual Underwriting Association (Bermuda) Limited. The Club had gone into liquidation and during the year the amount already provided for was written off as irrecoverable.

22. SHORT-TERM INVESTMENTS

	Note	2007	2006
		(Rupees in '000)	
Term deposits with banks having original maturity of:			
- more than three to six months		4,200,000	-
- three months or less	43	1,800,000	3,120,000
		6,000,000	3,120,000

22.1 The mark-up on term deposits ranges from 10% to 11.3% per annum (2006: 9.5% to 10.5% per annum).

23. CASH AND BANK BALANCES

	Note	2007	2006
		(Rupees in '000)	
Cash at bank:			
- in current accounts			
• local currency		676,375	361,271
• foreign currency		105,076	255,335
		781,451	616,606
- in saving accounts	23.1		
• local currency		85,334	523,429
• foreign currency		41,055	67,005
		126,389	590,434
Cash in hand		66	14
		907,906	1,207,054

23.1 This includes Rs 9.930 million (2006: Rs 9.921 million) and Rs 3.961 million (2006: Rs 4.550 million) held as security by United National Bank Limited, London and Habib Bank Limited, PNSC Branch respectively against guarantees issued on behalf of the Group.

23.2 The mark-up on savings accounts ranges from 1% to 8% per annum (2006: 1% to 7.5% per annum).

24. TRADE AND OTHER PAYABLES

	Note	2007	2006 (restated)
		(Rupees in '000)	
Creditors		225,814	386,983
Agents' and owners' balances		120,578	131,504
Accrued liabilities		437,950	350,529
Deposits	24.1	24,075	22,204
Workers' Profits Participation Fund	24.2	58,540	40,848
Unclaimed dividends		8,948	6,874
Other liabilities		176,043	32,724
		1,051,948	971,666

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

	Note	2007	2006 (restated)
		(Rupees in '000)	
24.2 Workers' Profits Participation Fund			
As at July 1 (restated)		40,848	23,126
Allocation for the year	37	45,288	38,027
Interest on funds utilised during the year	38	1,873	414
		88,009	61,567
Less: payments made during the year		(29,469)	(20,719)
As at June 30		58,540	40,848

25. PROVISION AGAINST DAMAGE CLAIMS

	Note	2007	2006
As at July 1		121,625	103,927
Charged during the year	36	19,020	17,698
As at June 30		140,645	121,625

26. SHARE CAPITAL

26.1 Authorised share capital

2007 (No. of shares)	2006 (No. of shares)		2007	2006
200,000,000	200,000,000	Ordinary shares of Rs 10 each	2,000,000	2,000,000

26.2 Issued, subscribed and paid-up capital

2007 (No. of shares)	2006 (No. of shares)		2007	2006
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

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

	Ordinary Shares	
	Number	Amount (Rupees in '000)
Issued, subscribed and paid-up capital		
As at July 1, 2005	120,057,618	1,200,576
Ordinary shares of Rs 10 each issued during the year ended June 30, 2006 as bonus shares	12,005,762	120,058
As at June 30, 2006	132,063,380	1,320,634
As at June 30, 2007	132,063,380	1,320,634

26.3 As at June 30, 2007 GoP held 117,706,724 (2006: 117,706,724) ordinary shares of the holding company.

	Note	2007	2006 (restated)
		(Rupees in '000)	
27. RESERVES			
Capital reserves	27.1	131,344	131,344
Revenue reserve (including unappropriated profit)		8,932,357	6,024,317
		9,063,701	6,155,661

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

	2007	2006
	(Rupees in '000)	
28. MINORITY INTEREST		
Share of minority in:		
- share capital	99	99
- share premium account	1	1
- general reserve	18	18
- un-appropriated profit brought forward	1,091	1,019
- profit for the year	145	72
	1,354	1,209

	Note	2007	2006
		(Rupees in '000)	
29. SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX			
As at July 1		3,767,031	4,256,167
Surplus arising on revaluation of fixed assets during the year		883,357	8,689
		4,650,388	4,264,856
Less: transferred to unappropriated profit:			
Surplus relating to incremental depreciation charged during the year on related assets - net of tax		469,982	495,364
Related deferred tax liability		3,201	2,461
		473,183	497,825
Less: transferred to retained earning in respect of surplus realised on disposal of fixed assets		233,393	-
		3,943,812	3,767,031
Less: Related deferred tax liability on :			
- Revaluation as at July 1		22,624	33,885
- Surplus arising on revaluation of fixed assets during the year		26,394	-
- Incremental depreciation charged during the year on related assets transferred to profit and loss account		(3,201)	(2,461)
- Effect of allocation ratio of revenue under FTR		5,822	(8,800)
		51,639	22,624
As at June 30		3,892,173	3,744,407
Less: Surplus on revaluation of fixed assets attributable to minority interest		2,148	2,148
		3,890,025	3,742,259

30. LONG-TERM FINANCING

As at June 30		474,414	732,578
Less: current portion of long-term financing		258,771	258,557
		215,643	474,021

30.1 This represents balance of long-term financing obtained from National Bank of Pakistan, Bahrain amounting to US$ 7.857 million (2006: US$ 12.143 million). The loan is repayable in 7 yearly installments commencing from December 2003 and carries mark-up at the rate of 2.95% above 6 months LIBOR per annum (2006: 2.95% above 6 months LIBOR per annum) payable on half yearly basis. This loan is secured by a guarantee given by the Government of Pakistan through State Bank of Pakistan. According to the loan agreement, the Group can prepay the loan by giving one month irrevocable advance notice.

	Note	2007	2006
		(Rupees in '000)	
31. DEFERRED LIABILITIES			
Employees' gratuity	31.1.3	205,754	218,932
Post retirement medical benefits	31.1.3	82,613	86,474
Employees' compensated absences	31.2.3	108,710	94,144
		397,077	399,550

31.1 Retirement benefit schemes

31.1.1 As stated in notes 3.15.1 and 3.15.2 of these consolidated financial statements, the Group operates an unfunded gratuity scheme and post retirement medical benefit scheme. Provision is maintained against these schemes based on the actuarial recommendations. Actuarial valuation of these benefits are carried out at least once in every two years and the latest valuations were carried out as at June 30, 2007 using Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the defined benefit obligation schemes:

	2007		2006	
	Employees' gratuity	Post retirement medical benefits	Employees' gratuity	Post retirement medical benefits
Discount rate	10%	10%	9%	9%
Increase in salary	8%	8%	7%	7%
Medical escalation rate	N/A	7%	N/A	7%

31.1.2 The disclosures made in note 31.1.3 to 31.1.7 are based on the information included in the actuarial valuation report as of June 30, 2007.

31.1.3 Balance sheet reconciliation

	2007		2006	
	Employees' gratuity	Post retirement medical benefits	Employees' gratuity	Post retirement medical benefits
	(Rupees in '000)			
Present value of defined benefit obligation	246,776	84,594	223,611	76,674
Unrecognised net actuarial (loss) / gain	(41,022)	(1,981)	(4,679)	9,800
Recognised Liability	205,754	82,613	218,932	86,474

31.1.4 Movement in present value of defined benefit obligation

As at July 1	223,611	76,674	227,447	82,808
Current service cost	7,905	4,129	8,073	3,441
Interest cost	19,486	6,755	19,581	7,376
Actuarial loss / (gain)	41,022	1,981	4,679	(9,800)
Benefits paid	(45,248)	(4,945)	(36,169)	(7,151)
As at June 30	246,776	84,594	223,611	76,674

31.1.5 Expenses

Current service cost	7,905	4,129	8,073	3,441
Interest cost	19,486	6,755	19,581	7,376
Recognition of actuarial loss / (gain)	4,679	(9,800)	(7,213)	(5,286)
	32,070	1,084	20,441	5,531

31.1.6 Principal actuarial assumptions used are disclosed in note 31.1.1 to these consolidated financial statements.

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

As at June 30	Employees' gratuity	Post retirement medical benefits
	------(Rupees in '000)------	
2003	213,034	86,773
2004	195,471	77,836
2005	227,447	82,808
2006	223,611	76,674
2007	246,776	84,594

31.2 **Employees' compensated absences**

31.2.1 As stated in note 3.16, the Group operates an employees' compensated absences scheme. Provision is maintained against this scheme based on the actuarial recommendations. Actuarial valuation is carried out at least once in every two years and the latest valuation was carried out as at June 30, 2007 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the scheme:

	2007	2006
Discount rate	10%	9%
Increase in salary	8%	7%

31.2.2 The disclosures made in note 31.2.3 and 31.2.7 are based on the information included in the actuarial valuation as of June 30, 2007.

31.2.3 Balance sheet reconciliation

	Note	2007	2006
		(Rupees in '000)	
Present value of defined benefit obligation (recognised)		108,710	94,144

31.2.4 Movement in present value of defined benefit obligation

	2007	2006
As at July 1	94,144	97,018
Current service cost	32,646	32,646
Interest cost	8,148	8,132
Actuarial loss / (gain)	12,650	(4,955)
Benefits paid	(38,878)	(38,697)
As at June 30	108,710	94,144

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	2007	2006
	(Rupees in '000)	
31.2.5 Expenses		
Current service cost	32,646	32,646
Interest cost	8,148	8,132
Recognition of actuarial loss / (gain)	12,650	(4,955)
	53,444	35,823

31.2.6 Principal actuarial assumptions used are disclosed in note 31.2.1 to these consolidated financial statements.

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

As at June 30	Rupees in '000
2003	111,604
2004	127,242
2005	97,018
2006	94,144
2007	108,710

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

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

	Rupees in '000'
Gratuity	72,952
Post retirement medical benefits	12,584
Compensated absences	37,798

31.4 The actuary conducts separate valuations for calculating contribution rates and the company contributes to the provident fund according to the actuary's advice. Expense of the defined benefit plan is calculated by the actuary.

31.4.1 During the year the company contributed Rs 8.541 million (2006: Rs 7.561 million) to the provident fund.

32. CONTINGENCIES AND COMMITMENTS

Contingencies

32.1 The contingent liability in respect of claims not admitted by the Group as at June 30, 2007 amount to Rs 737.779 million (2006: Rs 1,139.196 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo, damages to cargo and miscellaneous claims lodged by workers and others. These include Rs 13.070 million (2006: Rs 34.485 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 234.831 million (2006: Rs 351.354 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 140.645 million (2006: Rs 121.625 million) against the aforementioned claims in these consolidated financial statements (note 25).

32.2 The Group has not accepted liability in respect of customs duty approximating Rs 2.500 million (2006: Rs 2.500 million) relating to the sale of the vessel M.V. Bhambore during the year ended June 30, 1978. The duty was claimed from the Group and the matter has been taken up with the appropriate Government agencies.

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

Following the Supreme Court's adjudication of the East & West Steamship Company's matter in favour of the former owners, the Government provisionally assessed additional compensation due to the former owners at approximately Rs 97.012 million (2006: Rs 97.012 million). Although a major portion of this amount has been settled by the Government, the Government holds the Group liable for this amount by virtue of the net assets of the East & West Steamship Company having become vested in the Group.

In case of Chittagong Steamship Corporation Limited and Trans Oceanic Steamship Company Limited, the litigations relating to compensation to the former owners and the legal suits are pending in the High Court of Sindh. The amounts claimed are approximately Rs 1.300 million and Rs 66.800 million (2006: Rs 1.300 million and Rs 66.800 million) respectively.

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

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

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

Commitments

32.6 The Corporation has provided a guarantee to ABN Amro Bank N.V. on behalf of Karachi Shipping (Private) Limited, Lahore Shipping (Private) Limited and Quetta Shipping (Private) Limited for providing credit facility for purchase of vessels. The total facility aggregates US$ 135 million. The Corporation is liable in case of default by any of the subsidiaries on payment of principal amount or interest.

33. CHARTERING REVENUES

		2007	2006
		(Rupees in '000)	
Time charter revenue		412,550	79,627
Voyage charter revenue		241,496	208,269
		654,046	287,896
Foreign flag vessels:			
- Voyage charter revenue		175,862	533,883
- Slot charter revenue		1,587,052	847,139
		1,762,914	1,381,022
		2,416,960	1,668,918

34. FLEET EXPENSES - DIRECT

		2007	2006
Stevedoring and transshipment expenses		220,551	172,283
Container leasing and other charges		78	221
Diesel, fuel and lubricants consumed		1,748,764	1,763,804
Port, light, canal and customs dues		592,019	613,232
Salaries and allowances		493,430	398,403
Charter hire and related expenses	34.1	798,290	802,552
Fleet communication expenses		12,261	13,684
Agency commission and brokerage		145,391	130,430
Victualling expenses		41,236	43,705
Insurance		333,517	255,526
Claims		15,500	34,509
Stores and spares consumed		174,495	186,578
Repairs, maintenance and special surveys		231,915	300,433
Overage premium		365,824	407,042
Depreciation			
Incomplete voyage as at July 1		28,730	35,955
Fleet expenses - direct	6.7	1,211,743	1,050,949
		1,240,473	1,086,904
Exchange loss / (gain)		1,002	(18,693)
Sundry expenses		65,056	49,151
		6,479,802	6,239,764

34.1 Charter hire and related expenses

	2007	2006
Foreign flag vessels:		
- Voyage charter expenses	149,581	458,520
- Slot charter expenses	648,709	344,032
	798,290	802,552

	Note	2007	2006
		(Rupees in '000)	

35. FLEET EXPENSES - INDIRECT

	Note	2007	2006
Conference establishment expenses		1,403	1,385
Salaries and allowances – regional offices	35.1	3,926	3,376
Agents' and other general expenses	35.2	8,844	9,020
Depreciation	6.7	1,070	914
General establishment expenses – regional offices		657	588
		15,900	15,283

35.1 This includes Rs 0.185 million (2006: Rs 0.149 million) in respect of provident fund contribution.

35.2 Agents' and other general expenses

	Note	2007	2006
		(Rupees in '000)	
Printing and stationery		356	1,066
Advertisement and publicity		1,378	1,717
Telephone, telex and postage		4,978	4,859
Bank charges and commission		197	393
Other miscellaneous expenses		1,935	985
		8,844	9,020

36. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2007	2006
Salaries and allowances	36.1	235,253	201,530
General establishment expenses	36.2	116,120	84,346
Rent, rates and taxes		6,811	6,011
Scholarship and training expenses		2,168	738
Impairment of goodwill		-	24,362
Impairment loss on investment		-	848
Insurance		2,480	2,382
Depreciation	6.7	24,335	23,595
Amortisation	7	3,301	3,301
Directors' fee		150	263
Advertisement and publicity		100	-
Legal and professional charges		12,924	6,695
Provision for damages claims	25	19,020	17,698
Provision for doubtful debts against:			
- trade		7,089	8,200
- others		1,098	3,506
Cost of stores and spares written off		13,705	-
Brokerage and delivery expenses related to disposal of vessel		21,153	-
Others		2,323	1,822
		468,030	385,297

36.1 This includes Rs 8.356 million (2006: Rs 7.412 million) in respect of provident fund contribution.

		Note	2007	2006
			(Rupees in '000)	
36.2	General establishment expenses			
	Repairs and maintenance		10,869	4,940
	Medical cost		22,829	8,496
	Contribution to employees welfare fund		16	7
	Contribution to group term insurance		1,113	1,085
	Security charges		2,529	1,930
	Travelling and conveyance		13,979	11,910
	Entertainment and canteen subsidy		2,113	2,753
	Books, periodicals and subscriptions		5,073	4,797
	Uniform and liveries		366	376
	Printing and stationery		4,273	2,929
	Telephone, telex and postage		5,715	7,648
	Light, power and water		9,049	10,983
	Computer expenses		8,116	6,998
	Advertisement and publicity		7,661	2,979
	Vehicle running and repairs		14,338	11,725
	Ship inspection expenses		1,091	1,234
	Sundry expenses		6,990	3,556
			116,120	84,346

		Note	2007	2006 (restated)
			(Rupees in '000)	
37.	**OTHER OPERATING EXPENSES**			
	Workers' profit participation fund	24.2	45,288	38,027
	Donations	37.1	1,000	2,614
	Auditors' remuneration	37.2	4,463	4,822
	Employees' gratuity	31.1.5	32,070	20,441
	Post retirement medical benefits	31.1.5	1,084	5,531
	Employees' compensated absences	31.2.5	53,444	35,823
	Fixed assets written off		962	-
	Loss of fixed assets due to fire		4,595	
	Loss on sale of containers		603	-
	Loss on revaluation of long term investments in listed companies		-	2,178
	Others		-	515
			143,509	109,951

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

37.2 Auditors' remuneration

	2007			2006		
	A. F. Ferguson & Co.	Ford Rhodes Sidat Hyder & Co.	Total	A. F. Ferguson & Co.	Ford Rhodes Sidat Hyder & Co.	Total
	----------Rupees '000)			----------		
Audit fee - the Corporation	336	336	672	280	280	560
Audit fee - subsidiaries	584	583	1,167	487	504	991
Review of half yearly financial statements	180	180	360	150	150	300
Review of compliance with the best practices of the code of Corporate Governance	48	48	96	40	40	80
Fee for audit of the consolidated financial statements	60	60	120	50	50	100
Audit fee - funds	-	-	-	-	3	3
Tax advisory services	1,510	27	1,537	2,458	4	2,462
Out of pocket expenses				171	155	326
- current year	323	138	461	-	-	-
- prior year	50	-	50	-	-	-
	3,091	1,372	4,463	3,636	1,186	4,822

	Note	2007	2006 (restated)
		(Rupees in '000)	

38. FINANCE COSTS

	Note	2007	2006 (restated)
Interest on:			
- Long-term financing		51,969	61,249
- Workers' Profits Participation Fund	24.2	1,873	414
Bank charges and Guarantee commission		20,504	4,311
Unrealised exchange loss on long-term financing		3,007	7,300
		77,353	73,274

39. OTHER OPERATING INCOME

	Note	2007	2006 (restated)
Interest / mark-up on loans and advances to employees		712	773
Income from savings and term deposits		478,819	261,041
Scrap sales		379	148
Profit on disposal of fixed assets		93,383	2,157
Dividend income		2,269	1,945
Provisions no longer required written back		2,356	10,566
Gain on revaluation of investment properties		292,475	-
Gain on revaluation of long term investments in listed companies		9,851	-
Insurance claims	39.1	371	11,093
Liabilities no longer payable written back	39.2	39,052	4,031
Sundries		23,859	39,745
		943,526	331,499

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

39.2 This includes an aggregate amount of Rs 36.508 million which was appearing in the books as liability for which no supporting documentation was available. Accordingly, the subject amount has been written back.

