Annual Report 2010

PAKISTAN NATIONAL SHIPPING CORPORATION

PAKISTAN NATIONAL SHIPPING CORPORATION

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CORPORATION INFORMATION

BOARD	:	Brigadier (R) Rashid Siddiqi SI (M) Chairman	
		Mr. Seerat Asghar Jaura Member	
		Capt. S. Akhlaq Hussain Abidi Member	
		Mr. Sohrab Adil Gilani Member	
		Mr. Khowaja Obaid Imran Ilyas Member	
		Capt. Anwar Shah Member	
AUDIT COMMITTEE OF THE BOAD	:	Mr. Khowaja Obaid Imran Ilyas	Chairman
		Capt. Syed Akhlaq Hussain Abidi	Member
		Mr. Sohrab Adil Gilani	Member
CHIEF FINANCIAL OFFICER	:	Mr. Imtiaz C. Agboatwala	
SECRETARY	:	Ms. Zainab Suleman	
HEAD OFFICE	:	PNSC Building, Moulvi Tamizuddin Khan Road Karachi-74000	
AUDITORS	:	A.F. Ferguson & Co., Chartered Accountants Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants	
BANKERS	:	Allied Bank Limited Bank Al-Falah Limited Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited JS Bank Limited MCB Bank Limited National Bank Of Pakistan Meezan Bank Limited Royal Bank of Scotland Standard Chartered Bank United Bank Limited	

BOARD OF DIRECTORS

Brig. (R) Rashid Siddiqi
Chairman

Capt. Anwar Shah
Director

Mr. Khowaja Obaid Imran Ilyas
Director

Capt. Syed Akhlaq Hussain Abidi
Director

Mr. Seerat Asghar Jaura
Director

Mr. Sohrab Adil Gilani
Director

MANAGEMENT

Brig. (R) Rashid Siddiqi
Chairman

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

Cdre. S. Mohmmad Obaidullah
Executive Director
(Special Project & Planning)

Capt. Aftabuddin Siddiqui
Executive Director
(Commercial)

Mr. Zaheer Babar Qureshi
Executive Director
(Ship Management)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 32nd Annual General Meeting of the shareholders of Pakistan National Shipping Corporation will be held at the Navy Welfare Centre (Pakistan Navy Fleet Club), near Lucky Star Hotel, Saddar, Karachi, on Thursday, the 14th October 2010 at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the Minutes of 31st Annual General Meeting of the shareholders held on 22nd October 2009.
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 2010.
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 consider Board's recommendation to re-appoint the retiring auditors A.F. Ferguson & Co., Chartered Accountants, and Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as joint auditors of the Corporation for the year 2010–2011 and to fix their remuneration.
5. 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.

   a. Mr. Khowaja Obaid Imran Ilyas

   b. Capt. Anwar Shah

   The retiring directors are eligible for re-election.

By Order of the Board

(Zainab Suleman)
Company Secretary

Dated: September 23, 2010

Note:

1. The Share Transfer Books of the Corporation will remain closed from 7th October 2010 to 14th October 2010 (both days inclusive).
2. A shareholder entitled to attend and vote at this meeting is also entitled to appoint his/her proxy to attend the meeting. Proxies must be received at the Head Office of the Corporation not less than 48 hours before the time of holding the meeting.
3. CDC Account Holders are advised to bring their original National Identity Cards to authenticate their identity along with CDC account numbers at the meeting. However, if any proxies are granted by such shareholders, the same shall also have to be accompanied with attested copies of the National Identity Cards of the grantors, and the signature on the proxy form has to be the same 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, 2010

The Board of Directors of Pakistan National Shipping Corporation is pleased to present the thirty second Annual Report together with the Audited Financial Statements for the year ended June 30, 2010.

OVERVIEW

PNSC Group achieved a turnover of Rs. 7,850 million as against Rs. 11,474 million last year due to depressed freight rates and global economic downturn.

Direct fleet expenses decreased from Rs. 8,412 million to Rs. 6,335 million, a decrease of 24.69%.

Admin Expenses and other operating expenses increased due to inflationary pressures.

Gross Profit of Rs. 1,515 million was achieved as against Rs. 3,063 million last year. Net Profit after tax was Rs 968 million.

Earnings per share of the Pakistan National Shipping Corporation Group of Companies were Rs. 7.33 as against Rs. 17.51 last year.

Two double hull Aframax tankers, M.T. Lahore and M.T. Karachi were purchased and inducted in to the PNSC fleet in February and April 2010 respectively.

During the year, three dry cargo combi vessels M.V. Makran, M.V. Chitral and M.V. Khairpur were disposed off as they were overage.

COMMERCIAL OPERATIONS

During the year under review, PNSC and its vessel-owning subsidiary companies together performed a total of 538 voyages (inclusive of foreign chartered vessels and slot chartered vessels) and lifted 7.921 million freight tonnes of cargo as compared to 637 voyages and 8.684 million freight tonnes of cargo, respectively in the previous year.

SECTOR	2009-2010 FREIGHT TONNES MILLION	2008-2009 FREIGHT TONNES MILLION	2007-2008 FREIGHT TONNES MILLION
Liquid	7.227	7.665	7.561
Dry Bulk	0.228	0.273	0.959
Trade Area – East	0.258	0.314	0.398
Trade Area – West	0.208	0.432	0.533
Total	7.921	8.684	9.451

DIVIDEND

The Directors are pleased to recommend payment of cash dividend at 15% (Rs. 1.50 per share) (2009: 30% cash i.e. Rs. 3.00 per share) to the shareholders whose names appear on the Share Register of the Corporation at the close of business on 6th October 2010.

FUTURE PROSPECTS

PNSC is in the process of replacing its old vintage vessels with under ten years old second hand Japanese built vessels in Phase-I and then shall embark upon ordering new built/buying resale vessels in Phase-II for its development/expansion program.

Along with the expansion, PNSC is envisioning Joint Ventures with local private business partners and regional countries in both dry and wet cargoes. Major initiative has already been taken.

PNSC is also seeking status of Shipping Agency for all government/semi government cargoes. In this regard the case is under process for ECC's approval.

We expect expansion in the fleet as well as trade.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

STATEMENT OF ETHICS AND BUSINESS PRACTICES

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

CORPORATE SOCIAL RESPONSIBILITIES – CSR

Pakistan National Shipping Corporation has its own culture and history and its business has its social dimensions or corporate social responsibility since its inception. PNSC has made itself synonymous with community contribution with the passage of time having main thrusts on education, healthcare and community contribution, also entailing activities for women empowerment and has helped the Government during the times of natural calamities.

During this financial year PNSC contributed Rs. 2.5 million to Prime Minister Special Fund for Victims of Terrorism and Rs. 0.5 million to Association of Television Journalists of Pakistan as donations.

Further, during the year the Corporation contributed Rs. 973.5 Millions towards the national exchequer under various modes.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

It is certified that:

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

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

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

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

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

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

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

(viii) Summary of key operating and financial data of last six financial years in summary form is annexed.

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

(x) The total of investments made by Pakistan National Shipping Corporation Employees Contributory Provident Fund based on the unaudited accounts for the year ended June 30th, 2010 stood at Rs. 835.40 m (2009: Rs. 816.52 m).

(xi) During the year ended June 30th, 2010, a total of nine meetings of the Board of Directors were held. The position of attendance during respective tenure was as follows:

S/N	Name of Directors	Meetings	
		Held	Attended
1	Vice Admiral Sikandar Viqar Naqvi (up to 06-11-2009)	4	3
2	Brigadier (R) Rashid Siddiqi (w.e.f. 07-11-2009)	5	5
3	Mrs. Rukhsana Saleem	9	5
4	Capt. S. Akhlaq Hussain Abidi	9	9
5	Mr. Khowaja Obaid Imran Ilyas	9	9
6	Mr. Khalid Idrees (up to 14.01.2010)	5	0
7	Mr. Seerat Asghar Jaura (w.e.f. 18-02-2010)	4	3
8	Mr. Rasheed y. Chinoy (upto 18-02-2010)	6	6
9	Mr. Sohrab Adil Gilani (w.e.f. 28-04-2010)	3	3
10	Mr. Jahangir Siddiqui (upto 6-11-2009)	4	1
11	Capt. Anwar Shah (w.e.f. 19-01-2010)	4	3

CERTIFICATE OF RELATED PARTY TRANSACTIONS

It is confirmed that the transaction 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

Vice Admiral Sikandar Viqar Naqvi's contract expired on 6th November, 2009 and in his place Brigadier (R) Rashid Siddiqi was appointed by the Government of Pakistan. Mr. Khalid Idrees was replaced by Mr. Seerat Asghar Jaura. Mr. Rasheed Y. Chinoy was replaced by Mr. Sohrab Adil Gilani. Lastly Mr. Jahangir Siddiqui (elected director) resigned in November 2009 and Capt. Anwar Shah was co-opted by the Board in his place as shareholders director.

AUDITORS

The joint auditors, A.F. Ferguson & Co., Chartered Accountants and Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants retire and have offered themselves for reappointment. The Board recommends that, as suggested by Audit Committee, A.F. Ferguson & Co., Chartered Accountants and Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants may be appointed joint auditors for the year ending June 30, 2011.

ACKNOWLEDGEMENT

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

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

RASHID SIDDIQI SI (M)
BRIGADIER (R)
CHAIRMAN
September 3rd, 2010

PAKISTAN NATIONAL SHIPPING CORPORATION GROUP
SIX YEARS AT A GLANCE

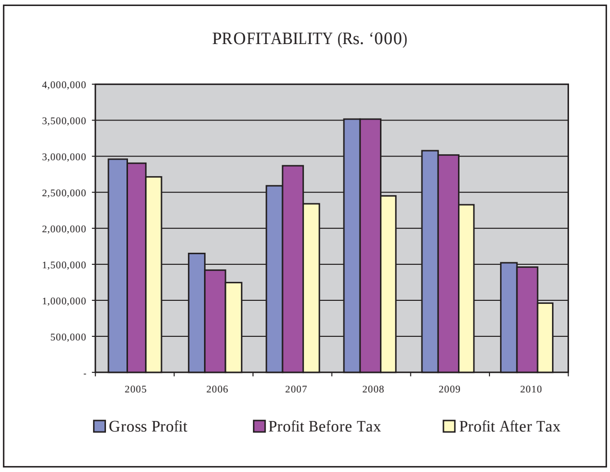
(Rupees in ‘000)