40. TAXATION

	2007	2006
	(Rupees in '000)	
Tax charge for:		
- current year	487,935	328,140
- prior years	14,123	(54,589)
	502,058	273,551
Deferred	7,102	(124,209)
	509,160	149,342
Taxes paid abroad relating to current year	2,023	3,613
	511,183	152,955

40.1 Relationship between tax expense and accounting profit

	2007	2006 (restated)
	(Rupees in '000)	
Accounting profit before tax	2,848,056	1,427,552
Tax rate	35%	35%
Tax on accounting profit	996,820	499,643
Tax effect in respect of temporary differences associated with investments in subsidiaries whose timing of reversal is controlled by the Group	-	(65,083)
Tax effect in respect of income / expenses not admissible for calculation of taxable profit	(95,234)	16,639
Tax effect of lower tax rates on certain incomes:		
- Tax saving due to lower tax rates	(401,303)	(204,322)
- Tax liability under final tax regime	38,509	29,501
	(362,794)	(174,821)
Others (including the impact arising as a consequence of change in allocation ratio of revenue chargeable under FTR and non-FTR tax regime)	(43,755)	(72,447)
	(501,783)	(295,712)
	495,037	203,931
Tax effects of adjustments in respect of taxes paid abroad	2,023	3,613
Tax effects of adjustments in respect of prior years	14,123	(54,589)
Tax expense for the year	511,183	152,955

	Note	2007	2006 (restated)
		(Rupees in '000)	

41. EARNINGS PER SHARE - BASIC

	2007	2006 (restated)
	(Rupees in '000)	
Profit after taxation attributable to equity holders of the holding company	2,336,728	1,274,525
	(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	17.69	9.65

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

42. CASH GENERATED FROM OPERATIONS

	Note	2007	2006 (restated)
		(Rupees in '000)	
Profit before taxation		2,848,056	1,427,552
Adjustments for non-cash charges and other items:			
Share of loss in an associate		-	4,992
Depreciation (including net impact of adjustment in cost and accumulated depreciation balance)		1,265,878	1,117,155
Amortisation		3,301	3,301
Profit on disposal of property, plant and equipment		(93,383)	(2,157)
Fixed assets written off		962	-
Loss of fixed assets due to fire		4,595	-
Provision for employees' gratuity		32,070	20,441
Provision for employees' compensated absences		53,444	35,823
Provision for post retirement medical benefits		1,084	5,531
Provision against damages claims		19,020	17,698
Impairment loss on investment in an associate		-	848
Impairment of goodwill		-	24,362
Dividend income		(2,269)	(1,945)
Interest / mark-up income		(478,819)	(261,041)
Interest / mark-up expense		51,969	61,249
(Gain) / Loss on revaluation of investments in listed companies		(9,851)	2,178
Unrealised exchange loss on long-term financing		3,007	7,300
Gain on revaluation of investment properties		(292,475)	-
Working capital changes	42.1	(4,389,731)	(156,771)
		(983,142)	2,306,516

	Note	2007	2006
		(Rupees in '000)	

42.1 Working capital changes

	2007	2006
Decrease / (increase) in current assets		
Stores and spares	27,869	(12,092)
Trade debts - net	(347,354)	81,742
Agents' and owners' balances - net	(9,275)	25,961
Loans and advances	(38,062)	(4,533)
Deposits and prepayments	(5,770)	4,101
Other receivables	(13,289)	(20,166)
Incomplete voyages	31,855	(232,537)
Short term investment	(4,200,000)	-
Insurance claims	81,382	(9,170)
	(4,472,644)	(166,694)
Increase in current liabilities		
Trade and other payables	82,913	9,923
	(4,389,731)	(156,771)

43. CASH AND CASH EQUIVALENTS

	Note	2007	2006
Short-term investments	22	1,800,000	3,120,000
Cash and bank balances	23	907,906	1,207,054
		2,707,906	4,327,054

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

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

	Chairman & Chief Executive		Executive Directors / Directors		Other Executives	
	2007	2006	2007	2006	2007	2006
	(Rupees in '000)					
Managerial remuneration and allowances	459	704*	4,720	3,803	71,047	41,331
Retirement benefits	-	-	123	142	637	270
House rent	-	-	687	779	18,734	10,455
Conveyance	-	-	-	-	2,032	2,908
Entertainment	31	12	395	421	27	-
Medical	36	25	216	123	1,421	1,450
Utilities	20	37	447	406	14,551	4,111
Personal staff subsidy	29	28	54	62	128	386
Club membership fee and expenses	17	24	152	68	12	-
Personal accident insurance	4	4	11	17	-	-
Bonus	-	-	256	-	632	614
Other allowances	229	220	585	367	46,388	19,901
	825	1,054	7,646	6,188	155,609	81,426
Number of persons	1	1	5	6	77	47

* Including arrears

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

44.2 The aggregate amount charged in the consolidated financial statements for fee to non-executive directors was Rs 0.150 million (2006: Rs 0.263 million).

45. FINANCIAL ASSETS AND LIABILITIES

	2007						
	Interest / mark-up bearing			Non Interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Subtotal	Maturity upto one year	Maturity after one year	Subtotal	Total
	---------- (Rupees '000) ----------						
Financial Assets							
Long-term investments	-	-	-	40,632	-	40,632	40,632
Loans-term lons - employees	760	2,027	2,787	-	-	-	2,787
Trade debts	-	-	-	557,290	-	557,290	557,290
Agents' and owners' balances	-	-	-	41,482	-	41,482	41,482
Deposits	-	-	-	2,225	90	2,315	2,315
Interest/mark-up accrued	-	-	-	84,504	-	84,504	84,504
Other receivables	-	-	-	86,193	-	86,193	86,193
Insurance claims	-	-	-	1,667	-	1,667	1,667
Short term investment	6,000,000	-	6,000,000	-		-	6,000,000
Cash and bank balances	126,389	-	126,389	781,517	-	781,517	907,906
	6,127,149	2,027	6,129,176	1,595,510	90	1,595,600	7,724,776
Financial Liabilities							
Long-term financing	258,771	215,643	474,414	-	-	-	474,414
Trade and other payables	-	-	-	993,408	-	993,408	993,408
Interest accrued	-	-	-	110	-	110	110
	258,771	215,643	474,414	993,518	-	993,518	1,467,932
Net financial assets/(financial liabilities)	5,868,378	(213,616)	5,654,762	601,992	90	602,082	6,256,844
Off balance sheet							
Letter of guarantee (fully secured)							38,762

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

	2006						
	Interest / mark-up bearing			Non Interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Subtotal	Maturity upto one year	Maturity after one year	Subtotal	Total
	(Rupees '000)						
Financial Assets							
Long-term investments	-	-	-	30,781	-	30,781	30,781
Loans - Employees	920	2,210	3,130	-	-	-	3,130
Trade debts	-	-	-	209,936	-	209,936	209,936
Agents' and owners' balances	-	-	-	32,207	-	32,207	32,207
Deposits	-	-	-	2,445	90	2,535	2,535
Interest/mark-up accrued	-	-	-	42,999	-	42,999	42,999
Other receivables	-	-	-	65,833	-	65,833	65,833
Insurance claims	-	-	-	83,049	-	83,049	83,049
Short term investment	3,120,000	-	3,120,000	-	-	-	3,120,000
Cash and bank balances	3,710,434	-	3,710,434	616,620	-	616,620	4,327,054
	3,711,354	2,210	3,713,564	1,083,870	90	1,083,960	4,797,524
Financial Liabilities							
Long-term financing	258,557	474,021	732,578	-	-	-	732,578
Trade and other payables	-	-	-	930,818	-	930,818	930,818
Interest accrued	-	-	-	174	-	174	174
	258,557	474,021	732,578	930,992	-	930,992	1,663,570
Net financial assets/(financial liabilities)	3,452,797	(471,811)	2,980,986	152,878	90	152,968	3,133,954
Off balance sheet							
Letter of guarantee (fully secured)							14,471

45.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs 7,724.776 million (2006: Rs 4,797.524 million) the financial assets which are subject to credit risk amounted to Rs 7,684.078 million (2006: Rs 4,797.510 million). The management of the Group believes that it is not exposed to major concentration of credit risk.

45.2 Foreign exchange risk management

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

45.3 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.

45.4 Interest rate risk

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

45.5 Fair value of financial assets and financial liabilities

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

46. RELATED PARTY DISCLOSURES

Related parties comprise of companies affiliated to the holding company and their directors, key executives of the holding company and employee funds maintained by the holding company. Transactions with related parties essentially entail dividend income received from related investee companies. Particulars of remuneration to key personnel are disclosed in note 44 of these consolidated financial statements.

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

	2007	2006
	(Rupees in '000)	
Contribution to Provident Fund	8,541	7,561
Directors' fee	150	263

47. CORRESPONDING FIGURES

47.1 Corresponding figures have been rearranged and reclassified, whenever necessary, for the purposes of comparison.

47.2 The following has been reclassified and disclosed separately on the face of the balance sheet this year:

Note	Reclassification from component	Note	Reclassification to component	(Rupees in '000)
23	Cash and bank balances	22	Short-term investments	3,120,000

48. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

48.1 The Board of Directors of the Corporation at the meeting held on October 27, 2007 have proposed for the year ended June 30, 2007 cash dividend of Rs 1.5 per share (2006: Re 1.00 per share), amounting to Rs 198.095 million (2006: Rs 132.063 million) and transfer from general reserve of Rs Nil (2006: Rs 3,500 million) subject to the approval of the members at the annual general meeting to be held on 30th November 2007. The financial statements for the year ended June 30, 2007 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

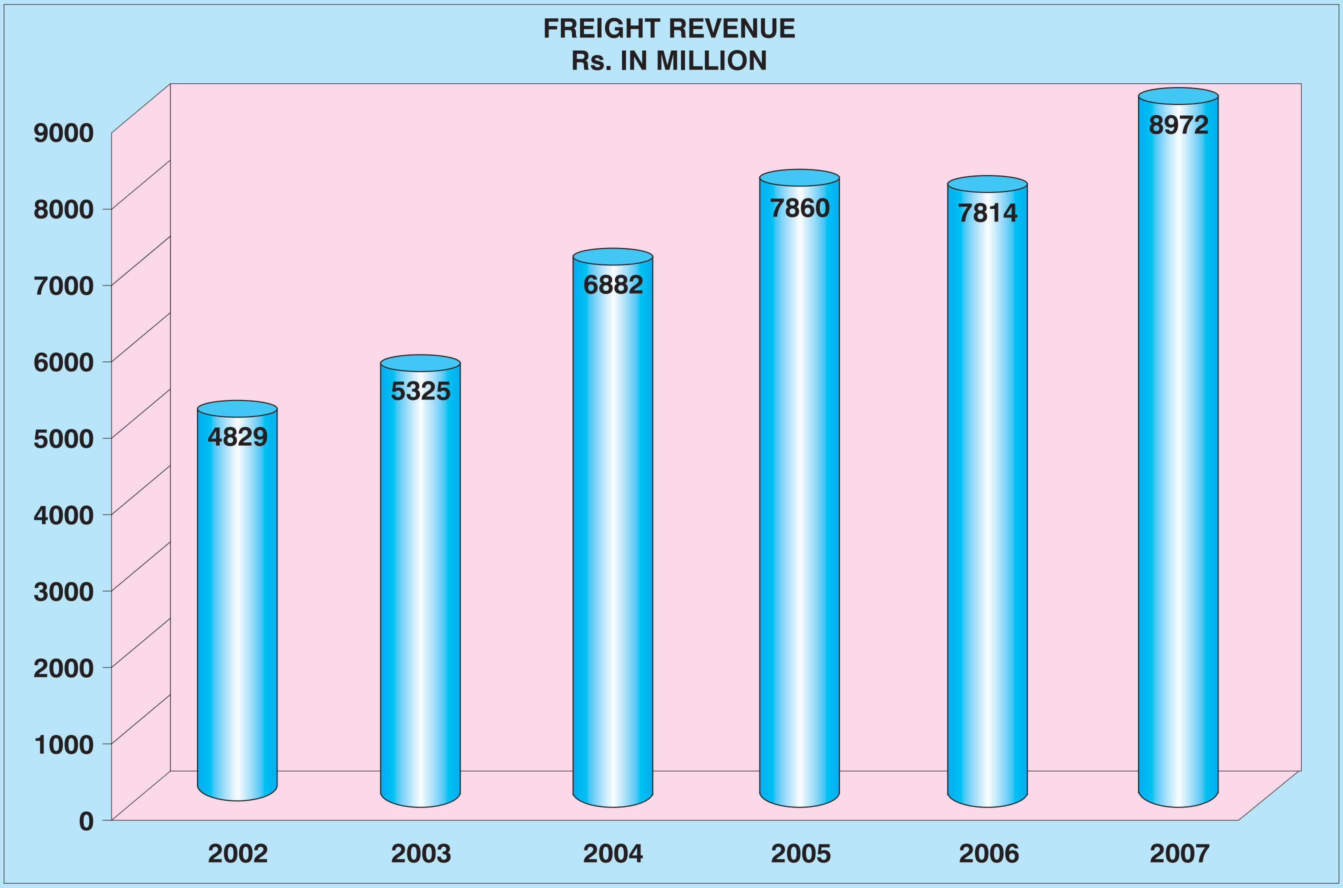
48.2 Subsequent to the balance sheet date on August 19, 2007, a fire broke out at the PNSC building and 4th to 10th floor of the building were completely gutted. Approximately 93% of the space on the affected floors was rented out. As a result, certain assets of the Group maintained at 5th floor were destroyed by fire. An estimate of the expected loss cannot presently be quantified.

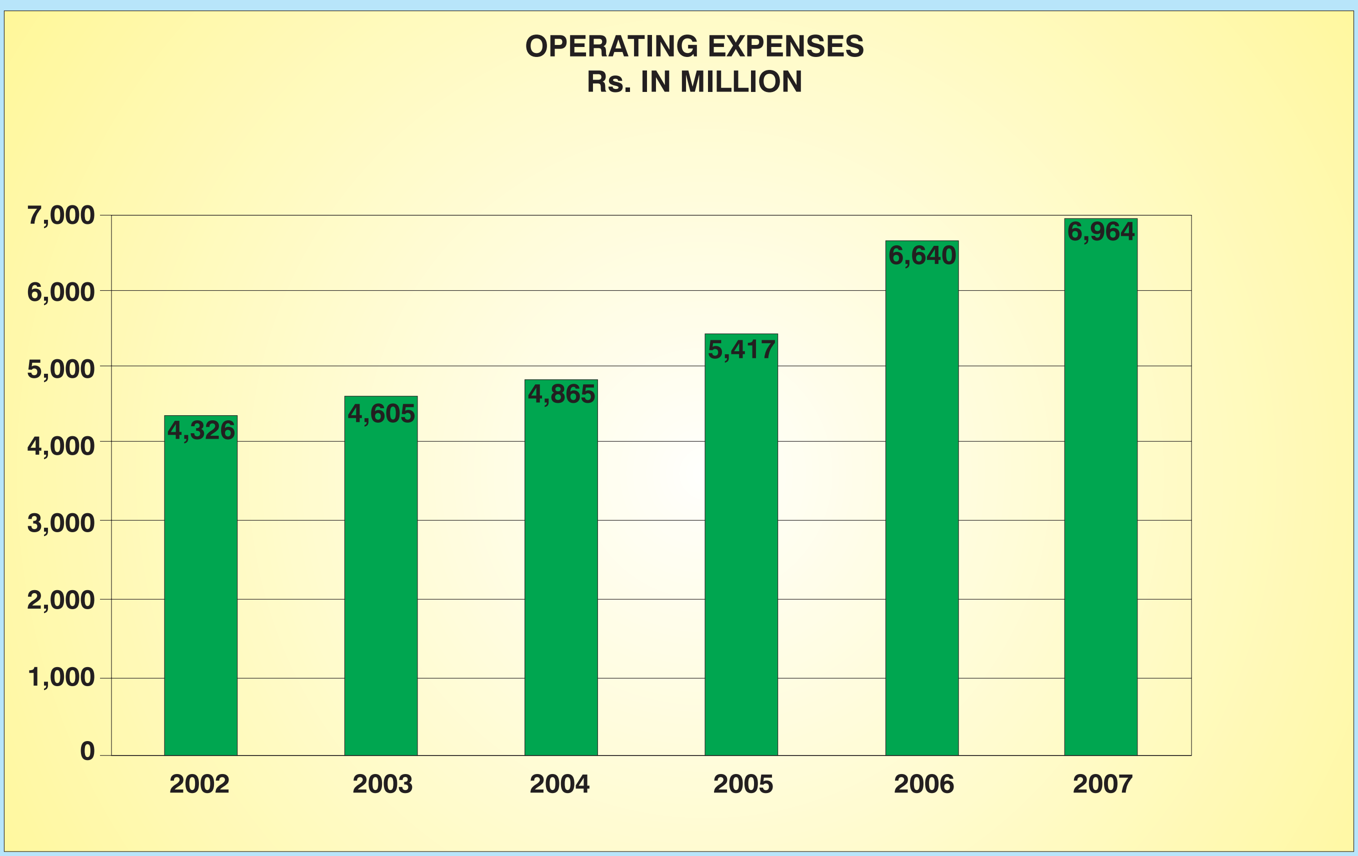
49. DATE OF AUTHORISATION

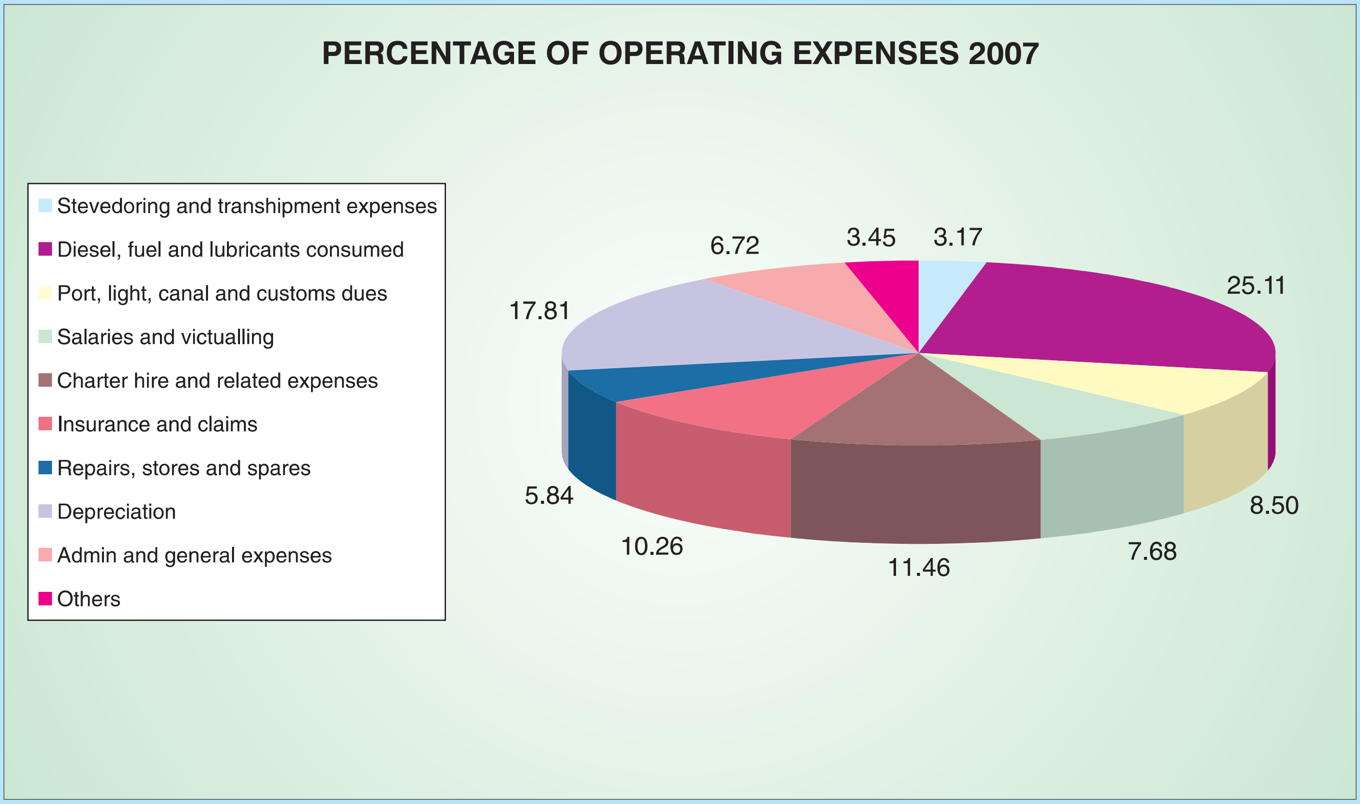
These consolidated financial statements were authorised for issue on October 27, 2007 by the Board of Directors.

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

Kamal Afsar
Director

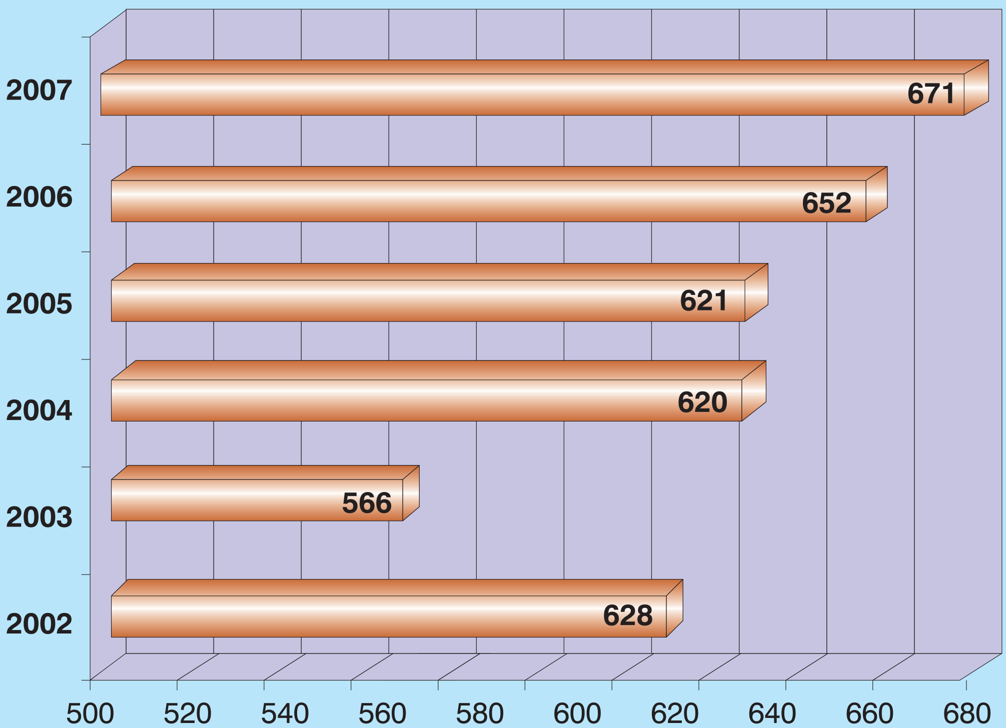

FREIGHT REVENUE
Rs. IN MILLION
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
4829
5325
6882
7860
7814
8972
2002
2003
2004
2005
2006
2007


OPERATING EXPENSES
Rs. IN MILLION
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
4,326
4,605
4,865
5,417
6,640
6,964
2002
2003
2004
2005
2006
2007

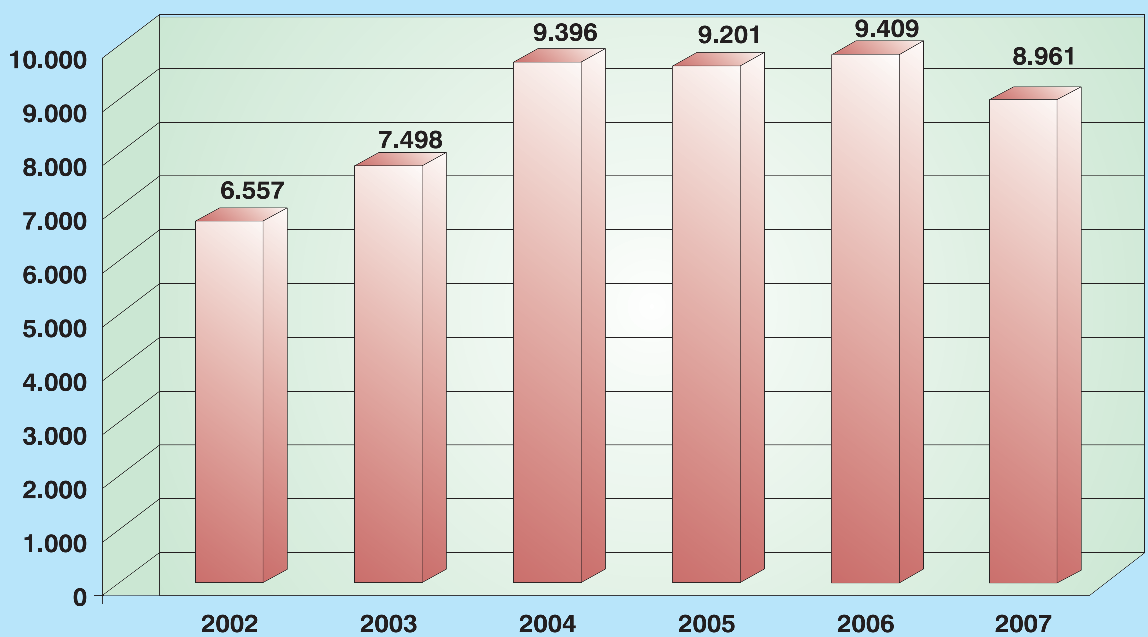

PERCENTAGE OF OPERATING EXPENSES 2007
Stevedoring and transhipment expenses
Diesel, fuel and lubricants consumed
Port, light, canal and customs dues
Salaries and victualling
Charter hire and related expenses
Insurance and claims
Repairs, stores and spares
Depreciation
Admin and general expenses
Others
3.17
25.11
8.50
7.68
11.46
10.26
5.84
17.81
6.72
3.45


OPERATING PROFIT
Rs. IN MILLION
3,000.00
2,500.00
2,000.00
1,500.00
1,000.00
500.00
-
2002
2003
2004
2005
2006
2007
573.20
799.38
2,098.51
2,534.49
1,284.27
2,125.40

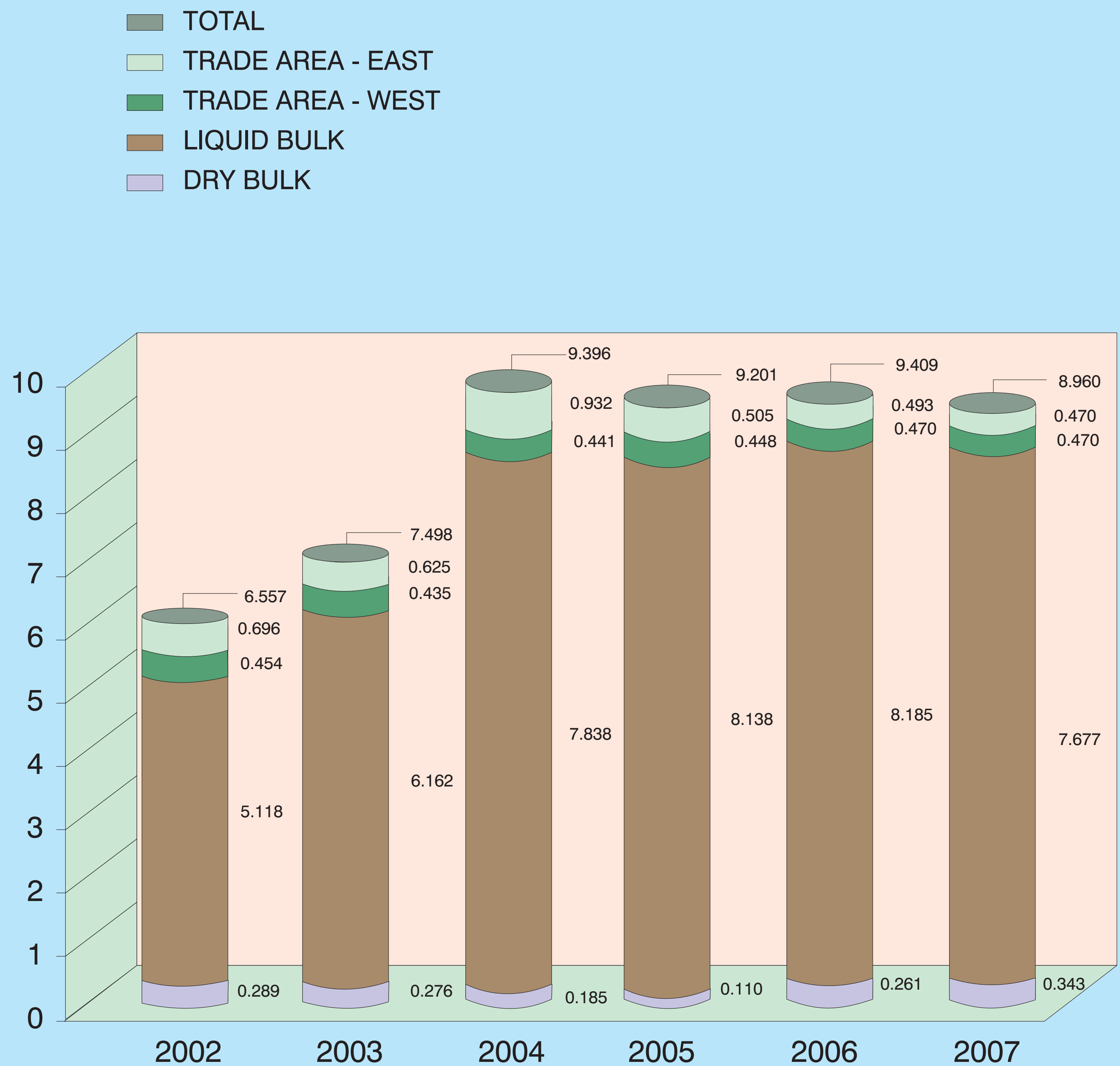
NO. OF VOYAGES



CARGO HANDLED
FREIGHT TONS IN MILLION



SECTOR WISE CARGO LIFTINGS
FREIGHT TONS IN MILLION



REPORT AND ACCOUNTS

OF

PAKISTAN NATIONAL SHIPPING CORPORATION HOLDING COMPANY

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

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan National Shipping Corporation as at June 30, 2007 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 except for the matters stated in paragraph 1 below we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan, however, we were unable conduct certain audit procedures in view of the limitations referred to in paragraph 1 below. 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 as follows:

1. As more fully explained in note 2 to the annexed financial statements, during the year ended June 30, 2007 as a result of a fire incident at the PNSC building on February 18, 2007 various records, documents and books of account of the Corporation were destroyed and since then the Corporation has been conducting an exercise to recreate the necessary accounting records, documents, supports, agreements and other information. However, the recreation of the general ledger for the period October 5, 2006 to December 31, 2006 could not be completed and therefore the books of account of the Corporation for the said period were not made available for our review.