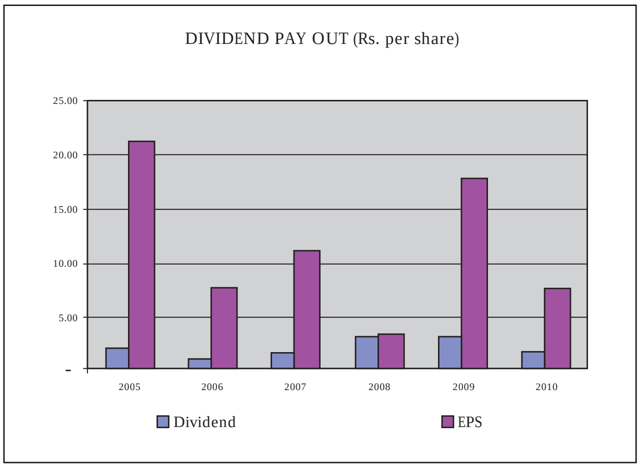
	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005
		Restated			Restated	
Operation						
No. of Voyages Completed	538	637	669	671	652	621
Cargo Lifting (Freight Tons Million)	7.922	8.684	9.451	8.960	9.409	9.201
No. of Vessels	10	11	14	14	15	14
Financial						
Profit & Loss						
Revenue	7,849,977	11,474,349	10,753,528	9,089,124	7,924,614	7,950,981
Expenditure	6,334,759	8,411,781	7,277,061	6,495,702	6,255,047	4,995,063
Gross profit	1,515,218	3,062,569	3,476,467	2,593,422	1,669,567	2,955,918
Administrative, general & other expenses	954,582	893,074	804,279	688,892	573,514	843,762
Other income	888,895	825,417	814,973	943,526	331,499	786,385
Profit before taxation	1,449,531	2,994,912	3,487,161	2,848,056	1,427,552	2,898,541
Taxation	481,707	682,069	1,038,281	511,183	152,955	195,190
Profit after taxation	967,824	2,312,843	2,448,880	2,336,873	1,274,597	2,703,351
Balance Sheet						
Non-current assets	15,744,619	9,278,292	14,653,588	8,177,139	8,279,097	7,786,214
Current assets	3,769,288	9,093,257	7,848,228	8,214,463	5,320,594	4,911,747
Total Assets	19,513,907	18,371,549	22,501,816	16,391,602	13,599,691	12,697,961
Paid-up Capital	1,320,634	1,320,634	1,320,634	1,320,634	1,320,634	1,200,576
Reserves	15,451,663	14,559,829	11,574,341	9,065,055	6,156,870	4,614,586
Share-holders’ equity	16,772,297	15,880,463	12,894,975	10,385,689	7,477,504	5,815,162
Surplus on revaluation of fixed assets	1,193,198	598,820	7,604,028	3,892,173	3,744,407	4,222,282
Non-current liabilities	291,288	219,894	208,783	612,720	873,571	1,145,633
Current liabilities	1,257,124	1,672,372	1,794,030	1,501,020	1,504,209	1,514,884
	19,513,907	18,371,549	22,501,816	16,391,602	13,599,691	12,697,961
RATIOS						
Profitablility Ratios						
Operating Profit/ Operating Revenue (%)	19%	27%	32%	29%	21%	37%
Profit Before Tax/Operating Revenue (%)	18.47%	26.10%	32.43%	31.33%	18.01%	122.91%
Profit after Tax/Operating Revenue (%)	12.33%	20.16%	22.77%	25.71%	16.08%	34.00%
Return on Capital Employed	5.39%	14.03%	11.95%	16.37%	11.36%	26.93%
Liquidity / Leverage Ratios						
Current Ratio	3.00	5.44	4.37	5.47	3.54	3.24
Asset Turnover Ratio (Times)	0.50	1.24	0.73	1.11	0.96	1.02
Equity / Total Assets (%)	92%	90%	91%	87%	83%	79%
Return to Shareholders						
Earnings per share (Rs.)	7.33	17.51	3.14	11.03	7.62	21.06
Price Earning Ratio (Rs.)	5.44	2.64	22.79	8.52	8.28	4.92
Cash Dividend (Rs. / share)	3.00	3.00	3.10	1.50	1.00	2.00
Bonus Dividend (Rs. / share)		-	-	-	-	1.00
Break-up Value per share	136.04	124.78	155.22	108.11	84.97	83.61
Share prices in Rupees						
High	75.54	52.31	112.20	97.20	139.70	150.00
Low	38.00	44.14	65.00	40.00	57.00	50.50

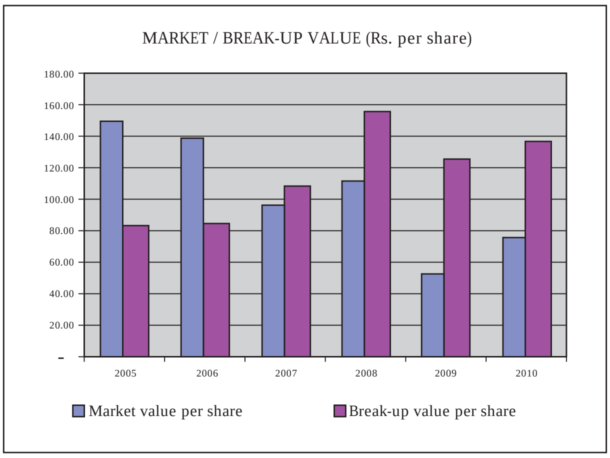
PAKISTAN NATIONAL SHIPPING CORPORATION (HOLDING COMPANY)
SIX YEARS AT A GLANCE

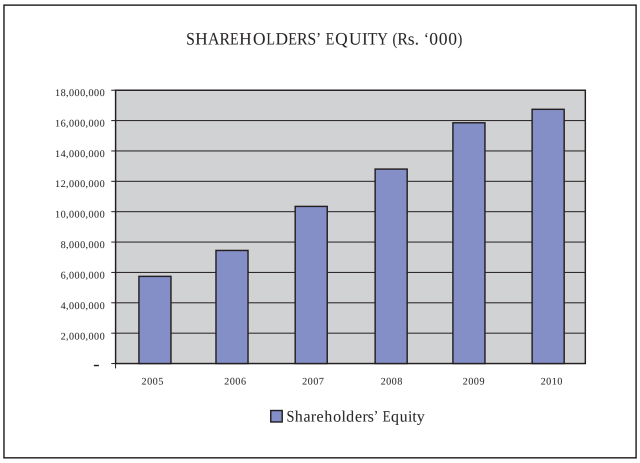
(Rupees in '000)

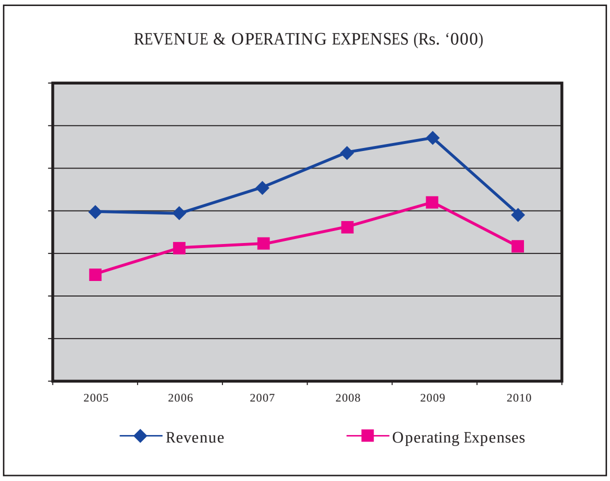
	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005
		Restated			Restated	
Financial						
Profit & Loss						
Revenue	2,068,622	3,491,783	3,100,257	2,168,325	1,748,341	2,403,604
Expenditure	965,900	1,932,155	1,912,278	802,803	807,046	1,540,954
Gross profit	1,102,722	1,559,628	1,187,979	1,365,522	941,295	862,650
Administrative, general & other expenses	798,137	685,475	615,906	260,768	242,715	464,525
Other income	834,377	824,149	765,462	833,398	436,112	2,556,106
Profit before taxation	1,138,962	1,698,302	1,337,535	1,938,152	1,134,692	2,954,231
Taxation	427,429	641,539	922,644	480,933	128,529	173,078
Profit after taxation	711,533	1,056,763	414,891	1,457,219	1,006,163	2,781,153
Balance Sheet						
Non-current assets	15,694,447	8,729,638	6,143,866	3,542,942	4,483,132	10,273,627
Current assets	2,826,872	8,070,341	7,470,470	8,492,819	4,843,263	4,660,148
Total Assets	18,521,319	16,799,979	13,614,336	12,035,761	9,326,395	14,933,775
Paid-up Capital	1,320,634	1,320,634	1,320,634	1,320,634	1,320,634	1,200,576
Reserves	5,140,981	4,814,590	4,152,565	3,874,701	2,542,920	5,011,625
Share-holders' equity	6,461,615	6,135,224	5,473,199	5,195,335	3,863,554	6,212,201
Surplus on revaluation of fixed assets	671,928	681,027	743,324	748,461	536,407	3,821,963
Non-current liabilities	291,288	219,894	208,783	612,720	873,571	1,145,633
Current liabilities	11,096,488	9,763,834	7,189,030	5,479,245	4,052,863	3,753,978
	18,521,319	16,799,979	13,614,336	12,035,761	9,326,395	14,933,775
RATIOS						
Profitablility Ratios						
Operating Profit/ Operating Revenue (%)	53%	45%	38%	63%	54%	36%
Profit Before Tax/Operating Revenue (%)	55.06%	48.64%	43.14%	89.38%	64.90%	122.91%
Profit after Tax/Operating Revenue (%)	34.40%	30.26%	13.38%	67.20%	57.55%	115.71%
Return on Capital Employed	9.97%	15.50%	6.67%	24.52%	22.87%	27.72%
Liquidity / Leverage Ratios						
Current Ratio	0.25	0.83	1.04	1.55	1.20	1.24
Asset Turnover Ratio (Times)	0.13	0.40	0.50	0.61	0.39	0.23
Equity / Total Assets (%)	39%	41%	46%	49%	47%	67%
Return to Shareholders						
Earnings per share (Rs.)	5.39	8.00	3.14	11.03	7.62	21.06
Price Earning Ratio (Rs.)	7.40	5.77	22.79	8.52	8.28	4.92
Cash Dividend (Rs. / share)	3.00	3.00	3.10	1.50	1.00	2.00
Bonus Dividend (Rs. / share)	-	-	-	-	1.00	
Break-up Value per share	54.02	51.61	47.07	45.01	33.32	83.58
Share prices in Rupees						
High	75.54	52.31	112.20	97.20	139.70	150.00
Low	38.00	44.14	65.00	40.00	57.00	50.50