   Further, as the records, documents and books of account of the Corporation were destroyed due to fire, audit trail of approval of certain transactions pertaining to the periods July 1, 2006 to October 4, 2006 and January 1, 2007 to February 18, 2007 could not be made available for our review.

2. In our opinion, except for the matters referred to in paragraph 1 above, proper books of account have been kept by the Corporation as required by the Companies Ordinance, 1984;

3. In our opinion, except for the effects, if any, of the matters stated in paragraph 1 above:

   (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 except for the change in accounting policy, as referred to in note 4 to the annexed financial statements with which we concur;

(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;

4. 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, except for the effects of the adjustments that might have been determined to be necessary had all the information (as referred to in paragraph 1 above) been made available to us, 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, 2007 and of the profit, its changes in equity and cash flows for the year then ended; and

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

A. F. Ferguson & Co.
Chartered Accountants
Karachi

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
Karachi

October 27, 2007

PAKISTAN NATIONAL SHIPPING CORPORATION
BALANCE SHEET
AS AT JUNE 30, 2007

	Note	2007	2006 (restated)
		(Rupees in '000)	
NON-CURRENT ASSETS			
Property, plant and equipment	6	876,914	631,670
Intangible assets	7	4,950	8,251
Investment properties	8	966,637	674,162
Long-term investments in:			
- Related parties (subsidiaries and an associate)	9	1,558,416	1,558,056
- Listed companies and an other entity	10	40,632	30,781
		1,599,048	1,588,837
Long-term loans and an advance	11	2,027	1,447,528
Deferred tax - net	12	93,366	132,684
		3,542,942	4,483,132
CURRENT ASSETS			
Stores and spares	13	14,289	21,504
Trade debts	14	279,146	31,308
Agents' and owners' balances	15	41,482	32,180
Loans and advances	16	63,197	389,052
Deposits and prepayments	17	10,569	4,799
Interest / mark-up accrued	18	84,412	54,734
Other receivables	19	1,092,894	242,492
Incomplete voyages	20	2,577	2,144
Insurance claims	21	374	9,661
Short-term investments	22	6,000,000	2,900,000
Cash and bank balances	23	903,879	1,155,389
		8,492,819	4,843,263
LESS: CURRENT LIABILITIES AND PROVISIONS			
Trade and other payables	24	5,026,210	3,510,876
Provision against damage claims	25	132,960	121,625
Interest accrued		110	174
Current portion of long-term financing	29	258,771	258,557
Taxation - net		61,194	161,631
		5,479,245	4,052,863
NET CURRENT ASSETS		3,013,574	790,400
		6,556,516	5,273,532
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up share capital	26	1,320,634	1,320,634
Reserves	27	3,874,701	2,542,920
		5,195,335	3,863,554
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX	28	748,461	536,407
NON-CURRENT LIABILITIES			
Long-term financing	29	215,643	474,021
Deferred liabilities	30	397,077	399,550
		6,556,516	5,273,532
CONTINGENCIES AND COMMITMENTS	31		

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

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

Kamal Afsar
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007	2006 (restated)
		(Rupees in '000)	
REVENUES			
Chartering revenues	32	1,762,914	1,381,022
Services fee	33	288,345	257,326
Rental income		117,066	109,993
		2,168,325	1,748,341
EXPENDITURE			
Fleet expenses - direct	34	800,556	804,878
- indirect	35	2,247	2,168
		802,803	807,046
GROSS PROFIT		1,365,522	941,295
Administrative and general expenses	36	139,234	121,371
Other operating expenses	37	61,790	49,598
Finance costs	38	59,744	71,746
		260,768	242,715
Other operating income	39	833,398	436,112
PROFIT BEFORE TAXATION		1,938,152	1,134,692
Taxation	40	480,933	128,529
PROFIT AFTER TAXATION		1,457,219	1,006,163
		--------------(Rupees)	--------------
EARNINGS PER SHARE - BASIC	41	11.03	7.62

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

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

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

Kamal Afsar
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2007

	Issued, subscribed and paid-up share capital	Capital reserves: Reserve for issue of bonus shares	Capital reserves: Others	Revenue reserves: General reserve	Revenue reserves: Unappropriated profit/ accumulated loss	Total
	(Rupees in '000)					
Balance as at July 1, 2005 - as previously reported	1,200,576	-	126,843	1,500,000	3,384,782	6,212,201
Remeasurement of investments at cost:						
Reversal of share of net profits in subsidiaries and associates recognised under the equity method	-	-	-	-	(3,201,355)	(3,201,355)
Reversal of incremental depreciation on related assets of subsidiaries transferred to unappropriated profit	-	-	-	-	(52,873)	(52,873)
Reversal of allocation to workers' profits participation fund due to change in accounting policy (Note 4.1)	-	-	-	-	105,769	105,769
Reversal of allocation to workers' profits participation fund due to change in basis of WPPF computation (Note 4.2)	-	-	-	-	26,727	26,727
Balance as at July 1, 2005 - restated	1,200,576	-	126,843	1,500,000	263,050	3,090,469
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity - net of tax	-	-	-	-	465,364	465,364
Reversal of incremental depreciation on related assets of subsidiaries transferred to unappropriated profit - net of tax	-	-	-	-	(458,327)	(458,327)
	-	-	-	-	7,037	7,037
Profit after taxation for the year ended June 30, 2006 as previously reported	-	-	-	-	1,238,592	1,238,592
Reversal of share of net profits in subsidiaries and associates recognised under the equity method	-	-	-	-	(293,237)	(293,237)
Reversal of allocation to workers' profits participation fund due to change in accounting policy (Note 4.1)	-	-	-	-	15,816	15,816
Restatement of allocation to workers' profits participation fund due to change in basis of WPPF computation (Note 4.2)	-	-	-	-	20,630	20,630
Reversal of impairment loss recognised on investment in subsidiries previously carried under equity method of accounting	-	-	-	-	24,362	24,362
Profit after taxation for the year ended June 30, 2006 - restated	-	-	-	-	1,006,163	1,006,163
Final cash dividend for the year ended June 30, 2005 (Rs 2 per ordinary share)	-	-	-	-	(240,115)	(240,115)
Transfer to reserve for issue of bonus shares	-	120,058	-	-	(120,058)	-
Transfer to general reserve	-	-	-	2,000,000	(2,000,000)	-
Issue of bonus shares (10%)	120,058	(120,058)	-	-	-	-
Balance as at June 30, 2006 - restated	1,320,634	-	126,843	3,500,000	(1,083,923)	3,863,554
Balance as at July 1, 2006 - restated	1,320,634	-	126,843	3,500,000	(1,083,923)	3,863,554
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity - net of tax	-	-	-	-	6,625	6,625
Profit after taxation for the year ended June 30, 2007	-	-	-	-	1,457,219	1,457,219
Final cash dividend for the year ended June 30, 2006 (Re 1 per ordinary share)	-	-	-	-	(132,063)	(132,063)
Transfer from general reserve	-	-	-	(3,500,000)	3,500,000	-
Balance as at June 30, 2007	1,320,634	-	126,843	-	3,747,858	5,195,335

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

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

Kamal Afsar
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2007

	Note	2007	2006 (restated)
		(Rupees in '000)	
Cash flows from operating activities			
Cash (used in) / generated from operations	42	(2,098,324)	1,089,826
Employees' gratuity paid		(45,248)	(36,169)
Employees' compensated absences paid		(38,878)	(38,697)
Post retirement medical benefits paid		(4,945)	(7,151)
Long-term loans and advances		1,445,501	(451,062)
Finance costs paid		(52,033)	(61,255)
Taxes paid		(574,268)	(152,470)
Net cash (used in) / generated from operating activities		(1,368,195)	343,022
Cash flows from investing activities			
Fixed capital expenditure		(33,892)	(29,280)
Investment in subsidiaries		(360)	(169,125)
Proceeds from disposal of property, plant and equipment		171	2,147
Interest / mark-up received		439,657	348,140
Dividend received		2,269	1,945
Net cash generated from investing activities		407,845	153,827
Cash flows from financing activities			
Repayment of long-term financing		(261,171)	(256,329)
Dividend paid		(129,989)	(236,710)
Net cash used in financing activities		(391,160)	(493,039)
Net (decrease) / increase in cash and cash equivalents		(1,351,510)	3,810
Cash and cash equivalents as at July 1		4,055,389	4,051,579
Cash and cash equivalents as at June 30	43	2,703,879	4,055,389

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

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

Kamal Afsar
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

1. THE CORPORATION AND ITS OPERATIONS

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

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

2. SIGNIFICANT EVENT DURING THE YEAR

On February 18, 2007, a fire broke out at PNSC building (hereinafter referred to as 'the fire incident') and as a result 11th to 15th floors of the PNSC building were significantly gutted. Besides the loss of false building structure, furniture, fixture, computer and other office equipment, the fire incident also resulted in the destruction of various documents, records and other historical information of the Corporation. The disclosures relating to consequences of the fire have been made in notes 6.1, 6.7.1, 16.1, 19, 37 and 39.2 to these financial statements.

Financial and accounting records and data (including computerized soft data) were lost pertaining to the period July 1, 2006 to February 18, 2007 which is part of the period covered by these financial statements however subsequently various computerized data were recovered from the back-up maintained by the Corporation which includes data for the period July 1, 2006 to October 4, 2006 whereas computerized data for the period October 5, 2006 to February 18, 2007 could not be recovered. The computerized data includes general ledger accounting system of the Corporation. After recovery of soft data for the period July 1, 2006 to October 4, 2006 the Corporation has reprinted the journal vouchers from computerized data and arranged duplicate supporting documents.

Moreover journal vouchers, supporting documentation (i.e. receipts, bills, third party invoices), legal agreements with third parties, documents relating to insurance claims, personnel records, bank statements, cheque books, bank reconciliation statements and documents evidencing approvals for revenue and capital expenditure were also destroyed in the fire.

Subsequent to the fire incident the management of the Corporation commenced a comprehensive exercise to recreate necessary accounting records, documents, supports, agreements and other information which entails the following activities:

- Data gathering exercise was initiated and in this regard duplicate documents were arranged from the Corporation's employees, customers, suppliers, bankers, and regulatory authorities. The Corporation has managed to rearrange most of the lost records till the date of issuance of these financial statements.

- General ledger for the period October 5, 2006 to December 31, 2006 could not be recovered from the computerized data and accordingly the books of account of the Corporation do not exist for that period. The Corporation's management believes that non-availability of general ledger for the period October 5, 2006 to December 31, 2006 did not affect the preparation of the financial statements because the ledger account balances that were accumulated for the preparation of the interim condensed financial statements for the six months period ended December 31, 2006, on which the auditors had issued an unqualified review opinion, have been carried forward for preparing these financial statements.

- The Corporation has hired external consultants for the task of recreation of general ledger for the period October 5, 2006 to December 31, 2006. This exercise was substantially completed at the time of issuance of these financial statements.

- General ledger for the period January 1, 2007 to February 18, 2007 has been recreated by the management by obtaining duplicate bank statements from all the concerned banks, identifying the details of the transactions appearing in the bank statements, incorporating all the transactions in the relevant general ledger accounts and obtaining the supporting documents from the relevant third parties. Accordingly, the management of the Corporation succeeded in rearranging the complete accounting records for that period.

As stated in the above paragraphs the books of account relating to the periods July 1, 2006 to October 4, 2006 and January 1, 2007 to February 18, 2007 have been either recovered or recreated. However, in respect of the period October 5, 2006 to December 31, 2006 relevant supporting documents have been rearranged whereas the recreation of books of account is in progress. Further, subsidiary records of the Corporation relating to ‘Revenue’ and ‘Fleet Expenses - Direct’ relating to the entire year were not destroyed during the fire incident on February 18, 2007. Accordingly, the management of the Corporation believes that the balances, transactions and other events have been fairly reflected in these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Statement of compliance

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

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

The following standards and amendments of approved accounting standards, with effective dates mentioned against each, are either not relevant to the Corporation's operations or are not expected to have significant effect on the Corporation's financial statements:

IAS 1 Presentation of Financial Statements – amendments relating to capital disclosures	effective from January 1, 2007
IAS 23 (Revised) Borrowing Costs	effective from January 1, 2009
IAS 41 Agriculture	effective from May 22, 2007
IFRS 2 Share based Payment	effective from December 6, 2006
IFRS 3 Business Combinations	effective for business combinations for which agreement date is on or after December 6, 2006
IFRS 5 Non-current Assets Held for Sale and Discontinued Operations	effective from December 6, 2006
IFRS 6 Exploration for and Evaluation of Mineral Resources	effective from December 6, 2006

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

3.2 Basis of preparation

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

- Certain property, plant and equipment as referred to in note 3.3.1 have been included at revalued amounts; and

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

3.3 Fixed assets

3.3.1 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

3.3.2 Capital work-in-progress

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

3.3.3 Intangible assets

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

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

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

3.4 Impairment of assets

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

3.5 Investment properties

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

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

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

3.6 Investments

3.6.1 Subsidiaries and associate

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

3.6.2 Other investments

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

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

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

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

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

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

3.7 Long-term loans and advances

These are initially recognised at cost inclusive of transaction costs and are subsequently measured at amortised cost less provision for impairment losses (note 11.4).

3.8 Stores and spares

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

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

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

3.9 Trade debts

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

3.10 Taxation

3.10.1 Current

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

3.10.2 Deferred

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

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

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

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

3.11 Insurance claims

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

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

3.12 Trade and other payables

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

3.13 Provisions

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

3.14 Dividend and appropriations

Dividend and appropriations are recognised in the period in which these are declared.

3.15 Staff retirement benefits

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

3.15.1 Defined benefit gratuity scheme

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

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

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

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

3.15.2 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.

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

3.16 Employees' compensated absences

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

3.17 Cash and cash equivalents

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

3.18 Foreign currency translation

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

3.19 Revenue recognition

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

- Fee for technical, commercial, administrative and financial services are recognised as revenue when the services are rendered.
- Rental income is recognised as revenue on a straight line basis over the term of the respective lease arrangements.
- Dividend income is recognised when the Corporation's right to receive the dividend is established.
- Profit from bank accounts and return on investments is recognised on a time proportion basis.

3.20 Borrowing costs

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

3.21 Financial instruments

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

3.22 Offsetting of financial assets and financial liabilities

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

4. CHANGE IN AN ACCOUNTING POLICY AND CHANGE IN COMPUTATION OF WPPF

4.1 Consequent to revisions in the International Accounting Standards No. 27 'Consolidated and Separate Financial Statements' (IAS-27) made applicable in Pakistan to the financial statements covering accounting periods beginning on or after January 1, 2005, investments in subsidiaries and associates are required to be carried in the separate financial statements of the investor, at cost or at fair value in accordance with IAS-39 'Financial Instruments: Recognition and Measurement'. The Corporation had requested the Securities and Exchange Commission of Pakistan (SECP) to allow it to account for investments in subsidiaries and associates under the equity method. The SECP acceded to the request of the Corporation and gave a one time exemption for the purpose of the financial statements of the Corporation for the year ended June 30, 2006. During the current year, the Corporation has changed its accounting policy pertaining to measurement of investments in subsidiaries and associates and now carries its investments in subsidiaries and associate at cost in its separate financial statements.

The aforesaid change in accounting policy has been applied retrospectively and comparative information has been restated in accordance with International Accounting Standard No. 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (IAS-8).

Had the investments in subsidiaries and associates been carried under the equity method of accounting, the long term investments, revenue reserves and surplus on revaluation of fixed assets at the end of the period would have been higher by Rs 7,698.623 million (2006: Rs 6,843.473 million), Rs 5,294.251 million (2006: Rs 4,005.792 million) and Rs 2,404.372 million (2006: Rs 2,837.681 million) respectively and profit after taxation for the period would have been higher by Rs 879.512 million (2006: Rs 293.237 million). Further, due to the change in accounting policy, the amounts payable to the Workers' Profits Participation Fund (WPPF) in respect of prior years pertaining to the share of profits of subsidiaries recognised under the equity method of accounting has also been reversed. Had the above accounting policy not been changed, the WPPF liability and allocation for the year would have been higher by Rs 179.387 million (2006: Rs 121.106 million) and Rs 43.975 million (2006: Rs 13.443 million) respectively and earnings per share for the year would have been lower by Re. 0.333 (2006: Re. 0.102).

4.2 During the year ended June 30, 2007 the Corporation has obtained an opinion from a legal advisor who has advised the Corporation that in his opinion shipping income of the Corporation and the unrealised gain on revaluation of investment properties shall not be considered for the purpose of computation of the amount allocable to 'Workers' Profits Participation Fund' (the fund) and accordingly the contribution payable to the fund for the year ended June 30, 2006 has been restated. The shipping income of the Corporation earned from chartering of vessels does not fall within the ambit of definition of ‘profit’ as provided in the Companies Profits (Workers' Participation) Act, 1968 because this income is, according to the legal opinion, a foreign income. Accordingly, the Corporation has changed the method for computing the amount allocable to the fund and this change has been made retrospectively whereby the balances for the year ended June 30, 2006 have been restated.

Had the Corporation charged amount allocable to the fund on its chartering income and the unrealised gain on revaluation of investment properties, the operating expenses for the year would have been higher by Rs 34.542 million (2006: Rs 20.630 million) and profit for the year would have been lower by the same amount. As a result, earnings per share for the year would have been lower by Re. 0.262 (2006: Re. 0.156). Further, the amount of trade and other payables would have been higher by Rs 88.061 million (2006: Rs 47.836 million) and the reserves would have been lower by the same amount as at June 30, 2007.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Assumption and estimation in recognition of taxation and deferred tax (note 40 and 12).

(b) Assumption and estimation in valuation of property, plant and equipment and investment properties (note 6 and 8).

(c) Assumptions and estimations used in determining the residual values and useful lives of property, plant and equipment (note 6).

(d) Assumption and estimation in accounting for defined benefit plans (note 30).

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	2007	2006
		(Rupees in '000)	

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2007	2006
- Fixed assets	6.1	860,763	604,506
- Capital work-in-progress	6.7	16,151	27,164
		876,914	631,670

6.1 The following is a statement of fixed assets:

	Leasehold land (notes 6.2 & 6.3)	Buildings on leasehold land	Vessel (note 6.4)	Vehicles	Office machines and appliances	Furniture and fixtures	Motor launch and jetty	Equipment on board	Container fittings	Beach huts	Workshop machinery and equipment	Computer equipment	Total
	---------- Rupees in '000 ----------												
As at June 30, 2005													
Cost or revalued amount	471,715	142,098	1,440	41,067	10,721	15,621	18	787	3,468	348	11,557	15,673	714,513
Less: Accumulated depreciation	-	33,972	1,440	26,930	8,541	12,343	18	199	3,468	348	7,199	9,800	104,258
Net book value	471,715	108,126	-	14,137	2,180	3,278	-	588	-	-	4,358	5,873	610,255
Year ended June 30, 2006													
Opening net book value	471,715	108,126	-	14,137	2,180	3,278	-	588	-	-	4,358	5,873	610,255
Additions	-	546	-	12,755	479	908	-	-	-	-	3,025	1,310	19,023
Disposals													
Cost or revalued amount	-	-	-	(2,965)	-	-	-	-	-	-	(22)	-	(2,987)
Less: Accumulated depreciation	-	-	-	2,965	-	-	-	-	-	-	22	-	2,987
	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	(13,891)	-	(5,506)	(509)	(778)	-	(118)	-	-	(914)	(3,056)	(24,772)
Closing net book value	471,715	94,781	-	21,386	2,150	3,408	-	470	-	-	6,469	4,127	604,506
At June 30, 2006													
Cost or revalued amount	471,715	142,644	1,440	50,857	11,200	16,529	18	787	3,468	348	14,560	16,983	730,549
Less: Accumulated depreciation	-	47,863	1,440	29,471	9,050	13,121	18	317	3,468	348	8,091	12,856	126,043
Net book value	471,715	94,781	-	21,386	2,150	3,408	-	470	-	-	6,469	4,127	604,506
Year ended June 30, 2007													
Opening net book value	471,715	94,781	-	21,386	2,150	3,408	-	470	-	-	6,469	4,127	604,506
Additions	2,969	16,718	-	2,789	5,194	4,821	-	-	-	-	858	6,961	40,310
Surplus on revaluation	169,876	78,296	-	-	-	-	-	-	-	2,723	-	-	250,895
Adjustment	-	-	-	-	-	-	-	-	-	-	-	(1,702)	(1,702)
Disposals/revaluation adjustments *													
Cost or revalued amount	-	(48,718) *	-	-	(1,412)	(1,374)	-	-	-	(348) *	-	-	(51,852)
Accumulated depreciation	-	48,718 *	-	-	1,412	1,362	-	-	-	348 *	-	-	51,840
	-	-	-	-	-	(12)	-	-	-	-	-	-	(12)
Write off													
Cost or revalued amount	-	-	-	-	-	-	-	-	-	-	(1,431)	-	(1,431)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	469	-	469
	-	-	-	-	-	-	-	-	-	-	(962)	-	(962)
Destroyed due to fire – note 19													
Cost or revalued amount	-	(10,676)	-	-	(6,738)	(12,368)	-	-	-	-	-	(14,890)	(44,672)
Accumulated depreciation	-	9,988	-	-	5,149	9,771	-	-	-	-	-	12,693	37,601
	-	(688)	-	-	5,149	9,771	-	-	-	-	-	(2,197)	(7,071)
Depreciation charge for the year	-	(14,113)	-	(6,074)	(629)	(588)	-	(118)	-	-	(1,070)	(2,609)	(25,201)
Closing net book value	644,560	174,994	-	148,101	5,126	5,032	-	352	-	2,723	5,295	4,580	860,763
As at June 30, 2007													
Cost or revalued amount	644,560	178,264	1,440	53,646	8,244	7,608	18	787	3,468	2,723	13,987	7,352	922,097
Less: Accumulated depreciation	-	3,270	1,440	35,545	3,118	2,576	18	435	3,468	-	8,692	2,772	61,334
Net book value	644,560	174,994	-	18,101	5,126	5,032	-	352	-	2,723	5,295	4,580	860,763
Annual rate of depreciation		2.5 to 20	4	20	15	10 to 15	10 to 15	10 to 15	15	15	5 to 10	25	

6.2 The latest revaluation of the 'leasehold land', 'buildings on leasehold land', and beach huts were carried out as of June 30, 2007 by Pee Dee & Associates on the basis of their professional assessment of present market values. The latest revaluation resulted in a surplus of Rs 250.895 million over the then written down values of Rs 609.868 million which had been incorporated in the books of the Corporation as at June 30, 2007. Of the total revaluation surplus arisen, Rs 800.100 million (2006: Rs 559.031 million) remains undepreciated at June 30, 2007.

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

	2007	2006
	(Rupees in '000)	
Leasehold land and buildings on leasehold land	23,239	8,995
Workshop machinery and equipment	4,232	4,938
	27,471	13,933

6.4 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.

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

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

	Note	2007	2006
		(Rupees in '000)	
Fleet expenses - indirect	35	1,070	914
Administrative and general expenses	36	24,131	23,858
		25,201	24,772

6.7 Capital work-in-progress

	2007	2006
Buildings on leasehold land	4,325	25,260
Beach huts	9,814	154
Computer equipment	1,061	-
Office machines and appliances	400	400
Workshop machinery and equipment	551	651
Vessel	-	699
	16,151	27,164

6.7.1 During the year capital work in progress amounting to Rs 4.595 million has been written off due to destruction by fire.

7. INTANGIBLE ASSETS

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

	Note	(Rupees in '000)
As at July 1, 2004		
Cost		16,503
Less: accumulated amortisation		4,951
Net book value		11,552
Year ended June 30, 2006		
Opening net book value		11,552
Less: amortisation charge for the year	36	3,301
Closing net book value		8,251
As at June 30, 2006		
Cost		16,503
Less: accumulated amortisation		8,252
Net book value		8,251
Year ended June 30, 2007		
Opening net book value		8,251
Less: amortisation charge for the year	36	3,301
Closing net book value		4,950
As at June 30, 2007		
Cost		16,503
Less: accumulated amortisation		11,553
Net book value		4,950
Annual rate of amortization		20%

8. INVESTMENT PROPERTIES

	Leasehold Land	Buildings on leasehold land	Total
	-------------------(Rupees	in	'000)-----------------
Balance as at July 1, 2006	644,980	29,182	674,162
Surplus on revaluation of investment properties	265,720	26,755	292,475
Balance as at June 30, 2007	910,700	55,937	966,637

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

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

No. of shares - ordinary 2007	No. of shares - ordinary 2006	Name of the company	Country of incorporation	Latest available audited financial statements for the year ended	Percentage holding	Face value per share (Rupees)	2007 (Rupees '000)	2006 (restated refer note 4) (Rupees '000)
(i) Subsidiary companies - unlisted								
10,000,000	10,000,000	Bolan Shipping (Private) Limited	Pakistan	June 30, 2007	100	10	100,000	100,000
9,436,000	9,436,000	Chitral Shipping (Private) Limited	Pakistan	June 30, 2007	100	10	94,360	94,360
5,686,000	5,686,000	Hyderabad Shipping (Private) Limited	Pakistan	June 30, 2007	100	10	56,860	56,860
15,686,000	15,686,000	Islamabad Shipping (Private) Limited	Pakistan	June 30, 2007	100	10	156,860	156,860
36,000	36,000	Johar Shipping (Private) Limited	Pakistan	June 30, 2007	100	10	360	360
7,286,000	7,286,000	Kaghan Shipping (Private) Limited	Pakistan	June 30, 2007	100	10	72,860	72,860
3,354,166	3,354,166	Karachi Shipping (Private) Limited [formerly National Tanker Company (Private) Limited]	Pakistan	June 30, 2007	100	10	185,536	185,536
16,736,000	16,736,000	Khairpur Shipping (Private) Limited	Pakistan	June 30, 2007	100	10	167,360	167,360
36,000	36,000	Lahore Shipping (Priavte) Limited [formerly Pak Nippon Car Liner (Private) Limited]	Pakistan	June 30, 2007	100	10	360	360
14,686,000	14,686,000	Lalazar Shipping (Private) Limited	Pakistan	June 30, 2007	100	10	146,860	146,860
9,486,000	9,486,000	Makran Shipping (Private) Limited	Pakistan	June 30, 2007	100	10	94,860	94,860
4,636,000	4,636,000	Malakand Shipping (Private) Limited	Pakistan	June 30, 2007	100	10	46,360	46,360
6,936,000	6,936,000	Multan Shipping (Private) Limited	Pakistan	June 30, 2007	100	10	69,360	69,360
1,200	1,200	Pakistan Co-operative Ship Stores (Private) Limited	Pakistan	June 30, 2007	55	100	120	120
36,000	-	Quetta Shipping (Private) Limited	Pakistan	June 30, 2007	100	10	360	-
6,936,000	6,936,000	Sargodha Shipping (Private) Limited	Pakistan	June 30, 2007	100	10	69,360	69,360
6,786,000	6,786,000	Shalamar Shipping (Private) Limited	Pakistan	June 30, 2007	100	10	67,860	67,860
9,636,000	9,636,000	Sibi Shipping (Private) Limited	Pakistan	June 30, 2007	100	10	96,360	96,360
13,236,000	13,236,000	Swat Shipping (Private) Limited	Pakistan	June 30, 2007	100	10	132,360	132,360
							1,558,416	1,558,056
(ii) Associated - unlisted								
12,250	12,250	Muhammadi Engineering Works Limited	Pakistan	Dec. 31, 1982 (unaudited)	49	100	1,600	1,600
		Less: Accumulated impairment losses					1,600	1,600
							-	-
							8,377,167	1,558,056

9.1 During the year the Corporation has made investment in Quetta Shipping (Private) Limited at a cost of Rs 0.360 million representing 100% equity of that company.

	Note	2007	2006
		(Rupees in '000)	
10. LONG-TERM INVESTMENTS IN LISTED COMPANIES AND AN OTHER ENTITY			
Financial assets designated as 'at fair value through profit or loss'			
Listed companies			
6,930 (2006: 6,930) ordinary shares of Rs 10 each fully paid of Siemens (Pakistan) Engineering Company Limited. Market value per share Rs 1,735 (2006: Rs 1,180 per share)		12,024	8,177
72,828 (2006: 72,828) ordinary shares of Rs 10 each fully paid of Pakistan State Oil Company Limited. Market value per share Rs 391.45 (2006: Rs 309 per share)		28,508	22,504
		40,532	30,681
Available for sale financial asset			
Other entity - carried at cost			
10,000 (2006: 10,000) ordinary shares of Rs 10 each of Pakistan Tourism Development Corporation Limited		100	100
		40,632	30,781

	Note	2007	2006
11. LONG-TERM LOANS AND AN ADVANCE			
Loans			
Considered good			
Due from			
- related parties	11.1	-	993,167
- employees	11.2	2,787	3,130
		2,787	996,297
Less: due within one year from			
- related parties	11.1	-	363,917
- employees	11.2	760	920
		760	364,837
Advance			
Advance to Kaghan Shipping (Private) Limited	11.3	-	816,068
		2,027	1,447,528

11.1 Long-term loans due from related parties

Name of the company	Original amount of loan advanced	No. of installments/ repayment period	Rate of mark-up	2007	2006
	(Rupees in '000)			(Rupees in '000)	
Johar Shipping (Private) Limited	516,000	12 half yearly installments upto May, 2010	1.75% above 6 monthly treasury bill rate with floor of 4.25%	-	344,000
Lalazar Shipping (Private) Limited	360,000	6 half yearly installments upto December 2007	- as above -	-	180,000
Shalamar Shipping (Private) Limited	325,000	8 half yearly installments upto March 2008	- as above -	-	162,500
Swat Shipping (Private) Limited	460,000	12 half yearly installments upto May 2010	- as above -	-	306,667
				-	993,167
Less: Due within one year (note 16)				-	(363,917)
				-	629,250

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

During the year the outstanding loan amounts due from the subsidiary companies of the Corporation have been adjusted against their freight collection. The transactions have been routed through the current accounts maintained with the respective subsidiaries.

11.1.2 The maximum aggregate amount of principal loan balances due from the subsidiary companies at the end of any month during the year was Rs Nil (2006: Rs 1,357.083 million).

	Note	2007	2006
		(Rupees in '000)	
11.2 Long-term loans due from employees			
Considered good	11.2.1	2,787	3,130
Less: recoverable within twelve months	16	760	920
		2,027	2,210

11.2.1 It comprises of vehicle and house building loans amounting to Rs 0.704 million (2006: Rs 0.073 million) and Rs 2.083 million (2006: Rs 3.057 million) respectively.

11.2.1.1 Vehicle loans represent loans to employees for purchase of vehicles and are secured against employees' personal guarantees and charge on vehicles. These loans are interest free and are recoverable over 36 or 48 monthly installments (2006: 72 monthly installments).