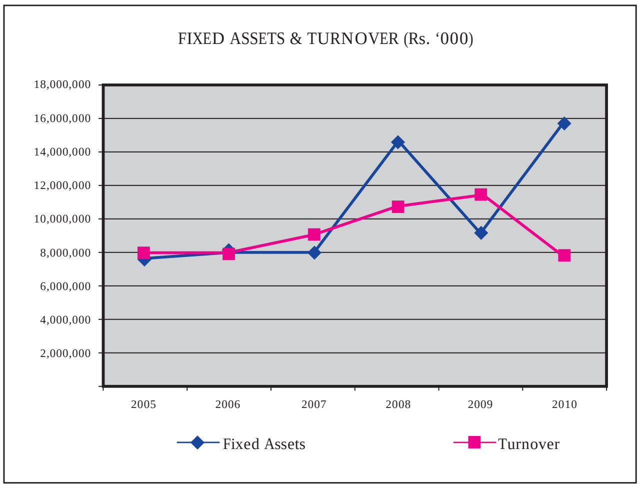

PROFITABILITY (Rs. '000)
4,000,000
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
-
2005
2006
2007
2008
2009
2010
Gross Profit
Profit Before Tax
Profit After Tax

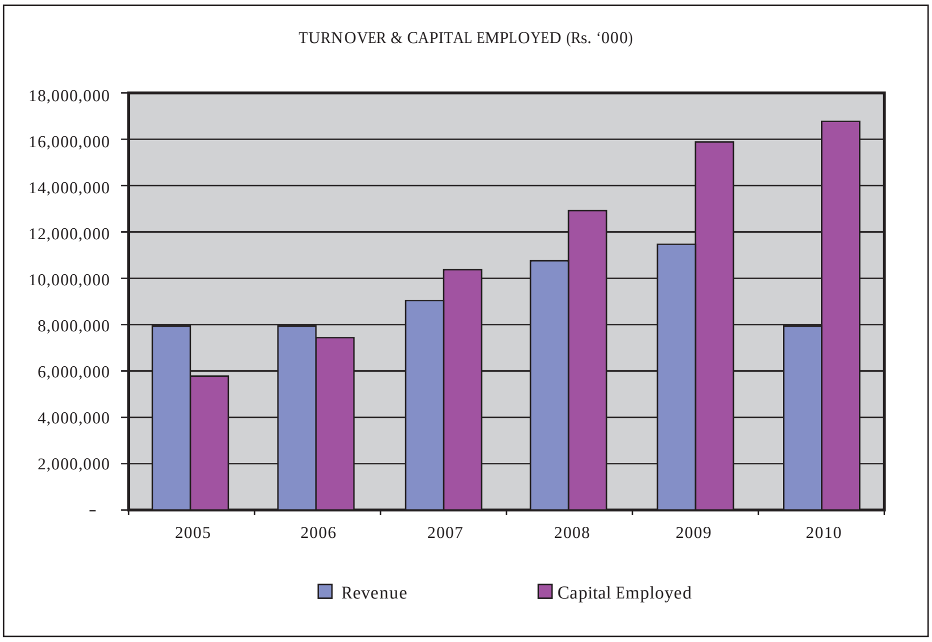

DIVIDEND PAY OUT (Rs. per share)
25.00
20.00
15.00
10.00
5.00
-
2005
2006
2007
2008
2009
2010
Dividend
EPS

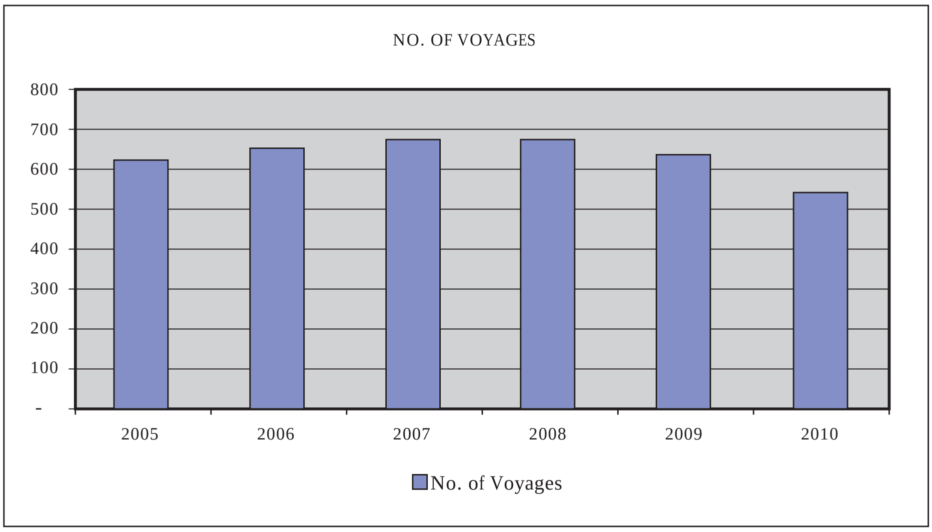

MARKET / BREAK-UP VALUE (Rs. per share)
180.00
160.00
140.00
120.00
100.00
80.00
60.00
40.00
20.00
-
2005
2006
2007
2008
2009
2010
Market value per share
Break-up value per share

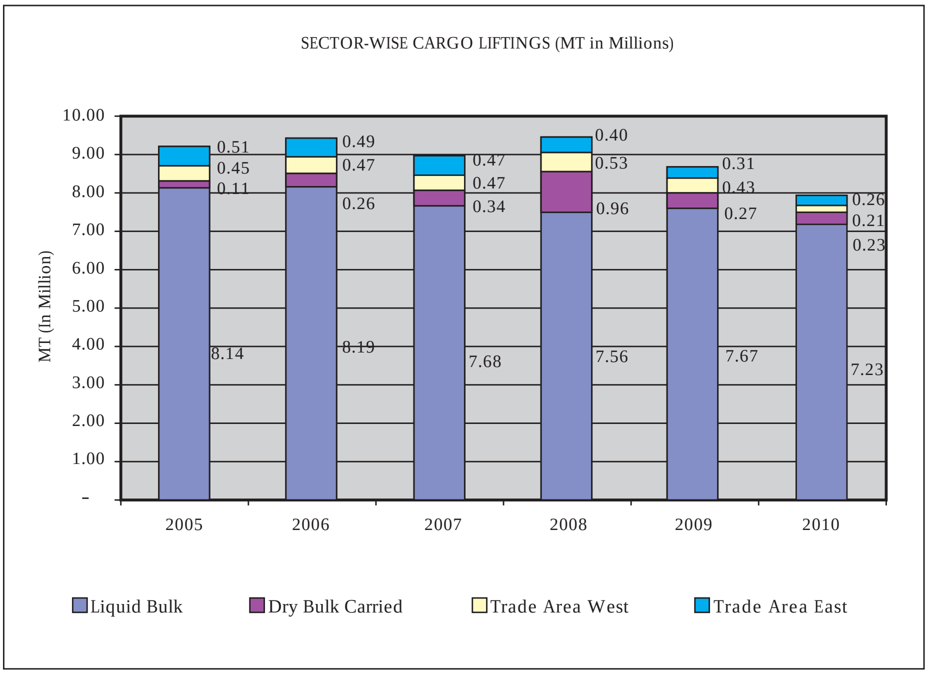

SHAREHOLDERS' EQUITY (Rs. '000)
18,000,000
16,000,000
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
-
2005
2006
2007
2008
2009
2010
Shareholders' Equity


REVENUE & OPERATING EXPENSES (Rs. '000)
2005
2006
2007
2008
2009
2010
Revenue
Operating Expenses


FIXED ASSETS & TURNOVER (Rs. '000)
18,000,000
16,000,000
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
2005
2006
2007
2008
2009
2010
Fixed Assets
Turnover


TURNOVER & CAPITAL EMPLOYED (Rs. '000)
18,000,000
16,000,000
14,000,000
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
-
2005
2006
2007
2008
2009
2010
Revenue
Capital Employed


NO. OF VOYAGES
800
700
600
500
400
300
200
100
-
2005
2006
2007
2008
2009
2010
No. of Voyages


SECTOR-WISE CARGO LIFTINGS (MT in Millions)
MT (In Million)
10.00
9.00
8.00
7.00
6.00
5.00
4.00
3.00
2.00
1.00
-
0.51
0.45
0.11
8.14
0.49
0.47
0.26
8.19
0.47
0.47
0.34
7.68
0.40
0.53
0.96
7.56
0.31
0.43
0.27
7.67
0.26
0.21
0.23
7.23
2005
2006
2007
2008
2009
2010
Liquid Bulk
Dry Bulk Carried
Trade Area West
Trade Area East

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

ERNST & YOUNG FORD RHODES
SIDAT HYDER
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 for the year ended June 30, 2010 prepared by the Board of Directors of Pakistan National Shipping Corporation to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange and 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 a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board’s statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub - Regulation (xiii a) of Listing Regulations No. 35 of The Karachi and Lahore Stock Exchanges require the Corporation to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm’s length transactions and those which are not executed at arm’s length prices and recording proper justification for using such alternate pricing mechanism. Further, all such transactions are required to be separately placed before the audit committee. We are only required and have ensured compliance of the subject requirement to the extent of approval of the related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm’s length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Corporation’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Corporation for the year ended June 30, 2010.

A. F. FERGUSON & CO.
Chartered Accountants
Karachi, September 3, 2010

ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Karachi, September 3, 2010

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Pakistan National Shipping Corporation
(Established under the Pakistan National Corporation Ordinance, 1979)
Year Ended : 30th June 2010

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

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

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

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

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

4. During the year a casual vacancy occurred when Mr. Jahangir Siddiqui resigned from the directorship of the Corporation on November 6, 2009. The PNSC Board coopted Capt. Anwar Shah in his place on 19th January, 2010.

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

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

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

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

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

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

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

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

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

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

15. The Board has formed an audit committee. It comprises three 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 every quarter prior to approval of the interim and final results of the Corporation as required by the Code.

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

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

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

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

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

RASHID SIDDIQI
SI(M),
BRIGADIER
CHAIRMAN / CHIEF EXECUTIVE

PAKISTAN NATIONAL SHIPPING CORPORATION
FLEET STRENGTH AS ON 30TH JUNE 2010

S.No	Vessel Name	Year of Built	Dead Weight	G.R.T	N.R.T
	DRY CARGO				
1	Bolan	07-08-80	18,144	12,395	6,747
2	Islamabad	15-03-83	18,204	12,395	6,747
3	Multan	01-12-80	18,257	12,395	6,747
4	Sargodha	18-03-80	18,242	12,395	6,747
	BULK CARRIER				
5	Kaghan	18-03-86	65,716	36,098	21,824
	TANKERS				
6	Swat	21-12-85	86,593	49,601	25,534
7	Johar	21-12-85	86,803	49,688	25,546
8	Quetta	13-05-03	107,215	58,118	31,909
9	Lahore	23-07-03	107,018	58,157	31,896
10	Karachi	22-01-03	107,081	58,127	31,909
	Total		633,273	359,369	195,606

CONSOLIDATED
REPORT AND ACCOUNTS

OF

PAKISTAN NATIONAL
SHIPPING CORPORATION
GROUP OF COMPANIES

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

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of Pakistan National Shipping Corporation and its subsidiary companies as at June 30, 2010 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 consolidated financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion the consolidated financial statements present fairly the financial position of Pakistan National Shipping Corporation and its subsidiary companies as at June 30, 2010 and the results of their operations changes in equity and cash flows for the year then ended.