11.2.1.2 House building loans represent loans to employees for purchase of land, residential accommodation and construction and renovation of houses. These loans are recoverable over 180 monthly installments. An amount of Rs 1.997 million (2006: Rs 2.802 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.

11.3 This represents amount advanced to Kaghan Shipping (Private) Limited (a subsidiary of the Corporation) mainly for purchase of vessel. During the year outstanding balance due from the subsidiary company has been transferred to the current account maintained with it.

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

	Note	2007	2006
		(Rupees in '000)	
12. DEFERRED TAX - NET			
Deductible temporary differences arising in respect of:			
- accelerated depreciation		6,484	3,790
- short-term provisions and deferred liabilities		138,521	151,518
		145,005	155,308
Taxable temporary differences arising in respect of:			
- surplus on revaluation of fixed assets	28	51,639	22,624
		93,366	132,684
13. STORES AND SPARES			
Stores			
- at depots		12,615	19,288
- at buildings		250	204
		12,865	19,492
Spares			
- at buildings		1,424	2,012
		14,289	21,504
14. TRADE DEBTS			
Freight and hire - unsecured			
- considered good		279,146	31,308
- considered doubtful		60,178	58,879
		339,324	90,187
Less: provision for doubtful trade debts		60,178	58,879
		279,146	31,308

	Note	2007	2006
		(Rupees in '000)	
15. AGENTS' AND OWNERS' BALANCES			
Considered good			
- secured		12,021	9,478
- unsecured		29,461	22,702
		41,482	32,180
Considered doubtful		14,048	14,037
		55,530	46,217
Less: provision for doubtful balances		14,048	14,037
		41,482	32,180
16. LOANS AND ADVANCES			
Considered good			
Loans:			
Due from			
- related parties	11.1	-	363,917
- employees	11.2	760	920
		760	364,837
Advances to:			
- executives		-	9
- other employees		31,927	18,353
- contractors and suppliers		21,377	3,246
- others		9,133	2,607
		63,197	389,052

16.1 The maximum aggregate amount due from the executives at the end of any month during the year cannot be ascertained because the related information is not available due to the fire as referred to in note 2 to these financial statements.

	2007	2006
17. DEPOSITS AND PREPAYMENTS		
Deposits		
Trade:		
- considered good	2,178	2,398
- considered doubtful	184	184
	2,362	2,582
Less: provision for doubtful trade deposits	184	184
	2,178	2,398
Others:		
- considered good	4,812	1,541
- considered doubtful	185	185
	4,997	1,726
Less: provision for doubtful deposits - others	185	185
	4,812	1,541
Prepayments	3,579	860
	10,569	4,799
18. INTEREST / MARK-UP ACCRUED		
Interest accrued on long-term loans to related parties	-	17,564
Interest / mark-up accrued on term deposits	84,412	37,170
	84,412	54,734

	Note	2007	2006
		(Rupees in '000)	
19. OTHER RECEIVABLES			
Rent receivable:			
- considered good		12,393	11,857
- considered doubtful		8,243	7,864
		20,636	19,721
Less: provision for doubtful rent receivable		8,243	7,864
		12,393	11,857
Current account balances with subsidiary companies - unsecured, considered good	19.1	1,056,478	211,830
Insurance claimable for destroyed items	19.2	7,071	-
Others:			
- considered good		16,952	18,805
- considered doubtful		461	3,716
		17,413	22,521
Less: provision for doubtful receivables - others		461	3,716
		16,952	18,805
		1,092,894	242,492

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

	Note	2007	2006
Kaghan Shipping (Private) Limited	11.3	815,150	-
Lahore Shipping (Private) Limited [formerly Pak Nippon Car Liner (Private) Limited]		696	524
Lalazar Shipping (Private) Limited		238,829	207,696
Makran Shipping (Private) Limited		-	3,610
Quetta Shipping (Private) Limited		411	-
Sibi Shipping (Private) Limited		1,392	-
		1,056,478	211,830

19.2 This represents net book values of items destroyed due to fire (note 2 and 6.1). The Corporation is in the process of filing insurance claim against the assets lost, and, accordingly, the carrying value of such assets has been recorded as other receivables in these financial statements. The Corporation is confident that the insurance claim would be settled at an amount in excess of the carrying value of the assets.

	Note	2007	2006
		(Rupees in '000)	
20. INCOMPLETE VOYAGES			
Charter hire and related expenses		2,577	3,377
Less: net freight		-	1,233
		2,577	2,144
21. INSURANCE CLAIMS			
Considered good		374	9,661
Considered doubtful	21.1	5,424	163,240
		5,798	172,901
Less: provision for doubtful claims		5,424	163,240
		374	9,661

21.1 This included amounts aggregating Rs Nil (2006: Rs 154.547 million) net of insurance premium which are recoverable from the P&I Club, Oceanus Mutual Underwriting Association (Bermuda) Limited. The Club had gone into liquidation and during the year the amount already provided for was written off as irrecoverable.

	Note	2007	2006
		(Rupees in '000)	
22. SHORT-TERM INVESTMENTS			
Term deposits with banks having original maturity of:			
- three to six months		4,200,000	-
- three months or less		1,800,000	2,900,000
		6,000,000	2,900,000

22.1 The mark-up on term deposits ranges from 10% to 11.3% per annum (2006: 9.5% to 10.5% per annum).

	Note	2007	2006
		(Rupees in '000)	
23. CASH AND BANK BALANCES			
Cash at bank:			
- in current accounts			
◆ local currency		673,351	311,224
◆ foreign currency		105,076	255,335
		778,427	566,559
- in savings accounts			
◆ local currency	23.1	84,333	521,814
◆ foreign currency	23.1	41,055	67,005
		125,388	588,819
Cash in hand		64	11
		903,879	1,155,389

23.1 This includes Rs 9.930 million (2006: Rs 9.921 million) and Rs 3.961 million (2006: Rs 4.550 million) held as security by United National Bank Limited, London and Habib Bank Limited, P.N.S.C. Branch, respectively against guarantees issued on behalf of the Corporation.

23.2 The mark-up on savings accounts ranges from 1% to 7.5% per annum (2006: 1% to 7.5% per annum).

	Note	2007	2006 (restated)
		(Rupees in '000)	
24. TRADE AND OTHER PAYABLES			
Creditors		31,391	111,637
Current account balances with subsidiary companies	24.1	4,463,377	3,068,987
Agents' and owners' balances		120,578	131,504
Accrued liabilities		143,293	97,178
Deposits	24.2	24,075	22,204
Workers' Profits Participation Fund	24.3	58,540	40,848
Unclaimed dividends		8,948	6,874
Other liabilities		176,008	31,644
		5,026,210	3,510,876

	Note	2007	2006
		(Rupees in '000)	
24.1 The break-up of current account balances with subsidiary companies is as follows:			
Bolan Shipping (Private) Limited		198,426	74,680
Chitral Shipping (Private) Limited		307,635	258,520
Hyderabad Shipping (Private) Limited		331,451	257,768
Islamabad Shipping (Private) Limited		220,727	238,499
Johar Shipping (Private) Limited		135,224	235,323
Karachi Shipping (Private) Limited [formerly National Tanker Company (Private) Limited]		280,737	-
Khairpur Shipping (Private) Limited		191,712	115,831
Makran Shipping (Private) Limited		9,440	-
Malakand Shipping (Private) Limited		403,245	186,516
Multan Shipping (Private) Limited		329,314	293,702
Sargodha Shipping (Private) Limited		217,000	178,383
Shalamar Shipping (Private) Limited		1,504,700	842,962
Sibi Shipping (Private) Limited		-	1,378
Swat Shipping (Private) Limited		333,766	385,425
		4,463,377	3,068,987

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

	Note	2007	2006 (restated)
		(Rupees in '000)	
24.3 Workers' Profits Participation Fund			
As at July 1 (restated)		40,848	23,126
Allocation for the year	37	45,288	38,027
Interest on fund utilised during the year	38	1,873	414
		88,009	61,567
Less: payments made during the year		29,469	20,719
As at June 30		58,540	40,848

25. PROVISION AGAINST DAMAGE CLAIMS

	2007	2006
	(Rupees in '000)	
As at July 1	121,625	103,927
Charged during the year	11,335	17,698
As at June 30	132,960	121,625

26. SHARE CAPITAL

26.1 Authorised Share Capital

2007 (No. of shares)	2006 (No. of shares)		2007 (Rs. in '000')	2006 (Rs. in '000')
200,000,000	200,000,000	Ordinary shares of Rs 10 each	2,000,000	2,000,000

26.2 Issued, subscribed and paid-up capital

2007 (No. of shares)	2006 (No. of shares)		2007 (Rs. in '000')	2006 (Rs. 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

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

Issued, subscribed and paid-up share capital	Ordinary shares Number	Ordinary shares Amount Rupees in '000
As at July 1, 2005	120,057,618	1,200,576
Ordinary shares of Rs 10 each issued during the year ended June 30, 2006 as bonus shares	12,005,762	120,058
As at June 30, 2006	132,063,380	1,320,634
As at June 30, 2007	132,063,380	1,320,634

26.3 At June 30, 2007 GoP held 117,706,724 (2006: 117,706,724) ordinary shares in the Corporation.

	Note	2007	2006 (restated)
		(Rupees in '000)	
27. RESERVES			
Capital reserves	27.1	126,843	126,843
Revenue reserves (including unappropriated profit)		3,747,858	2,416,077
		3,874,701	2,542,920

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

	Note	2007	2006
		(Rupees in '000)	
28. SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX			
As at July 1		559,031	568,529
Surplus arising on revaluation of fixed assets during the year		250,895	-
		809,926	568,529
Less: transferred to unappropriated profit:			
Surplus relating to incremental depreciation charged during the year on related assets - net of tax		6,625	7,037
Related deferred tax liability		3,201	2,461
		9,826	9,498
		800,100	559,031
Less: Related deferred tax liability on:			
- Revaluation as at July 1		22,624	33,885
- Surplus arising on revaluation of fixed assets during the year		26,394	-
- Incremental depreciation charged during the year on related assets transferred to profit and loss account		(3,201)	(2,461)
- Effect of ratio allocation of revenue under FTR		5,822	(8,800)
		51,639	22,624
As at June 30		748,461	536,407

	Note	2007	2006
29. LONG-TERM FINANCING			
As at June 30	29.1	474,414	732,578
Less: current portion of long-term financing		258,771	258,557
		215,643	474,021

29.1 This represents balance of long-term financing obtained from National Bank of Pakistan, Bahrain amounting to US$ 7.857 million (2006: US$ 12.143 million). The loan is repayable in 7 yearly installments commencing from December 2003 and carries mark-up at the rate of 2.95% above 6 months LIBOR per annum (2006: 2.95% above 6 months LIBOR per annum) payable on half yearly basis. This loan is secured by a guarantee given by the Government of Pakistan through State Bank of Pakistan. According to the loan agreement, the Corporation can prepay the loan by giving one month irrevocable advance notice.

	Note	2007	2006
		(Rupees in '000)	
30. DEFERRED LIABILITIES			
Employees' gratuity	30.1.3	205,754	218,932
Post retirement medical benefits	30.1.3	82,613	86,474
Employees' compensated absences	30.2.3	108,710	94,144
		397,077	399,550

30.1 **Retirement benefit schemes**

30.1.1 As stated in notes 3.15.1 and 3.15.2 of these financial statements, the Corporation operates an unfunded gratuity scheme and a post retirement medical benefit scheme. Provision is maintained against these schemes based on the actuarial recommendations. Actuarial valuation of these benefits are carried out at least once in every two years and the latest valuations were carried out as at June 30, 2007 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the defined benefit obligation schemes:

	2007		2006	
	Employees' gratuity	**Post retirement medical benefits**	**Employees' gratuity**	**Post retirement medical benefits**
Discount rate	10%	10%	9%	9%
Increase in salary	8%	8%	7%	7%
Medical escalation rate	N/A	7%	N/A	7%

30.1.2 The disclosures made in notes 30.1.3 to 30.1.7 are based on the information included in the actuarial valuation report as of June 30, 2007.

30.1.3 Balance sheet reconciliation

	2007		2006	
	Employees' gratuity	**Post retirement medical benefits**	**Employees' gratuity**	**Post retirement medical benefits**
	(Rupees in '000)			
Present value of defined benefit obligation	246,776	84,594	223,611	76,674
Unrecognised net actuarial (loss) / gain	(41,022)	(1,981)	(4,679)	9,800
Recognised Liability	205,754	82,613	218,932	86,474

	2007		2006	
	Employees' gratuity	Post retirement medical benefits	Employees' gratuity	Post retirement medical benefits
	(Rupees in '000)			
30.1.4 Movement in present value of defined benefit obligation				
As at July 1	223,611	76,674	227,447	82,808
Current service cost	7,905	4,129	8,073	3,441
Interest cost	19,486	6,755	19,581	7,376
Actuarial loss / (gain)	41,022	1,981	4,679	(9,800)
Benefits paid	(45,248)	(4,945)	(36,169)	(7,151)
As at June 30	246,776	84,594	223,611	76,674
30.1.5 Expenses				
Current service cost	7,905	4,129	8,073	3,441
Interest cost	19,486	6,755	19,581	7,376
Recognition of actuarial loss / (gain)	4,679	(9,800)	(7,213)	(5,286)
	32,070	1,084	20,441	5,531
Less: charged to subsidiaries	29,682	999	18,975	5,112
Expenses	2,388	85	1,466	419

30.1.6 Principal actuarial assumptions used are disclosed in note 30.1.1 to these financial statements.

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

As at June 30	Employees' gratuity	Post retirement medical benefits
	(Rupees in '000)	
2003	213,034	86,773
2004	195,471	77,836
2005	227,447	82,808
2006	223,611	76,674
2007	246,776	84,594

30.2 Employees' compensated absences

30.2.1 As stated in note 3.16, 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, 2007 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the scheme:

	2007	2006
Discount rate	10%	9%
Increase in salary	8%	7%

30.2.2 The disclosures made in notes 30.2.3 to 30.2.6 are based on the information included in the actuarial valuation as of June 30, 2007.

30.2.3 Balance sheet reconciliation

	2007	2006
	(Rupees in '000)	
Present value of defined benefit obligation (recognised)	108,710	94,144

30.2.4 Movement in present value of defined benefit obligation

	2007	2006
As at July 1	94,144	97,018
Current service cost	32,646	32,646
Interest cost	8,148	8,132
Actuarial loss / (gain)	12,650	(4,955)
Benefits paid	(38,878)	(38,697)
As at June 30	108,710	94,144

30.2.5 Expenses

	2007	2006
Current service cost	32,646	32,646
Interest cost	8,148	8,132
Recognition of actuarial loss / (gain)	12,650	(4,955)
	53,444	35,823
Less: charged to subsidiaries	49,300	33,148
Expenses	4,144	2,675

30.2.6 Principal actuarial assumptions used are disclosed in note 30.2.1 to these financial statements.

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

As at June 30	Rupees in '000
2003	111,604
2004	127,242
2005	97,018
2006	94,144
2007	108,710

30.2.8 The expenses in respect of employees' compensated absences have been charged on the basis of actuarial recommendations and are in accordance with the Administrative and Financial Services Agreement with the subsidiary companies, as mentioned in note 33.1.

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

	Rupees in '000'
Gratuity	72,952
Post retirement medical benefits	12,584
Compensated absences	37,798

30.4 The actuary conducts separate valuations for calculating contribution rates and the Corporation contributes to the provident fund according to the actuary's advice. Expense of the defined benefit plan is calculated by the actuary.

30.4.1 During the year the Corporation contributed Rs 8.541 million (2006: 7.561 million) to the provident fund.

31. CONTINGENCIES AND COMMITMENTS

Contingencies

31.1 The contingent liability in respect of claims not admitted by the Corporation as at June 30, 2007 amount to Rs 737.779 million (2006: Rs 1,139.196 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo, damages to cargo and miscellaneous claims lodged by workers and others. These include Rs 13.070 million (2006: Rs 34.485 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 234.831 million (2006: Rs 351.354 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 132.960 million (2006: Rs 121.625 million) against the aforementioned claims in these financial statements (note 25).

31.2 The Corporation has not accepted liability in respect of customs duty approximating Rs 2.500 million (2006: 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.