A. F. FERGUSON & CO.
Chartered Accountants
Audit Engagement Partner: Khurshid Hasan
Karachi, September 3, 2010

ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Audit Engagement Partner: Riaz A. Rehman Chamdia
Karachi, September 3, 2010

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010	2009 (Restated)	2008 (Restated)
			(Rupees in '000)	
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	5	14,710,607	8,264,524	13,624,883
Intangible asset	6	-	-	1,649
Investment properties	7	970,926	969,296	969,987
Long-term investments in:				
- Related party (associate)	8	-	-	-
- Listed companies and an other entity	9	26,254	22,715	40,229
Long-term loans	10	668	1,012	1,434
Long-term deposits		90	90	90
Deferred tax - net	11	36,074	20,655	15,316
		15,744,619	9,278,292	14,653,588
CURRENT ASSETS				
Stores and spares	12	536,449	444,682	475,663
Trade debts	13	462,272	798,023	563,000
Agents' and owners' balances	14	1,070	20,420	32,145
Loans and advances	15	38,863	76,852	39,495
Deposits and short term prepayments	16	7,132	21,260	9,535
Interest / mark-up accrued		1,786	147,214	65,143
Other receivables	17	72,592	136,052	137,148
Incomplete voyages	18	80,616	83,587	-
Insurance claims	19	46,651	33,063	13,847
Short-term investments	20	1,207,224	5,108,614	3,113,147
Cash and bank balances	21	1,314,633	2,223,490	3,399,105
		3,769,288	9,093,257	7,848,228
TOTAL ASSETS		19,513,907	18,371,549	22,501,816
EQUITY AND LIABILITIES				
Share capital	22	1,320,634	1,320,634	1,320,634
Reserves	23	15,449,428	14,557,934	11,618,431
		16,770,062	15,878,568	12,939,065
NON-CONTROLLING INTEREST	24	2,235	1,895	1,694
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		16,772,297	15,880,463	12,940,759
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX				
- Group		1,191,054	596,672	7,601,880
- Non-controlling interest		2,144	2,148	2,148
	25	1,193,198	598,820	7,604,028
NON-CURRENT LIABILITIES				
Deferred liabilities	26	291,288	219,894	208,783
CURRENT LIABILITIES AND PROVISION				
Trade and other payables	27	1,090,585	1,320,294	1,155,757
Provision against damage claims	28	39,403	99,810	130,579
Incomplete voyages	18	-	-	3,931
Current portion of long-term financing		-	-	245,607
Taxation - net		127,136	252,268	212,372
		1,257,124	1,672,372	1,748,246
TOTAL EQUITY AND LIABILITIES		19,513,907	18,371,549	22,501,816
CONTINGENCIES AND COMMITMENTS	29			

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

Brig. (R) Rashid Siddiqi
Chairman

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees in '000)	
REVENUES			
Income from shipping business	30	7,768,135	11,396,122
Rental income		81,842	78,227
		7,849,977	11,474,349
EXPENDITURE			
Fleet expenses - direct	31	6,314,960	8,394,921
- indirect	32	19,799	16,860
		6,334,759	8,411,781
GROSS PROFIT		1,515,218	3,062,568
Administrative and general expenses	33	680,464	519,807
Other operating expenses	34	253,206	319,113
Finance costs	35	20,912	54,154
		954,582	893,074
Other operating income	36	888,895	825,417
PROFIT BEFORE TAXATION		1,449,531	2,994,911
Taxation	37	481,707	682,069
PROFIT AFTER TAXATION		967,824	2,312,842
Attributable to:			
Equity holders of the Group		967,484	2,312,641
Non-controlling interest		340	201
		967,824	2,312,842
		(Rupees)	
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION	38	7.33	17.51

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.

Brig. (R) Rashid Siddiqi
Chairman

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Issued, subscribed and paid-up share capital (Note 22)	Capital reserves	Revenue reserves		Non-controlling interest	Total
			General reserves	Unappropriated profit		
	(Rupees in '000)					
Balance as at July 1, 2008	1,320,634	131,344	129,307	11,311,996	1,694	12,894,975
Restatement on account of adjustment made in amount allocable to Workers' Profits Participation Fund for prior years (note 4)	-	-	-	45,784	-	45,784
Balance as at June 30, 2008 - restated	1,320,634	131,344	129,307	11,357,780	1,694	12,940,759
Final cash dividend for the year ended June 30, 2008						
(Rs 3.10 per Ordinary share)	-	-	-	(409,396)	-	(409,396)
Total comprehensive income for the year ended June 30, 2009	-	-	-	2,312,641	201	2,312,842
Surplus realised on disposal of vessels	-	-	-	320,503	-	320,503
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity- net of tax	-	-	-	715,755	-	715,755
				1,036,258	-	1,036,258
Balance as at June 30, 2009 - restated	1,320,634	131,344	129,307	14,297,283	1,895	15,880,463
Balance as at July 1, 2009	1,320,634	131,344	129,307	14,297,283	1,895	15,880,463
Final cash dividend for the year ended June 30, 2009						
(Rs 3 per Ordinary share)	-	-	-	(396,190)	-	(396,190)
Total comprehensive income for the year ended June 30, 2010	-	-	-	967,484	340	967,824
Surplus realised on disposal of vessels	-	-	-	290,407	-	290,407
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity - net of tax	-	-	-	29,793	-	29,793
				320,200	-	320,200
Balance as at June 30, 2010	1,320,634	131,344	129,307	15,188,777	2,235	16,772,297

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

Brig. (R) Rashid Siddiqi
Chairman

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	39	5,948,677	2,216,760
Employees' gratuity paid		(31,119)	(1,108)
Employees' compensated absences paid		(39,736)	(41,859)
Post retirement medical benefits paid		(15,278)	(19,632)
Long-term loans and advances - net		344	422
Finance costs paid		-	(8,789)
Taxes paid		(620,309)	(642,066)
Net cash generated from operating activities		5,242,579	1,503,728
Cash flows from investing activities			
Fixed capital expenditure		(7,063,977)	(3,465,790)
Investment in investment properties		(1,630)	(2,138)
Proceeds from disposal of property, plant and equipment		540,536	886,846
Interest / mark-up received		762,155	544,706
Dividends received		842	1,898
Net cash used in investing activities		(5,762,074)	(2,034,478)
Cash flows from financing activities			
Repayment of long-term financing		-	(282,642)
Dividends paid		(390,752)	(403,609)
Net cash used in financing activities		(390,752)	(686,251)
Net decrease in cash and cash equivalents		(910,247)	(1,217,001)
Cash and cash equivalents at the beginning of the year		3,432,104	4,649,105
Cash and cash equivalents at the end of the year	40	2,521,857	3,432,104

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

Brig. (R) Rashid Siddiqi
Chairman

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

1. THE GROUP AND ITS OPERATIONS

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

The Group consists of:

Holding company

Pakistan National Shipping Corporation

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

Associate

- Muhammadi Engineering Works (Private) Limited

The holding company owns 55 percent of the share capital of Pakistan Co-operative Ship Stores (Private) Limited and 100 percent of the share capital of the remaining eighteen subsidiary companies. All the fully owned subsidiaries of the Group operate one vessel / tanker each with the exception of Hyderabad Shipping (Private) Limited, Chitral Shipping (Private) Limited, Lalazar Shipping (Private) Limited, Malakand Shipping (Private) Limited, Shalamar Shipping (Private) Limited, Khairpur Shipping (Private) Limited, Makran Shipping (Private) Limited and Sibi Shipping (Private) Limited which currently do not own any vessel / tanker.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as adopted in Pakistan and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). However, the requirements of the Ordinance and the directives issued by the SECP have been followed where their requirements are not consistent with the requirements of the IFRSs.

2.1.1 Standards, amendments to published approved accounting standards and interpretations effective for the year ended June 30, 2010:

The following standards, interpretations and amendments to existing standards have been published that are mandatory and relevant for the Group's accounting period beginning on July 1, 2009.

IAS 1 (revised), 'Presentation of financial statements'. (see note 2.1.2.1)

IFRS 3 (Revised) 'Business combinations' (effective from July 1, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. This amendment does not have any effect on the Group's financial statements, as no acquisitions have been made during the year.

IFRS 7 (amendment) 'Financial instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures, as given in notes 43.1.4 to these financial statements but does not have an impact on the Group's financial position or performance. IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Under

IFRS 8, operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The management has determined that the Group has a single reportable segment as the chief operating decision maker views the Group's operations as one reportable segment. The adoption of this standard has therefore only resulted in some additional entity wide disclosures as given in note 44 to these financial statements.

IAS 23 (Amendment), 'Borrowing costs'. (see note 2.1.2.2)

IAS 19 (Amendment), 'Employee benefits' (effective from January 1, 2009).

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the Group's financial statements.
- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the Group's financial statements.
- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. The adoption of this amendment does not have any impact on these financial statements.

- IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent with IAS 37.

IAS 27 (Revised) 'Consolidated and separate financial statements' (effective from July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. This amendment does not have any effect on Group's financial statements as no change in control has occurred during the year.

IAS 28 (Amendment) 'Investments in associates' (effective from January 1, 2009). An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. This amendment do not have any effect on the Group's financial statements, since the investment in associate is fully impaired.

IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). As per the new requirements, disclosures equivalent to those for value-in-use calculation should be made where fair value less costs to sell is calculated on the basis of discounted cash flows. Adoption of the amendment is not expected to have significant effect on the Group's financial statements.

IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). It states that a prepayment may only be recognised in the event that prepayment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have any effect on the Group's financial statements.

IAS 40 (Amendment), 'Investment property' (effective from January 1, 2009). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the Group's operations, as there are no investment properties that are under construction, are held by the Group.

Standards, amendments to published approved accounting standards and interpretations becoming effective in the year ended June 30, 2010 but not relevant:

There are certain new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or have any significant effect on the Group's operations and are, therefore, not disclosed in these financial statements.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after January 1, 2010:

During the year ended June 30, 2010, the Government of Pakistan (GoP) announced Benazir Employees Stock Option Scheme (BESOS) whereby the GoP has decided to transfer 12% of its shareholding to a separate trust for the purpose of granting share based benefits to the employees of the Group.

International Financial Reporting Standard 2 (IFRS-2) 'Share-based Payment' does not specifically address the type of benefits that are payable under BESOS (i.e. Group cash settled share based payment transactions), however, as a result of amendments subsequently introduced in IFRS-2, an entity is also required to recognise all share based cash payments to employees where the entity itself is not required to settle the obligation. These amendments in IFRS-2 are applicable for the accounting periods beginning on or after January 1, 2010 and accordingly the Group would be required to consider the accounting implications of BESOS for the purpose of recognition and disclosure in the financial statements for the year ending June 30, 2011.

However, the management of the Group contends that in view of its peculiar nature, the requirements of Amended IFRS 2 may not be applicable to BESOS and accordingly, the management has sought an opinion in respect of the subject matter from the Technical Committee of the Institute of Chartered Accountants of Pakistan, being a recognised professional body, the reply to which is, at present, awaited.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from July 1, 2010. This amendment does not have material impact on the Group's financial statements. There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or do not have any significant effect to the Group's operations and are therefore not mentioned in these financial statements.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from July 1, 2010. This amendment does not have material impact on the Group's financial statements.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or do not have any significant effect to the Group's operations and are therefore not mentioned in these financial statements.

2.1.2 Changes in accounting policies

2.1.2.1 IAS 1 (revised), 'Presentation of financial statements' prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has applied IAS 1 (revised) from July 1, 2009, and has elected to present one performance statement (i.e. the profit and loss account). The adoption of the above standard has an impact only on the presentation of the financial statements. Further where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of the earliest comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Group has presented a restated statement of financial position (i.e. balance sheet) as at the beginning of the comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

2.1.2.2 During the year, the Group has changed its accounting policy for borrowing costs as a consequence of amendment in IAS 23 (amendment) ' Borrowing Costs' whereby the allowed alternative method of charging costs directly to profit and loss account is not allowed. In accordance with the revised policy, borrowing costs directly attributable to acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset. Previously, all borrowing costs were charged directly to the profit and loss account. This change has been made to comply with the requirements of IAS 23 (amendment) 'Borrowing costs' which became effective from accounting periods beginning on January 1, 2009. This change in policy does not have any impact on these financial statements of the Group as it does not have any borrowings related to qualifying assets.

2.2 Basis of preparation

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

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

- Certain investment properties and financial instruments as referred to in notes 2.6 and 2.7.1 respectively have been carried at fair value to comply with the requirements of IAS-40 'Investment Property' and IAS-39 'Financial Instruments: Recognition and Measurement' respectively.

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

2.3 Basis of consolidation

2.3.1 Subsidiaries

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

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

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

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

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

Non-controlling interest is that part of net results of operations and of net assets of subsidiaries which are not owned by the holding company. Non-controlling 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 non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

2.3.2 Associates

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

2.4 Fixed assets

2.4.1 Property, plant and equipment

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

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

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

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

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

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

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

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

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

A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on any asset, in which case the deficit is taken to surplus on revaluation of fixed assets account. Surplus on revaluation cannot be distributed to shareholders until it is transferred to retained earnings. An annual transfer from the surplus on revaluation of fixed assets account to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and the depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets. Upon disposal, any revaluation reserve relating to the particular assets being sold is transferred to retained earnings.

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

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

2.4.2 Capital work-in-progress

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

2.4.3 Intangible assets

An intangible asset is an identifiable non-monetory asset without physical substance. Intangible assets are stated at cost less accumulated amortisation and impairment losses, if any. Cost in relation to intangible assets presently held by the Group includes cost of computer software and other expenses incidental to the purchase of computer software.

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

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

2.5 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Impairment losses are charged to profit and loss account except for impairment loss on revalued assets, which is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for any other asset.

2.6 Investment properties

Properties held for long-term rental yields which are significantly rented out by the Group are classified as investment properties.

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

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

2.7 Financial instruments

2.7.1 Financial assets

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

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term (Note 42).

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Various financial assets classified under this category are disclosed in Note 42.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories (Note 42).

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity and are carried at amortised cost (Note 42).

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

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

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

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

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

2.7.2 Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment testing of trade debts, agents' and owners' balances, deposits, other receivables and insurance claims is described in note 13, 14, 15, 16, 17 and 19 respectively.

2.7.3 Financial liabilities

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

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

2.7.4 Off-setting of financial assets and financial liabilities

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

2.8 Stores and spares

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

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

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

2.9 Trade debts and other receivables

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

2.10 Taxation

2.10.1 Current

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

2.10.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising at the balance sheet date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

2.11 Insurance claims

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

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

2.12 Trade and other payables

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

2.13 Provisions

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

2.14 Dividend and other appropriations

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

2.15 Staff retirement benefits

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

2.15.2 Defined benefit gratuity scheme

The Group operates a funded retirement gratuity scheme for its permanent employees other than those who joined the Group after October 16, 1984. Further, the Group also operates an unfunded retirement gratuity scheme for contractual employees. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to income currently. Actuarial valuations are carried out using the Projected Unit Credit Method.

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

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

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

2.15.3 Post-retirement medical benefits

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

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

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

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

2.16 Employees' compensated absences

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

2.17 Cash and cash equivalents

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

2.18 Foreign currency translation

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

2.19 Revenue recognition

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

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

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

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

2.20 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

2.21 Contingent liabilities

A contingent liability is disclosed when:

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Assumption and estimation in valuation of property, plant and equipment and investment properties (note 5 and 7).

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

(c) Assumptions and estimations in recognition of deferred tax and taxation (note 11 and 37).

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

(e) Assumptions and estimations in accounting for provision for impairment of trade debts (note 13).

(f) Assumptions and estimations in accounting for provision against damage claims (note 28).

(g) Assumptions and estimations in accounting for defined benefit plans (note 26).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

4. ADJUSTMENT MADE IN AMOUNT ALLOCABLE TO WORKERS' PROFITS PARTICIPATION FUND FOR PRIOR YEARS

During the current year, the Group obtained opinions from its legal advisors who advised that any amount erroneously allocated to Workers' Profits Participation Fund (the Fund) and payments made in this respect in prior years to the fund can be adjusted in subsequent years by making an adjustment from the amount payable on profits for that year. Upto June 30, 2001 total shipping income of the Group was considered for the purpose of computation of the amount allocable to the Fund and the amount so determined was allocated and paid to the Fund.

The Group had carried out an exercise and determined that upto June 30, 2007 an aggregate of amount of Rs 45.784 million was allocated and paid in excess to the Fund in respect of income from foreign voyages and income from subsidiaries accounted for on the basis of equity method of accounting. Keeping in view the aforementioned opinion of the legal advisors, the Group has during the year ended June 30, 2010 adjusted the amount of Rs 45.784 million from the balance payable to the Fund as at June 30, 2009 representing allocation of WPPF made for the years following the year ended June 30, 2007.

The aforesaid change has been applied retrospectively and comparative information has been restated in accordance with International Accounting Standard No. 8 'Accounting Polices, Changes in Accounting Estimates and Error' (IAS-8). Had the Group not adjusted the balance payable to the Fund, the amount of trade and other payables would have been higher by Rs 45.784 million and the unappropriated profit for the year ended June 30, 2010 would have been lower by the same amount.

	Note	2010	2009
		(Rupees in '000)	
5. PROPERTY, PLANT AND EQUIPMENT			
Fixed assets	5.1	14,041,845	7,916,925
Capital work-in-progress	5.12	668,762	347,599
		14,710,607	8,264,524

5.1 The following is a statement of fixed assets:

	Leasehold land	Buildings on leasehold land	Vessel fleet Cost or revaluation	Vessel fleet Dry docking and class renewal	Vessel fleet Total	Vehicles	Office machines and appliances	Furniture nd fixtures	Electrical fittings	Motor launch and jetty	Equipment on board	Container fittings	Beach huts	Workshop machinery and equipment	Computer equipment	Total
	Rupees in '000															
As at June 30, 2008																
Cost or revalued amount	644,560	185,981	9,088,397	2,035,268	11,123,665	66,352	10,440	9,196	7	18	46,183	3,468	2,723	13,041	10,401	12,116,035
Less: accumulated depreciation	-	26,264	118,069	965,110	1,083,179	42,166	4,260	3,438	7	18	24,750	3,468	-	7,881	4,678	1,200,109
Net book value	644,560	159,717	8,970,328	1,070,158	10,040,486	24,186	6,180	5,758	-	-	21,433	-	2,723	5,160	5,723	10,915,926
Year ended June 30, 2009																
Opening net book value	644,560	159,717	8,970,328	1,070,158	10,040,486	24,186	6,180	5,758	-	-	21,433	-	2,723	5,160	5,723	10,915,926
Additions	-	6,895	5,053,228	723,640	5,776,868	12,934	2,264	2,420	-	-	1,999	-	21,534	1,650	1,414	5,827,978
Deficit on revaluation	(37,235)	(6,766)	(5,921,311)	-	(5,921,311)	-	-	-	-	-	-	-	(9,084)	-	-	(5,974,396)
Revaluation adjustment																
Cost	-	(8,362)	(226,989)	-	(226,989)	-	-	-	-	-	-	-	(2,021)	-	-	(237,372)
Accumulated depreciation	-	8,362	226,989	-	226,989	-	-	-	-	-	-	-	2,021	-	-	237,372
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment																
Cost	-	-	(830)	-	(830)	-	-	-	-	-	-	-	-	-	-	(830)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	(830)	-	(830)	-	-	-	-	-	-	-	-	-	-	(830)
Disposals																
Cost	-	-	(1,060,193)	(426,747)	(1,486,940)	(13,516)	(693)	(5)	-	-	(8,354)	-	-	-	-	(1,509,508)
Accumulated depreciation	-	-	151,995	287,715	439,710	12,761	157	5	-	-	6,091	-	-	-	-	458,724
	-	-	(908,198)	(139,032)	(1,047,230)	(755)	(536)	-	-	-	(2,263)	-	-	-	-	(1,050,784)
Write off																
Cost or revalued amount	-	-	-	-	-	(656)	-	-	-	-	-	-	-	(300)	-	(956)
Accumulated depreciation	-	-	-	-	-	656	-	-	-	-	-	-	-	176	-	832
	-	-	-	-	-	-	-	-	-	-	-	-	-	(124)	-	(124)
Depreciation charge for the year	-	(23,220)	(1,145,699)	(607,483)	(1,753,182)	(11,065)	(1,216)	(975)	-	-	(6,164)	-	(2,021)	(738)	(2,264)	(1,800,845)
Closing net book value	607,325	136,626	6,047,518	1,047,283	7,094,801	25,300	6,692	7,203	-	-	15,005	-	13,152	5,948	4,873	7,916,925
As at June 30, 2009																
Cost or revalued amount	607,325	177,748	6,932,302	2,332,161	9,264,463	65,114	12,011	11,611	7	18	39,828	3,468	13,152	14,391	11,815	10,220,951
Less: accumulated depreciation	-	41,122	884,784	1,284,878	2,169,662	39,814	5,319	4,408	7	18	24,823	3,468	-	8,443	6,942	2,304,026
Net book value	607,325	136,626	6,047,518	1,047,283	7,094,801	25,300	6,692	7,203	-	-	15,005	-	13,152	5,948	4,873	7,916,925