31.3 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 (2006: 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 (2006: 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.

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

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

Commitments

31.6 The Corporation has provided a guarantee to ABN Amro Bank N.V. on behalf of Karachi Shipping (Private) Limited, Lahore Shipping (Private) Limited and Quetta Shipping (Private) Limited for providing credit facility for purchase of vessels. The total facility aggregates US$ 135 million. The Corporation is liable in case of default by any of the subsidiaries on payment of principal amount or interest.

	2007	2006
	(Rupees in '000)	
32. CHARTERING REVENUES		
Foreign flag vessels:		
Voyage charter revenue	175,862	533,883
Slot charter revenue	1,587,052	847,139
	1,762,914	1,381,022
33. SERVICES FEE		
Technical and commercial services fee	216,259	192,994
Administrative and financial services fee	72,086	64,332
	288,345	257,326

33.1 The Corporation has entered into agreements with each of its subsidiary companies for rendering of services as 'Technical and Commercial Services Provider' of the vessel and 'Administrative and Financial Services Provider'. Under the terms of these agreements, the Corporation provides specified services on actual cost basis. The Corporation also collects freight / hire due to the subsidiary companies in respect of trading of the vessels and makes payments on behalf of the subsidiaries for all expenses incurred in the provision of related services or in relation to the proper and efficient operation of their vessels. In consideration, it is entitled to 'Technical and Commercial Services Fee' and 'Administrative and Financial Services Fee' at mutually agreed rates of 3% and 1% (2006: 3% and 1%) respectively of the total income derived from commercial trading of the vessels operated by each of the subsidiary companies. In addition, the Corporation also charges indirect fleet expenses, administrative and general expenses to the subsidiaries under mutually agreed terms.

		Note	2007	2006
			(Rupees in '000)	
34.	**FLEET EXPENSES - DIRECT**			
	Charter hire and related expenses	34.1	798,290	811,738
	Claims		3,781	2,326
	Exchange gain		(1,515)	(9,186)
			800,556	804,878
34.1	**Charter, hire and related expenses**			
	Foreign flag vessels:			
	- Voyage charter expenses		149,581	494,104
	- Slot charter expenses		648,709	317,634
			798,290	811,738
35.	**FLEET EXPENSES - INDIRECT**			
	Conference establishment expenses		1,403	1,385
	Salaries and allowances - regional offices	35.1	3,926	3,376
	Agents' and other general expenses	35.2	7,019	8,109
	Depreciation	6.6	1,070	914
	General establishment expenses - regional offices		657	588
			14,075	14,372
	Less: charged to subsidiaries	35.3	11,828	12,204
			2,247	2,168

35.1 This includes Rs 0.185 million (2006: Rs 0.149 million) in respect of provident fund contribution.

		2007	2006
		(Rupees in '000)	
35.2	**Agents' and other general expenses**		
	Printing and stationery	356	1,066
	Advertisement and publicity	1,378	1,717
	Telephone, telex and postage	4,978	4,859
	Bank charges and commission	197	393
	Other miscellaneous expenses	110	74
		7,019	8,109

35.3 These expenses have been allocated on mutually agreed terms and on actual cost basis in accordance with the Administrative and Financial Services Agreement as mentioned in note 33.1 to these financial statements.

36. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2007	2006 (restated)
		(Rupees in '000)	
Salaries and allowances	36.1	235,205	200,578
General establishment expenses	36.2	110,386	76,029
Rent, rates and taxes		6,683	5,777
Scholarship and training expenses		2,168	738
Insurance		2,475	2,382
Depreciation	6.6	24,131	23,858
Amortisation	7	3,301	3,301
Directors' fee		150	263
Legal and professional charges		10,177	4,801
Impairment loss on investments in related parties	9	-	848
Provision against damage claims		11,335	17,698
Provision for doubtful debts against:			
- trade		3,025	7,577
- others		1,098	2,397
		410,134	346,247
Less: charged to subsidiaries	36.3	270,900	224,876
		139,234	121,371

36.1 This includes Rs 8.356 million (2006: Rs 7.412 million) in respect of provident fund contribution.

36.2 General establishment expenses

	2007	2006
	(Rupees in '000)	
Repairs and maintenance	10,869	4,940
Medical cost	11,067	8,496
Medical insurance	11,762	-
Contribution to employees welfare fund	16	7
Contribution to group term insurance	1,113	1,085
Security charges	2,529	1,930
Travelling and conveyance	8,839	5,509
Entertainment and canteen subsidy	2,113	2,753
Books, periodicals and subscriptions	5,073	4,288
Uniform and liveries	366	376
Printing and stationery	4,099	2,927
Telephone, telex and postage	5,608	6,494
Light, power and water	9,049	10,983
Computer expenses	7,824	6,747
Advertisement and publicity	7,661	2,979
Vehicle running and repairs	14,332	11,725
Ship inspection expenses	1,091	1,234
Sundry expenses	6,975	3,556
	110,386	76,029

36.3 These expenses have been allocated on mutually agreed terms and on actual cost basis in accordance with the Administrative and Financial Services Agreement as mentioned in note 33.1 to these financial statements for general establishment expenses.

37. OTHER OPERATING EXPENSES

	Note	2007	2006 (restated)
		(Rupees in '000)	
Workers' Profits Participation Fund	24.3	45,288	38,027
Donations	37.1	1,000	2,614
Auditors' remuneration	37.2	2,725	2,219
Employees' gratuity	30.1.5	2,388	1,466
Post retirement medical benefits	30.1.5	85	419
Employees' compensated absences	30.2.5	4,144	2,675
Fixed assets written off		962	-
Loss of fixed assets due to fire		4,595	
Loss on sale of containers		603	-
Loss on revaluation of long-term investments in listed companies		-	2,178
		61,790	49,598

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

37.2 Auditors' remuneration

	2007			2006		
	A. F. Ferguson & Co.	Ford Rhodes Sidat Hyder & Co.	Total	A. F. Ferguson & Co.	Ford Rhodes Sidat Hyder & Co.	Total
	(Rupees '000)					
Audit fee	336	336	672	280	280	560
Fee for review of half yearly financial statements	180	180	360	150	150	300
Fee for review of statement in compliance with best practices of the code of corporate governance	48	48	96	40	40	80
Fee for audit of consolidated financial statements	60	60	120	50	50	100
Tax advisory services fee	1,000	-	1,000	1,000	-	1,000
Out of pocket expenses						
- current year	323	104	427	99	80	179
- prior year	50	-	50	-	-	-
	1,997	28	2,725	1,619	600	2,219

	Note	2007	2006 (restated)
		(Rupees in '000)	

38. FINANCE COSTS

	Note	2007	2006
Interest on:			
- Long-term financing		51,969	61,249
- Workers' Profits Participation Fund	24.3	1,873	414
Bank charges and commission		2,895	2,783
Unrealised exchange loss on long-term financing		3,007	7,300
		59,744	71,746

39. OTHER OPERATING INCOME

	Note	2007	2006
Interest / mark-up on loans and advances to:			
- Employees		712	773
- Subsidiary companies		-	116,335
		712	117,108
Income from savings and term deposits		468,623	258,089
Scrap sales		379	148
Profit on disposal of fixed assets		159	2,147
Dividend income		2,269	1,945
Provisions no longer required written back		1,967	10,566
Gain on revaluation of investment properties	8	292,475	-
Gain on revaluation of long-term investments in listed companies	10	9,851	-
Insurance claims	39.1	315	8,113
Liabilities no longer payable written back	39.2	38,377	3,705
Sundries		18,271	34,291
		833,398	436,112

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

	2007	2006
- the insurance policies	164	8,113
- others	151	-
	315	8,113

39.2 This includes an aggregate amount of Rs 36.508 million which was appearing in the books as liability for which no supporting documentation was available as a consequence of the fire incident (note 2). Accordingly, the subject amount has been written back.

40. TAXATION

	2007	2006
	(Rupees in '000)	
Tax charge for:		
- current year	462,554	306,290
- prior years	11,261	(53,574)
	473,815	252,716
Deferred	7,102	(124,209)
	480,917	128,507
Taxes paid abroad relating to current year	16	22
	480,933	128,529

	Note	2007	2006
		(Rupees in '000)	
40.1 Relationship between tax expense and accounting profit			
Accounting profit before tax		1,938,152	1,134,692
Tax rate		5%	35%
Tax on accounting profit		678,353	397,142
Tax effect in respect of temporary differences associated with investments in subsidiaries whose timing of reversal is controlled by the Corporation		-	(65,083)
Tax effect in respect of income / expenses not admissible for calculation of taxable profit		(95,234)	16,639
Tax effect of lower tax rates on certain incomes:			
- Tax saving due to lower tax rates		(82,836)	(101,821)
- Tax liability under final tax regime		13,128	7,651
		(69,708)	(94,170)
Others (including the impact arising as a consequence of change in allocation ratio of revenue chargeable under FTR and non-FTR tax regime)		(43,755)	(72,447)
		(208,697)	(215,061)
		469,656	182,081
Tax effects of adjustments in respect of taxes paid abroad		16	22
Tax effects of adjustments in respect of prior years		11,261	(53,574)
Tax expense for the year		480,933	128,529

41. EARNINGS PER SHARE - BASIC

	2007	2006
Profit after taxation attributable to ordinary shareholders	1,457,219	1,006,163
	(Number of shares)	
Weighted average ordinary shares in issue during the year	132,063,380	132,063,380
	(Rupees)	
Earnings per share - basic	11.03	7.62

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

	Note	2007	2006
		(Rupees in '000)	

42. CASH GENERATED FROM OPERATIONS

	Note	2007	2006
Profit before taxation		1,938,152	1,134,692
Adjustments for non-cash charges and other items:			
Depreciation		25,201	24,772
Amortisation		3,301	3,301
(Profit) on disposal of fixed assets		(159)	(2,147)
Fixed assets written of		962	-
Loss of fixed assets due to fire		4,595	-
Provision for employees' gratuity		2,388	1,466
Provision for employees' compensated absences		4,144	2,675
Provision for post retirement medical benefits		85	419
Provision against damage claims		11,335	17,698
Impairment loss on investments in related parties		-	848
Dividend income		(2,269)	(1,945)
Interest / mark-up income		(469,335)	(375,197)
Interest / mark-up expense		51,969	61,249
(Gain) / loss on revaluation of long-term investments in listed companies		(9,851)	2,178
Gain on revaluation of investment properties		(292,475)	-
Unrealised exchange loss on long-term financing		3,007	7,300
Working capital changes	42.1	(3,369,374)	212,517
		(2,098,324)	1,089,826

42.1 Working capital changes

		2007	2006
Decrease / (increase) in current assets			
Stores and spares		7,215	(3,839)
Trade debts - net		(247,838)	72,392
Agents' and owners' balances - net		(9,302)	26,303
Loans and advances		325,855	(4,533)
Deposits and prepayments		(5,770)	1,191
Other receivables		(843,331)	(221,905)
Incomplete voyages		(433)	5,304
Insurance claims		9,287	(7,493)
Short term investments		(4,200,000)	-
		(4,964,317)	(132,580)
Increase in current liabilities			
Trade and other payables		1,594,943	345,097
		(3,369,374)	212,517

43. CASH AND CASH EQUIVALENTS

	Note	2007	2006
Short-term investments	22	1,800,000	2,900,000
Cash and bank balances	23	903,879	1,155,389
		2,703,879	4,055,389

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

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

	Chairman & Chief Executive		Executive Directors / Directors		Other Executives	
	2007	2006	2007	2006	2007	2006
	(Rupees '000)					
Managerial remuneration and allowances	459	704 *	4,720	3,803	71,047	41,331
Retirement benefits	-	-	123	142	637	270
House rent	-	-	687	779	18,734	10,455
Conveyance	-	-	-	-	2,032	2,908
Entertainment	31	12	395	421	27	-
Medical	36	25	216	123	1,421	1,450
Utilities	20	37	447	406	14,551	4,111
Personal staff subsidy	29	28	54	62	128	386
Club membership fee and expenses	17	24	152	68	12	-
Personal accident insurance	4	4	11	17	-	-
Bonus	-	-	256	-	632	614
Other allowances	229	220	585	367	46,388	19,901
	825	1,054	7,646	6,188	155,609	81,426
Number of persons	1	1	5	6	77	47

* including arrears

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

44.2 The aggregate amount charged in the financial statements for fee to non-executive directors was Rs 0.150 million (2006: Rs 0.263 million).

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

45. FINANCIAL ASSETS AND LIABILITIES

	2007						
	Interest / mark-up bearing			Non interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	Total
	(Rupees in '000)						
Financial Assets							
Long-term investments - related parties	-	-	-	-	1,558,416	1,558,416	1,558,416
- others	-	-	-	-	40,632	40,632	40,632
Long-term loans - employees	760	2,027	2,787	-	-	-	2,787
Trade debts	-	-	-	279,146	-	279,146	279,146
Agents' and owners' balances	-	-	-	41,482	-	41,482	41,482
Deposits	-	-	-	6,990	-	6,990	6,990
Interest / mark-up accrued	-	-	-	84,412	-	84,412	84,412
Other receivables	-	-	-	1,092,894	-	1,092,894	1,092,894
Insurance claims	-	-	-	374	-	374	374
Short-term investments	6,000,000	-	6,000,000	-	-	-	6,000,000
Cash and bank balances	125,388	-	125,388	778,491	-	778,491	903,879
	6,126,148	2,027	6,128,175	2,283,789	1,599,048	3,882,837	10,011,012
Financial Liabilities							
Long-term financing	258,771	215,643	474,414	-	-	-	474,414
Trade and other payables	-	-	-	4,967,670	-	4,967,670	4,967,670
Interest accrued	-	-	-	110	-	110	110
	258,771	215,643	474,414	4,967,780	-	4,967,780	5,442,194
Net financial assets / (financial liabilities)	5,867,377	(213,616)	5,653,761	(2,683,991)	1,599,048	(1,084,943)	4,568,818
Off balance sheet							
Letters of guarantee (fully secured)							38,762

	2006						
	Interest / mark-up bearing			Non interest / mark-up bearing			
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Subtotal	Total
	(Rupees in '000)						
Financial Assets							
Long-term investments - related parties	-	-	-	-	1,558,056	1,558,056	1,558,056
- others	-	-	-	-	30,781	30,781	30,781
Long-term loans - related parties	363,917	629,250	993,167	-	-	-	993,167
- others	920	2,210	3,130	-	-	-	3,130
Trade debts	-	-	-	31,308	-	31,308	31,308
Agents' and owners' balances	-	-	-	32,180	-	32,180	32,180
Deposits	-	-	-	3,939	-	3,939	3,939
Interest / mark-up accrued	-	-	-	54,734	-	54,734	54,734
Other receivables	-	-	-	242,492	-	242,492	242,492
Insurance claims	-	-	-	9,661	-	9,661	9,661
Short-term investments	2,900,000	-	2,900,000	-	-	-	2,900,000
Cash and bank balances	588,819	-	588,819	566,570	-	566,570	1,155,389
	3,853,656	631,460	4,485,116	940,884	1,588,837	2,529,721	7,014,837
Financial Liabilities							
Long-term financing	258,557	474,021	732,578	-	-	-	732,578
Trade and other payables	-	-	-	3,470,028	-	3,470,028	3,470,028
Interest accrued	-	-	-	174	-	174	174
	258,557	474,021	732,578	3,470,202	-	3,470,202	4,202,780
Net financial assets/(financial liabilities)	3,595,099	157,439	3,752,538	(2,529,318)	1,588,837	(940,481)	2,812,057
Off balance sheet							
Letters of guarantee (fully secured)							14,471

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

45.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. Out of the total financial assets of Rs 10,011.012 million (2006: Rs 7,014.837 million) the financial assets which are subject to credit risk amounted to Rs 9,970.316 million (2006: Rs 6,984.045 million). The management of the Corporation believes that it is not exposed to major concentration of credit risk.

45.2 Foreign exchange risk management

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

45.3 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.

45.4 Interest rate risk

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

45.5 Fair value of financial assets and financial liabilities

The carrying value of all financial assets and financial liabilities are estimated to approximate their fair values except for investments in subsidiaries and associates which are stated at cost.