	Leasehold land	Buildings on leasehold land	Vessel fleet Cost or revaluation	Vessel fleet Dry docking and class renewal	Vessel fleet Total	Vehicles	Office machines and appliances	Furniture nd fixtures	Electrical fittings	Motor launch and jetty	Equipment on board	Container fittings	Beach huts	Workshop machinery and equipment	Computer equipment	Total
	Rupees in '000															
Year ended June 30, 2010																
Opening net book value	607,325	136,626	6,047,518	1,047,283	7,094,801	25,300	6,692	7,203	-	-	15,005	-	13,152	5,948	4,873	7,916,925
Additions including transfers from CWIP	-	2,243	6,640,803	92,307	6,733,110	-	1,832	709	-	-	2,175	-	-	111	2,634	6,742,814
Surplus / (Deficit) on revaluation	-	-	912,629	912,629	-	-	-	-	-	-	-	-	-	-	-	912,629
Revaluation adjustment																
Cost	-	-	(228,572)	-	(228,572)	-	-	-	-	-	-	-	-	-	-	(228,572)
Accumulated depreciation	-	-	228,572	-	228,572	-	-	-	-	-	-	-	-	-	-	228,572
Disposals																
Cost	-	(3,213)	(462,536)	(485,430)	(947,966)	-	-	-	-	-	(12,016)	-	-	-	-	(963,195)
Accumulated depreciation	-	362	44,260	381,366	425,626	-	-	-	-	-	10,084	-	-	-	-	436,072
	-	(2,851)	(418,276)	(104,064)	(522,340)	-	-	-	-	-	(1,932)	-	-	-	-	(527,123)
Write off																
Cost or revalued amount	-	-	-	-	-	-	-	-	-	(1,035)		-	-	(1)	-	(1,036)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	776	-	-	1	-	777
	-	-	-	-	-	-	-	-	-	-	(259)	-	-	-	-	(259)
Depreciation charge for the year	-	(21,527)	(349,162)	(610,805)	(959,967)	(8,754)	(1,585)	(1,274)	-	-	(4,613)	-	(1,315)	(592)	(3,514)	(1,003,141)
Closing net book value	607,325	114,491	12,833,512	424,721	13,258,233	16,546	6,939	6,638	-	-	10,376	-	11,837	5,467	3,993	14,041,845
As at June 30, 2010																
Cost or revalued amount	607,325	176,778	13,794,626	1,939,038	15,733,664	65,114	13,843	12,320	7	18	28,952	3,468	13,152	14,501	14,449	16,683,591
Less: accumulated depreciation	-	62,287	961,114	1,514,317	2,475,431	48,568	6,904	5,682	7	18	18,576	3,468	1,315	9,034	10,456	2,641,746
Net book value	607,325	114,491	12,833,512	424,721	13,258,233	16,546	6,939	6,638	-	-	10,376	-	11,837	5,467	3,993	14,041,845
Annual rate of depreciation	-	3 to 20	see note 5.5	20 to 40	-	20	15	10 to 15	-	10 to 15	10 to 15	15	10	5 to 10	25	

5.2 The latest revaluation of Group's vessels (held in the books of the subsidiary companies) was carried out as of June 30, 2010 by Optima Ship Brokers (2009: June 30, 2009 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 912.629 million (2009: Deficit of Rs 5,921.311million) on the written down values of Rs 5,280.080 million (2009: Rs 11,968.829million) which has been incorporated in the books of the Group as at June 30, 2010.

5.3 The revaluation of the 'leasehold land', 'buildings on leasehold land', 'beach huts' and 'workshop machinery and equipment' were carried out as of June 30, 2009 by Pee Dee & Associates on the basis of their professional assessment of present market values. The revaluation resulted in a deficit of Rs 53.085 million on the written down values of Rs 804.511 million which had been incorporated in the books of the Group as at June 30, 2009. Of the total revaluation surplus arisen, Rs 692.352 million (2009: Rs 706.739 million) remains undepreciated at June 30, 2010. However, the deficit on revaluation of buildings arisen during the year 2009 did not include the revaluation effect of PNSC building as it was in rehabilitation stage and renovation was being carried out.

5.4 Building on leasehold land includes property owned by Pakistan Co-operative Ship Stores (Private) Limited. The property was last revalued as of June 30, 2009 by Pee Dee & Associates. The revaluation resulted in surplus of Rs 4.77 million on the WDV of Rs 0.904 million.

5.5 During the year, the management of the Group has revised the estimated useful lives of its dry cargo vessels. Previously, the depreciable amount of vessels was allocated over a useful life of 25 years or the validity of next class renewal which ever is later. In accordance with the new estimate the management expects the vessels to remain operational till 30 years. The present certificates issued to the vessels are valid upto various dates ranging from August 2010 to January 2015. Had the estimate not been revised the depreication charge for the year would have be higher by Rs. 285.265 million.

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

	2010	2009
	(Rupees in '000)	
Leasehold land and buildings on leasehold land and beach huts	36,412	45,507
Vessel Fleet	5,671,439	6,263,188
Workshop machinery and equipment	4,730	5,129
	5,712,581	6,313,824

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

5.8 The management of the Group has revised estimates in respect of useful lives of computer equipment and beach huts and has accordingly revised their useful lives from 4 years to 3 years and 6.67 years to 10 years respectively. Had the subject estimate not been revised the depreciation charge for the year would be lower by Rs 1.591 million and profit before tax would be higher by the Rs 1.591 million.

5.9 During the year the Group has purchased two vessels (M.T. Karachi and M.T. Lahore) having useful lives of 18 years each. No revaluation of these vessels are carried out as of June 30, 2010 as the management believes that since the vessel has been acquired close to the year end there is no significant change in their fair values.

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

Particulars	Mode of disposal	Cost or revaluation	Accumulated depreciation	Net book value	Sale Proceeds	Gain / (loss)	Particulars of purchaser
		(Rupees in '000)					
Vessels							
MV Khairpur	Sale through auction	328,502	141,022	187,480	208,279	20,799	Aria navigation Inc., Liberia
MV Makran	—— do ——	408,675	187,714	220,961	196,433	(24,528)	Powerful International Corp, Liberia
MV Chitral	—— do ——	222,805	106,974	115,831	131,113	15,282	Bounty Shipping Limited, UAE
		959,982	435,710	524,272	535,825	11,553	
Building on lease hold							
Air conditioner plant	Tender	3,213	362	2,851	4,711	1,860	M/S Fahat Khan & Co., L-841, Shireen Jinnah Colony, Block I, Clifton, Karachi
		963,195	436,072	527,123	540,536	13,413	

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

	Note	2010	2009
		(Rupees in '000)	
Fleet expenses - direct	31	939,265	1,742,392
Fleet expenses - indirect	32	592	738
Administrative and general expenses	33	38,080	40,880
Incomplete voyages	18	25,204	16,835
		1,003,141	1,800,845

5.12 Capital work-in-progress

	2010	2009
Buildings on leasehold land	668,762	347,599
	668,762	347,599

6. INTANGIBLE ASSET

6.1 The following is a statement of intangible asset:

	Note	Cost			Accumulated amortisation				
		As at July 1	Additions	As at June 30	As at July 1	Charge for the year	As at June 30	Net book value as at June 30	Annual rate of amortisation
		(Rupees in '000)							%
Computer software									
2010	6.2	16,503	-	16,503	16,503	-	16,503	-	20
2009		16,503	-	16,503	14,854	1,649	16,503	-	20

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

6.3 SES is being amortised over the useful life of five years and was fully amortised during the year 2009, however, it is still in active use.

7. INVESTMENT PROPERTIES

	Leasehold land	Buildings on leasehold land	Total
	(Rupees in '000)		
Balance as at July 1, 2008	910,700	59,287	969,987
Surplus on revaluation of investment properties	-	2,138	2,138
	-	(2,829)	(2,829)
Balance as at June 30, 2009	910,700	58,596	969,296
Balance as at July 1, 2009	910,700	58,596	969,296
Additions during the year	-	1,630	1,630
Balance as at June 30, 2010	910,700	60,226	970,926

7.1 Last revaluation of the Group's investment properties was carried out by Pee Dee & Associates as of June 30, 2009 on the basis of their professional assessment of present market values. However, no revaluation gain / loss was assessed in respect of revaluation of leasehold land in investment properties. The management of the Group believes that the current market values of the investment properties approximate their fair values.

8. LONG TERM INVESTMENTS IN RELATED PARTY (ASSOCIATE)

Equity method

(No. of shares - ordinary) 2010	(No. of shares - ordinary) 2009	Name of the company	Country of incorporation	Share of net assets 2010	Share of net assets 2009	Latest available audited financial statements for the year ended	Percentage holding	Face value per share	2009	2010
				(Rupees in '000)				(Rupees)	(Rupees '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
									-	-

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

	Note	2010	2009
		(Rupees in '000)	
Financial assets designated as 'at fair value through profit or loss'			
Listed companies			
6,930 (2009: 6,930) ordinary shares of Rs 10 each fully paid of Siemens (Pakistan) Engineering Company Limited. Market value per share Rs 1,039.56 (2009: Rs 1,018.00 per share)		7,204	7,055
72,828 (2009: 72,828) ordinary shares of Rs 10 each fully paid of Pakistan State Oil Company Limited. Market value per share Rs 260.20 (2009: Rs 213.65 per share)		18,950	15,560
		26,154	22,615
Available for sale financial assets			
Other entity - carried at cost			
10,000 (2009: 10,000) ordinary shares of Rs 10 each of Pakistan Tourism Development Corporation Limited		100	100
		26,254	22,715

10. LONG-TERM LOANS

	Note	2010	2009
Considered good			
Due from employees	10.1	1,003	1,384
Less: recoverable within twelve months	15	335	372
		668	1,012

10.1 It comprises of house building and vehicle loans amounting to Rs 0.817 million (2009: Rs 1.058 million) and Rs 0.186 million (2009: Rs 0.326 million) respectively.

10.2 Vehicle loans represent loans to employees for purchase of vehicles and are secured against employees' personal guarantees and charge on vehicles. Such loans are recoverable over 36 or 48 monthly installments on which interest is being charged at the rate of 11% (2009: 11%) per annum.

10.3 House building loans represent loans to employees for purchase of land, residential accommodation and construction and renovation of houses. These loans are recoverable over 180 monthly installments. An amount of Rs 0.792 million (2009: Rs 0.527 million) is secured against mortgages of the employees' properties. Interest on such loans to officers is charged at various rates while no interest is being charged on loans given to other employees.

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

	Note	2010	2009
		(Rupees in '000)	
11. DEFERRED TAX - NET			
Deductible temporary differences arising in respect of:			
- accelerated depreciation		1,508	1,105
- short-term provisions and deferred liabilities		54,990	45,262
		56,498	46,367
Taxable temporary differences arising in respect of:			
- surplus on revaluation of fixed assets	25	20,424	25,712
		36,074	20,655

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

	2010	2009
	(Rupees in '000)	
12. STORES AND SPARES		
Stores		
- at depots	21,507	20,937
- at buildings	266	283
- on board	16,044	20,225
	37,817	41,445
Spares		
- at buildings	1,015	1,402
- on board	54,651	54,135
- in transit	-	1,987
	55,666	57,524
Less: provision for slow moving and obsolete spares	6,685	18,889
	48,981	38,635
Bunker on board	449,651	364,602
	536,449	444,682

	Note	2010	2009
		(Rupees in '000)	
13. TRADE DEBTS			
- considered good		462,272	798,023
- considered doubtful		183,418	81,663
		645,690	879,686
Less: provision for impairment	13.1	183,418	81,663
		462,272	798,023

13.1 Provision for impairment

		2010	2009
Balance at the beginning of the year		81,663	107,289
Provision made during the year		101,897	2,641
Amounts reversed / written off during the year		(142)	(28,267)
Balance at the end of the year		183,418	81,663
The ageing analysis of trade debts is as follows:			
Upto 1 month		340,912	462,415
1 to 6 months		72,430	103,797
More than 6 months		232,348	313,474
		645,690	879,686

As at June 30, 2010, trade receivables of Rs 183.418 million (2009: Rs 81.663 million) were impaired and provided for. The ageing of these receivables is as follows:

	Note	2010	2009
		(Rupees in '000)	
one to three years		101,897	-
three years to five years		26,281	26,280
five years and over		55,240	55,383
		183,418	81,663

14. AGENTS' AND OWNERS' BALANCES

	Note	2010	2009
Considered good			
- secured		-	14,335
- unsecured		1,070	6,085
		1,070	20,420
Considered doubtful		4,453	18,971
		5,523	39,391
Less: provision for impairment	14.1	4,453	18,971
		1,070	20,420

		Note	2010	2009
			(Rupees in '000)	
14.1	Provision for impairment			
	Balance at the beginning of the year		18,971	15,994
	Provision made during the year		4,453	2,977
	Amounts adjusted / written off during the year		(18,971)	-
	Balance at the end of the year		4,453	18,971

As at June 30, 2010, Agents' and Owners' Balances of Rs 4.453 million (2009: Rs 18.971 million) were impaired and provided for. These receivable balances are outstanding for more than three years.

		Note	2010	2009
			(Rupees in '000)	
15.	LOANS AND ADVANCES			
	Considered good			
	Loans due from employees	10	335	372
	Advances to:			
	- Other employees		17,108	17,700
	- Contractors and suppliers		14,856	53,353
	- Others		6,564	5,427
			38,863	76,852
16.	DEPOSITS AND SHORT TERM PREPAYMENTS			
	Deposits			
	Trade:			
	- considered good		2,265	2,452
	- considered doubtful		184	184
			2,449	2,636
	Less: provision for impairment - trade		184	184
			2,265	2,452
	Others:			
	- considered good		3,040	7,407
	- considered doubtful		185	185
			3,225	7,592
	Less: provision for impairment - others		185	185
			3,040	7,407
	Prepayments		1,827	11,401
			7,132	21,260

	Note	2010	2009
		(Rupees in '000)	

17. OTHER RECEIVABLES

	Note	2010	2009
Rent receivable			
- considered good		4,161	10,376
- considered doubtful		4,359	7,306
		8,520	17,682
Less: provision for impairment	17.1	4,359	7,306
		4,161	10,376
Insurance claimable for destroyed items		-	4,946
Others			
- considered good		68,431	120,730
- considered doubtful		8,851	461
		77,282	121,191
Less: provision for impairment	17.2	8,851	461
		68,431	120,730
		72,592	136,052

17.1 Provision for impairment - Rent receivable

	2010	2009
Balance at the beginning of the year	7,306	7,089
Provision made during the year	33	217
Amounts written off / adjusted during the year	(2,980)	-
Balance at the end of the year	4,359	7,306
The ageing analysis of rent receivables is as follows:		
Upto 1 month	1,085	1,014
1 to 6 months	1,136	781
More than 6 months	6,299	15,887
	8,520	17,682

As at June 30, 2010, rent receivables of Rs 4.359 million (2009: Rs 7.306 million) were impaired and provided for. These receivables are outstanding for more than three years.

	2010	2009
	(Rupees in '000)	

17.2 Provision for impairment - Other receivables

	2010	2009
Balance at the beginning of the year	461	461
Provision made during the year	8,390	-
Balance at the end of the year	8,851	461

		Note	2010	2009
18.	INCOMPLETE VOYAGES		(Rupees in '000)	
	Cost			
	Salaries and allowances		14,733	8,482
	Diesel, fuel and lubricants		88,542	28,883
	Stores and spares consumed		3,952	5,116
	Insurance		22,190	16,290
	Charter hire and related expenses		25,353	6,519
	Depreciation	5.11	25,204	16,835
	Other fleet expenses - direct and indirect		12,644	1,462
			192,618	83,587
	Less: net freight		112,002	-
			80,616	83,587
19.	INSURANCE CLAIMS			
	- considered good		46,651	33,063
	- considered doubtful		-	2,492
			46,651	35,555
	Less: provision for impairment	19.1	-	2,492
			46,651	33,063
19.1	Provision for impairment of insurance claims			
	Balance at the beginning of the year		2,492	2,850
	Amounts written off		(2,492)	(358)
	Balance at the end of the year		-	2,492
20.	SHORT-TERM INVESTMENTS			
	Held to maturity			
	Term deposits with banks having maturity of:			
	- six to twelve months		-	1,100,000
	- three to six months		-	2,800,000
	- three months or less	40	1,207,224	1,208,614
			1,207,224	5,108,614

20.1 The mark-up on term deposits ranges from 11.65% to 12.25% (2009: 7.75% to 17.75%) per annum.

		Note	2010	2009
21.	CASH AND BANK BALANCES		(Rupees in '000)	
	Cash at bank:			
	- in current accounts			
	– local currency		137,260	192,436
	– foreign currency		396,080	806,821
			533,340	999,257
	- in saving accounts	21.1 & 21.2		
	– local currency		778,467	1,209,468
	– foreign currency		1,205	14,326
			779,672	1,223,794
	Cash in hand		1,621	439
		40	1,314,633	2,223,490

21.1 The mark-up on savings accounts ranges from 5% to 11.95% (2009: 2.5% to 9%) per annum.

21.2 This includes Rs nil (2009: Rs 13.433 million) and Rs 4.461 million (2009: Rs 4.461 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.

	2010	2009
	(Rupees in '000)	

22. SHARE CAPITAL

22.1 Authorised Capital

2010	2009		2010	2009
(No. of shares)			(Rupees in '000)	
200,000,000	200,000,000	Ordinary shares of Rs 10 each	2,000,000	2,000,000

22.2 Issued, subscribed and paid-up capital

2010	2009		2010	2009
(No. of shares)			(Rupees in '000)	
24,130,789	24,130,789	Ordinary shares of Rs 10 each issued as fully paid to shareholders of former NSC and PSC in consideration of their shareholdings in those companies	241,308	241,308
25,900,000	25,900,000	Ordinary shares of Rs 10 each issued as fully paid to the Government of Pakistan (GoP) for cash received in 1985	259,000	259,000
64,309,800	64,309,800	Ordinary shares of Rs 10 each issued as fully paid to the GoP on financial restructuring of the holding company in the year 1989-90	643,098	643,098
17,722,791	17,722,791	Ordinary shares of Rs 10 each issued as fully paid bonus shares	177,228	177,228
132,063,380	132,063,380		1,320,634	1,320,634

22.3 As at June 30, 2010 GoP held 103,581,917 (2009: 117,706,724) ordinary shares of the Corporation. As referred in note 2.1.1 during the year 12% shareholding of GoP is transferred to a separate trust under Benazir Employees' Stock Option Scheme.

23. RESERVES

	Note	2010	2009 (Restated)	2008 (Restated)
		(Rupees in '000)		
Capital reserves	23.1	131,344	131,344	131,344
Revenue reserves (including unappropriated profit)		15,318,084	14,426,590	11,487,087
		15,449,428	14,557,934	11,618,431

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

		2010	2009
		(Rupees in '000)	
24. NON-CONTROLLING INTEREST			
Share of non-controlling interest in:			
- share capital		99	99
- general reserve		19	19
- unappropriated profit brought forward		1,777	1,576
- profit for the year		340	201
		2,235	1,895

	Note	2010	2009
		(Rupees in '000)	
25. SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX			
As at July 1		624,532	7,640,101
Surplus / (deficit) arising on revaluation of fixed assets during the year		912,629	(5,974,396)
		1,537,161	1,665,705
Less: Transferred to unappropriated profit:			
Surplus relating to incremental depreciation charged during the year on related assets - net of tax		29,793	715,755
Related deferred tax liability		3,339	4,915
		33,132	720,670
Less: Surplus realised on disposal of vessels		290,407	320,503
		1,213,622	624,532
Less: Related deferred tax liability on :			
- Revaluation as at July 1		25,712	36,073
- Deficit arising due to revaluation of fixed assets during the year		-	(3,980)
- Incremental depreciation charged during the year on related assets transferred to profit and loss account		(3,339)	(4,915)
- Effect of allocation ratio of revenue under FTR		(1,949)	(1,466)
		20,424	25,712
As at June 30		1,193,198	598,820
Less: Surplus on revaluation of fixed assets attributable to non controlling interest		2,144	2,148
		1,191,054	596,672
26. DEFERRED LIABILITIES			
Employees' gratuity			
- funded	26.1.3	56,156	8,521
- unfunded	26.1.3	15,328	11,146
		71,484	19,667
Post retirement medical benefits	26.1.3	93,937	80,045
Employees' compensated absences	26.2.4	125,867	120,182
		291,288	219,894

26.1 Retirement benefit schemes

26.1.1 As stated in notes 2.15.2 and 2.15.3 of these financial statements, the Group operates a funded retirement gratuity scheme for permanent employees other than those who joined the Corporation after October 16, 1984, an unfunded retirement gratuity scheme for contractual employees and an unfunded post retirement medical benefit scheme for all the employees. Liability is maintained against these schemes based on the actuarial recommendations. Actuarial valuation of these benefits are carried out at least once in every two years and the latest valuations were carried out as at June 30, 2010 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the defined benefit obligation schemes:

	2010		2009	
	Employees' gratuity (funded and unfunded)	Post retirement medical benefits	Employees' gratuity (funded and unfunded)	Post retirement medical benefits
Discount rate	13%	13%	12%	12%
Increase in salary	11%	N/A	10%	N/A
Rate of return on plan assets	13%	N/A	12%	N/A
Medical escalation rate	N/A	10%	N/A	9%
Death rates	based on LIC (1975-79) Ultimate mortality tables.			