46. RELATED PARTY DISCLOSURES

The Corporation has related party relationships with its subsidiaries, associate, employee benefit plans and its directors and executive officers (including their associates). Transactions with related parties essentially entail investments made in subsidiary companies, dividend income received from related investee companies, freight income and chartering revenue recovered, services fee charged on account of rendering of technical, commercial, administrative and financial services, expenses charged to subsidiary companies on actual cost basis etc. Service fee charges on account of rendering of technical, commercial, administrative and financial services is charged to subsidiary companies and related parties on the basis of mutually agreed terms. Balances with related parties have been disclosed in notes 19.1 and 24.1 to these financial statements. Particulars of remuneration to key personnel are disclosed in note 44 of these financial statements.

Related party	Relationship with the Corporation	2007	2006
		(Rupees in '000)	
Investments made			
Karachi Shipping Company (Private) Limited [formerly National Tanker Company (Private) Limited]	Subsidiary	-	168,765
Lahore Shipping Company (Private) Limited [formerly Pak Nippon Car Liner Shipping (Private) Limited]	Subsidiary	-	360
Quetta Shipping Company (Private) Limited	Subsidiary	360	-
		360	169,125
Service fee charged			
Bolan Shipping (Private) Limited	Subsidiary	19,861	10,198
Chitral Shipping (Private) Limited	Subsidiary	12,581	11,657
Hyderabad Shipping (Private) Limited	Subsidiary	12,719	14,321
Islamabad Shipping (Private) Limited	Subsidiary	13,789	11,760
Johar Shipping (Private) Limited	Subsidiary	35,699	30,666
Kaghan Shipping (Private) Limited	Subsidiary	12,721	3,185
Khairpur Shipping (Private) Limited	Subsidiary	11,959	12,461
Lalazar Shipping (Private) Limited	Subsidiary	37,393	26,911
Makran Shipping (Private) Limited	Subsidiary	11,449	10,619
Malakand Shipping (Private) Limited	Subsidiary	18,905	11,206
Multan Shipping (Private) Limited	Subsidiary	13,591	13,223
Sargodha Shipping (Private) Limited	Subsidiary	11,168	10,446
Shalamar Shipping (Private) Limited	Subsidiary	31,985	45,433
Sibi Shipping (Private) Limited	Subsidiary	11,773	5,855
Swat Shipping (Private) Limited	Subsidiary	32,752	39,385
		288,345	257,326
Acquisition of property, plant and equipment from related party			
Land			
Karachi Shipping Company (Private) Limited [formerly National Tanker Company (Private) Limited]	Subsidiary	2,969	-
Building			
Karachi Shipping Company (Private) Limited [formerly National Tanker Company (Private) Limited]	Subsidiary	360	-
Vehicles		(Rupees)	
Karachi Shipping Company (Private) Limited [formerly National Tanker Company (Private) Limited]	Subsidiary	6	-

Related party	Relationship with the Corporation	2007	2006
		(Rupees in '000)	
Rental income			
Karachi Shipping Company (Private) Limited [formerly National Tanker Company (Private) Limited]	Subsidiary	-	3,609
Rental expense			
Pakistan Co-operative Ship Stores (Private) Limited	Subsidiary	137	133
Interest charged on loans			
Johar Shipping (Private) Limited	Subsidiary	-	37,450
Lalazar Shipping (Private) Limited	Subsidiary	-	26,831
Shalamar Shipping (Private) Limited	Subsidiary	-	18,668
Swat Shipping (Private) Limited	Subsidiary	-	33,386
		-	116,335
Expenses charged			
Bolan Shipping (Private) Limited	Subsidiary	15,339	11,235
Chitral Shipping (Private) Limited	Subsidiary	13,566	11,650
Hyderabad Shipping (Private) Limited	Subsidiary	13,281	12,995
Islamabad Shipping (Private) Limited	Subsidiary	14,799	12,594
Johar Shipping (Private) Limited	Subsidiary	32,044	24,156
Kaghan Shipping (Private) Limited	Subsidiary	15,100	7,091
Khairpur Shipping (Private) Limited	Subsidiary	12,661	12,413
Lalazar Shipping (Private) Limited	Subsidiary	34,229	26,306
Makran Shipping (Private) Limited	Subsidiary	14,199	12,078
Malakand Shipping (Private) Limited	Subsidiary	13,792	10,916
Multan Shipping (Private) Limited	Subsidiary	13,317	13,672
Sargodha Shipping (Private) Limited	Subsidiary	13,639	9,220
Shalamar Shipping (Private) Limited	Subsidiary	28,480	30,615
Sibi Shipping (Private) Limited	Subsidiary	14,590	15,241
Swat Shipping (Private) Limited	Subsidiary	33,692	26,898
		282,728	237,080
Delivery of stores and spares			
Bolan Shipping (Private) Limited	Subsidiary	1,958	1,658
Chitral Shipping (Private) Limited	Subsidiary	1,046	1,314
Hyderabad Shipping (Private) Limited	Subsidiary	1,480	994
Islamabad Shipping (Private) Limited	Subsidiary	1,566	1,366
Johar Shipping (Private) Limited	Subsidiary	1,997	1,413
Kaghan Shipping (Private) Limited	Subsidiary	42	57
Khairpur Shipping (Private) Limited	Subsidiary	878	1,850
Lalazar Shipping (Private) Limited	Subsidiary	1,955	2,290
Makran Shipping (Private) Limited	Subsidiary	2,618	-
Malakand Shipping (Private) Limited	Subsidiary	1,711	1,251
Multan Shipping (Private) Limited	Subsidiary	1,662	1,330
Sargodha Shipping (Private) Limited	Subsidiary	1,550	1,242
Shalamar Shipping (Private) Limited	Subsidiary	894	1,507
Sibi Shipping (Private) Limited	Subsidiary	1,829	705
Swat Shipping (Private) Limited	Subsidiary	2,856	1,128
		24,042	18,105

Related party	Relationship with the Corporation	2007	2006
		(Rupees in '000)	
Retirement benefit costs charged			
Bolan Shipping (Private) Limited	Subsidiary	4,224	2,777
Chitral Shipping (Private) Limited	Subsidiary	4,065	2,937
Hyderabad Shipping (Private) Limited	Subsidiary	3,939	3,080
Islamabad Shipping (Private) Limited	Subsidiary	4,061	2,926
Johar Shipping (Private) Limited	Subsidiary	9,172	6,175
Kaghan Shipping (Private) Limited	Subsidiary	3,263	1,516
Khairpur Shipping (Private) Limited	Subsidiary	3,772	2,951
Lalazar Shipping (Private) Limited	Subsidiary	9,820	6,690
Makran Shipping (Private) Limited	Subsidiary	4,118	2,962
Malakand Shipping (Private) Limited	Subsidiary	4,064	2,803
Multan Shipping (Private) Limited	Subsidiary	3,927	3,168
Sargodha Shipping (Private) Limited	Subsidiary	3,983	2,517
Shalamar Shipping (Private) Limited	Subsidiary	8,091	6,833
Sibi Shipping (Private) Limited	Subsidiary	4,160	3,409
Swat Shipping (Private) Limited	Subsidiary	9,321	6,491
		79,980	57,235
Contribution to Provident fund		8,541	7,561
Key management personnel compensation - (note 44)		8,471	7,242

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

46.2 In addition the Corporation is also engaged in making certain payments / collections on behalf of the subsidiary companies in accordance with the 'Technical and Commercial Services' and 'Administrative and Financial Services Agreement' mentioned in note 33.1 to these financial statements which are settled through a current account with each of the subsidiary companies.

47. CORRESPONDING FIGURES

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

Note	Reclassification from component	Note	Reclassification to component	(Rupees in '000)
24	Current account balances with subsidiaries	15	Agents and owner's balances	19,668

47.2 The following has been reclassified and disclosed separately on the face of the balance sheet this year:

Note	Reclassification from component	Note	Reclassification to component	(Rupees in '000)
23	Cash and bank balances	43	Short-term investments	2,900,000

48. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

48.1 The Board of Directors at the meeting held on October 27, 2007 have proposed for the year ended June 30, 2007 cash dividend of Rs 1.50 per share (2006: Re 1.00 per share), amounting to Rs 198.095 million (2006: Rs 132.063 million) and transfer from general reserve of Rs Nil (2006: Rs 3,500 million) subject to the approval of the members at the annual general meeting to be held on November 30, 2007. The financial statements for the year ended June 30, 2007 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

48.2 Subsequent to the balance sheet date on August 19, 2007, a fire broke out at the PNSC building and 4th to 10th floors of the building were completely gutted. Approximately 93% of the space on the affected floors was rented out. As a result, certain assets of the Corporation maintained at 5th floor were destroyed by fire. An estimate of the expected loss cannot presently be quantified.

49. DATE OF AUTHORISATION

These financial statements were authorised for issue on October 27, 2007 by the Board of Directors of the Corporation.

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

Kamal Afsar
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
SIX YEARS AT A GLANCE

(Rupees in '000)

	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
		Restated		Restated	Restated	
Operation						
Operating revenue	2,168,325	1,748,341	2,403,604	2,735,500	3,631,429	4,625,330
Operating expenses	942,037	928,417	1,758,194	2,040,579	2,785,264	4,012,273
Operating profit	1,226,288	819,924	645,410	694,921	846,165	613,057
Other income / adjustments	833,398	436,112	2,556,106	1,424,329	123,704	234,023
Other expenses / adjustments	121,534	121,344	247,285	253,682	233,646	344,494
Profit / (loss) before taxation	1,938,152	1,134,692	2,954,231	1,865,568	736,223	502,586
Taxation	480,933	128,529	173,078	231,959	269,295	172,299
Profit / (loss) after taxation	1,457,219	1,006,163	2,781,153	1,633,609	466,928	330,287
Assets						
Fixed assets	865,713	612,757	621,807	394,977	369,801	1,023,688
Capital work in progress	16,151	27,164	16,907	-	23,848	-
Investment properties	966,637	674,162	674,162	438,873	438,873	-
Long term investments	1,599,048	1,588,837	7,964,285	2,604,032	1,066,003	200,915
Long term loans / receivables	2,027	1,447,528	996,466	1,061,482	7,476	515,575
Deferred tax asset - net	93,366	132,684	-	25,858	177,703	401,593
	3,542,942	4,483,132	10,273,627	4,525,222	2,083,704	2,141,771
Current assets	8,492,819	4,843,263	4,660,148	2,930,079	3,008,799	2,633,612
Current liabilities	(5,479,245)	(4,052,863)	(3,753,978)	(2,265,596)	(1,042,329)	(705,255)
Net current assets	3,013,574	790,400	906,170	664,483	1,966,470	1,928,357
Total Net Assets	6,556,516	5,273,532	11,179,797	5,189,705	4,050,174	4,070,128
Financed By						
Paid-up Capital	1,320,634	1,320,634	1,200,576	1,143,406	1,143,406	1,143,406
Reserves	126,843	3,626,843	1,626,843	626,843	126,843	126,843
Unappropriated profit / (Accumulated loss)	3,747,858	(1,083,923)	3,384,782	1,701,680	560,604	(411,349)
Share-holders' equity	5,195,335	3,863,554	6,212,201	3,471,929	1,830,853	858,900
Surplus on revaluation of fixed assets	748,461	536,407	3,821,963	312,100	319,567	971,630
Long term loans / liabilities	215,643	474,021	725,536	957,293	1,488,343	1,806,600
Deferred liabilities	397,077	399,550	419,772	448,383	411,411	432,998
Deferred tax liability - net	-	-	325	-	-	-
	6,556,516	5,273,532	11,179,797	5,189,705	4,050,174	4,070,128
Statistics and ratios						
Profit / (loss) before tax as % of:						
- Revenues	89.38%	64.90%	122.91%	68.20%	20.27%	10.87%
- Paid up capital	146.76%	85.92%	246.07%	163.16%	64.39%	43.96%
- Total Net Assets	29.56%	21.52%	26.42%	35.95%	18.18%	12.35%
Current assets to current liabilities	2.10	1.20	1.24	1.29	2.89	3.73
Number of shares	132,063,380	132,063,380	120,057,618	114,340,589	114,340,589	114,340,589
Earnings / (loss) per share	Rs. 11.03	Rs. 7.62	Rs. 21.06	Rs. 13.61	Rs. 4.08	Rs. 2.89
Break up value per share	Rs. 39.33	Rs. 29.26	Rs. 51.74	Rs. 30.36	Rs. 16.01	Rs. 7.51
Share prices						
High	Rs. 97.20	Rs. 139.70	Rs. 150.00	Rs. 67.90	Rs. 23.00	Rs. 5.50
Low	Rs. 40.00	Rs. 57.00	Rs. 50.50	Rs. 15.85	Rs. 3.75	Rs. 1.50
Dividend per share						
Cash	Rs. 1.50	Re. 1.00	Rs. 2.00	Re. 1.00	Re. 0.75	-
Bonus	-	-	Re. 1.00	Re. 0.50	-	-

PAKISTAN NATIONAL SHIPPING CORPORATION
Pattern of Shareholding as at June 30, 2007

NO. OF SHAREHOLDERS	SHAREHOLDING FROM	SHAREHOLDING TO	SHARES HELD
10,956	1	100	373,521
3,317	101	500	766,722
942	501	1000	684,487
776	1001	5000	1,625,406
98	5001	10000	725,930
25	10001	15000	303,547
22	15001	20000	397,339
14	20001	25000	335,227
5	25001	30000	143,062
5	30001	35000	162,255
6	35001	40000	231,912
8	40001	45000	345,796
6	45001	50000	297,000
4	55001	60000	234,000
3	60001	65000	189,500
3	65001	70000	207,600
3	70001	75000	217,500
1	75001	80000	80,000
2	80001	85000	169,027
1	95001	100000	100,000
1	100001	105000	103,000
1	120001	125000	122,095
1	135001	140000	137,021
2	155001	160000	317,642
1	190001	195000	192,241
2	195001	200000	400,000
1	220001	225000	222,500
1	235001	240000	235,916
1	240001	245000	244,500
1	290001	295000	292,344
1	395001	400000	400,000
1	445001	450000	446,782
1	570001	575000	575,000
1	745001	750000	746,603
1	885001	890000	887,418
1	1440001	1445000	1,443,762
1	117705001	117710000	117,706,724
16,216			**132,063,379**

CATEGORY OF SHAREHOLDERS	NO	SHARES HELD	%
Associated Companies, Undertakings and Related Parties	-	-	-
NIT &ICP			
National Bank of Pakistan Trustee Deptt.	1	888,937	0.67
Investment Corporation of Pakistan	1	75,581	0.06
Directors, CEO, their spouses and minor children			
Mr. Mohammad Khusrow Khowaja	1	126	0.00
Mrs. Samina K. Khowaja w/o Mr. M. Khusrow Khowaja	1	115	0.00
Mr. Jahangir Siddiqui	1	5,716	0.00
Executives	-	-	-
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds			
Bank, Development, Finance Institutions	13	866,185	0.66
Non-Banking Finance Institutions	49	373,272	0.28
Insurance Companies	11	1,464,138	1.11
Modarabas and Mutual Funds	9	653,061	0.49
Shareholders holding 10% or more voting interest			
Federal Government	1	117,706,724	89.13
Individuals	12,160	9,277,199	7.03
Foreign/Non-resident Investors	3,899*	441,919	0.33
Others	69	310,406	0.24
	16,216	**132,063,379**	**100.00**

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

N. B: The above two statements include 1593 shareholders holding 10,787,454 shares through Central Depository Company of Pakistan Limited.

PAKISTAN NATIONAL SHIPPING CORPORATION

Proxy form

Please quote your Folio No. / CDC Account No.

I/we ____

of ____

being shareholder of the Pakistan National Shipping Corporation holding ____________________

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

S/o. D/o. W/o. ______________________________________

of ____

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

S/o. D/o. W/o. ______________________________________

of ____

as my / our proxy to vote for me / us and on my / our behalf at the meeting of the shareholders of the Corporation to be held at Karachi on the 30th day of November 2007 at 9:00 a.m. and at any adjournment thereof.

Dated this ____________________ day of ____________________2007

Revenue Stamp of Rs. 5

Signature of the shareholder ____________________

Address ______________________________

____

Folio No. / CDC Account No. ____________________

Transfer Receipt No. ______________________