26.1.2 The disclosures made in note 26.1.3 to 26.1.12 are based on the information included in the actuarial valuation report as of June 30, 2010.

26.1.3 Balance sheet reconciliation

	2010			2009		
	Employees' gratuity Funded	Employees' gratuity Unfunded	Post retirement medical benefits	Employees' gratuity Funded	Employees' gratuity Unfunded	Post etirement medical benefits
	(Rupees in '000)					
Present value of defined benefit obligation	261,670	21,845	103,452	288,787	12,176	95,987
Fair value of plan assets (note 26.1.8)	(221,806)	-	-	(219,846)	-	-
	39,864	21,845	103,452	68,941	12,176	95,987
Unrecognised net actuarial gain / (loss)	16,292	(6,517)	(9,515)	(60,420)	(1,030)	(15,942)
Recognised Liability	56,156	15,328	93,937	8,521	11,146	80,045

26.1.4 Movement in present value of defined benefit obligation

As at July 1	288,787	12,176	95,987	235,540	6,977	87,407
Current service cost	8,936	2,750	2,403	7,636	4,374	2,347
Interest cost	32,014	1,521	10,825	26,615	903	9,923
Actuarial (gain) / loss	(16,279)	6,517	9,515	65,523	1,030	15,942
Benefits paid	(51,788)	(1,119)	(15,278)	(46,527)	(1,108)	(19,632)
As at June 30	261,670	21,845	103,452	288,787	12,176	95,987

26.1.5 Movement in fair value of plan assets

As at July 1	219,846	-	-	235,159	-	-
Expected return on plan assets	23,735	-	-	26,111	-	-
Contribution	30,000	-	-	-	-	-
Actuarial gain	13	-	-	5,103	-	-
Benefits paid	(51,788)	-	-	(46,527)	-	-
As at June 30	221,806	-	-	219,846	-	-

	2010			2009		
	Employees' gratuity Funded	Employees' gratuity Unfunded	Post retirement medical benefits	Employees' gratuity Funded	Employees' gratuity Unfunded	Post etirement medical benefits
	(Rupees in '000)					
26.1.6 Expenses						
Current service cost	8,936	2,750	2,403	7,636	4,374	2,347
Interest cost	32,014	1,521	10,825	26,615	903	9,923
Expected return on plan assets	(23,735)	-	-	(26,111)	-	-
Recognition of actuarial loss / (gain)	60,420	1,030	15,942	(9,800)	1,085	654
	77,635	5,301	29,170	(1,660)	6,362	12,924
26.1.7 Actual return on plan assets						
Expected return on plan assets	23,735	-	-	26,111	-	-
Actuarial gain on plan assets	13	-	-	5,103	-	-
Actual return on plan assets	23,748	-	-	31,214	-	-

26.1.8 Plan assets comprise of investment and cash at bank aggregating to Rs 221.806 million (2009: Rs 219.846 million).

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

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

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

Employee gratuity	2010	2009	2008	2007	2006
	(Rupees in '000)				
Present value of defined benefit obligation	283,515	300,963	242,517	246,776	223,611
Fair value of plan assets	(221,806)	(219,846)	(235,159)	-	-
Deficit	61,709	81,117	7,358	246,776	223,611
Experience (gain) / loss on defined benefit obligation	(9,762)	66,553	(11,067)	41,022	4,679
Experience gain / (loss) on plan assets	13	5,103	(2,352)	-	-
Post retirement medical benefits					
Present value of defined benefit obligation	103,452	95,987	87,407	84,594	76,674
Experience adjustment on defined benefit obligation	9,515	15,942	654	1,981	(9,800)

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

	One percentage point increase	One percentage point decrease
	(Rupees in '000)	
Effect on aggregate of service cost and interest cost	395	(375)
Effect on defined benefit obligation	2,957	(2,797)

26.2 Employees' compensated absences

26.2.1 As stated in note 2.16, the Group operates an employees' compensated absences scheme. Provision is maintained against this scheme based on the actuarial recommendations. Actuarial valuation is carried out at least once in every two years and the latest valuation was carried out as at June 30, 2010 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the scheme:

	2010	2009
Discount rate	13%	12%
Increase in salary	11%	10%

26.2.2 The disclosures made in notes 26.2.3 to 26.2.8 are based on the information included in the actuarial valuation as of June 30, 2010.

26.2.3 Balance sheet reconciliation

	2010	2009
	(Rupees in '000)	
Present value of defined benefit obligation (recognised)	125,867	120,182

26.2.4 Movement in present value of defined benefit obligation

	2010	2009
As at July 1	120,182	105,957
Current service cost	30,758	26,654
Interest cost	14,838	13,323
Actuarial (gain) / loss	(175)	16,107
Benefits paid	(39,736)	(41,859)
As at June 30	125,867	120,182

26.2.5 Expenses

	2010	2009
Current service cost	30,758	26,654
Interest cost	14,838	13,323
Recognition of actuarial (gain) / loss	(175)	16,107
	45,421	56,084

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

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

	2010	2009	2008	2007	2006
			(Rupees in '000)		
Present value of defined benefit obligation	125,867	120,182	105,957	108,710	94,144

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

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

	Rupees in '000
Gratuity	10,776
Post retirement medical benefits	24,702
Compensated absences	51,570

26.4 During the year the Group contributed Rs 9.334 million (2009: 9.397 million) to the provident fund.

27. TRADE AND OTHER PAYABLES

	Note	2010	2009 (Restated)	2008 (Restated)
			(Rupees in '000)	
Creditors		128,748	311,322	151,837
Agents' and owners' balances		114,232	132,335	97,614
Accrued liabilities		646,553	678,154	653,964
Deposits	27.1	23,257	32,811	26,318
Workers' Profits Participation Fund	27.2	50,194	58,252	39,545
Unclaimed dividends		22,380	16,942	11,155
Other liabilities				
-freight		31,317	31,317	121,380
-amounts retained from contractors		28,022	19,070	8,134
-others		45,882	40,091	45,810
		105,221	90,478	175,324
		1,090,585	1,320,294	1,155,757

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

27.2 Workers' Profits Participation Fund

	Note	2010	2009 (Restated)	2008 (Restated)
			(Rupees in '000)	
As at July 1		58,252	39,545	12,756
Allocation for the year		50,194	53,707	51,789
Interest on fund utilised during the year		3,466	-	-
		111,912	93,252	64,545
Less: Payments made during the year		61,718	35,000	25,000
As at June 30		50,194	58,252	39,545

28. PROVISION AGAINST DAMAGE CLAIMS

	2010	2009
	(Rupees in '000)	
As at July 1	99,810	130,579
Charge during the year	8,838	-
Reversal during the year	(69,245)	(30,769)
As at June 30	39,403	99,810

29. CONTINGENCIES AND COMMITMENTS

Contingencies

29.1 Amount in respect of claims not admitted by the Group as at June 30, 2010 aggregate to Rs 228.182 million (2009: Rs 250.826 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 13.685 million (2009: Rs 14.313 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 112.901 million (2009: Rs 71.832 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 39.403 million (2009: Rs 99.810 million) against the aforementioned claims in these financial statements (note 28).

29.2 The Group has not accepted liability in respect of customs duty approximating Rs 2.500 million (2009: Rs 2.500 million) relating to the sale of the vessel M.V. Bhambore during the year ended June 30, 1978. The duty was claimed from the Group and the matter has been taken up with the appropriate Government agencies.

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

Following the Supreme Court's adjudication of the East & West Steamship Company's matter in favour of the former owners, the Government provisionally assessed additional compensation due to the former owners at approximately Rs 97.012 million (2009: 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 (2009: Rs 1.300 million and Rs 66.800 million) respectively.

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

29.4 While framing the tax assessment for the income year ended June 30, 1990, the assessing officer had made an addition to income of Rs 3,974.455 million, being the remission of liabilities due to the Federal Government under the scheme of financial restructuring of the Group. The resultant tax liability including additional taxes for late payment of tax amounted to Rs 1,293.694 million, part of which was paid by the Group and the remaining amount of Rs 1,233.694 million was directly discharged at source by the Federal Government. During the year ended June 30, 2002, the ITAT had given its decision in favour of the Group on the appeal filed against the above order. However, the department filed an appeal with the Honourable High Court against the order of ITAT. The Honourable High Court has decided the said appeal against the Group. The leave to appeal filed by the Group has been accepted by the Honourable Supreme Court and suspended the decision of Honourable High Court. The Honourable Supreme Court will hear

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

29.6 In respect of a matter disclosed in note 29.6 to the last annual financial statements, during the year ended June 30, 2010, Taxation Officer (TO) has rectified certain mistakes in tax computation and has issued revised assessment orders in respect of tax years 2003, 2005, 2006 and 2007. According to these revised assessment orders the tax demand has been reduced to Rs 298.208 million. The Group had already paid Rs 180 million and during the year ended June 30, 2010, the Group has paid balance amount of Rs 118.208 million in respect of these assessment orders. Nonetheless, the Group is contesting appeal filed with the Income Tax Appellate Tribunal (ITAT) in respect of the matters upheld by Commissioner of Income Tax (Appeals) and is confident that the subject matter in respect of tax years 2003, 2005, 2006 and 2007 shall eventually be decided in favour of the Group.

29.7 During the year ended June 30, 2009 in case of Lalazar Shipping (Private) Limited (LSPL) the Taxation Officer (TO) had issued orders under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax year 2005 whereby demand of Rs 139.118 million was raised by the tax department. According to the orders, the TO is of the view that the income appearing under the head 'income from other sources' in the annual audited financial statements for the said year is taxable under Normal Tax Regime with reference to section 39 of the Income Tax Ordinance. LSPL has obtained stay order in respect of additional tax demanded and filed appeal against the demand with the Commissioner Income Tax (Appeals) which has upheld the order of TO.

During the current year LSPL has filed an appeal with the Income Tax Appellate Tribunal (ITAT) against the aforementioned matter and ITAT has also maintained the order passed by the CIT (Appeals). However, LSPL has now filed an appeal with the Sindh High court and the matter was pending for hearing. However, LSPL has obtained stay order for the payment of aforesaid tax demand from the High court of Sindh. The management of LSPL is confident that the decision of the pending litigation would be in favour of LSPL and LSPL would not be required to make any payment thereof. Accordingly, no provision has been made for the above demand in these financial statements.

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

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

29.9 During the year ended June 30, 2009, the Taxation Officer (TO) had issued orders under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax year 2004 whereby demand of Rs.23.787 million was raised by the tax department. According to the orders, the TO is of the view that the income appearing under the head “income from other sources” in the annual audited accounts for the said year is taxable under Normal Tax Regime with reference to section 39 of the Income Tax Ordinance, 2001.

During the year, the Commissioner Inland Revenue (Appeals) in his order had maintained the action of TO in taking gain arising on disposal of vessel under provision of the Ordinance and had allowed relief to the Swat Shipping (Private) Limited (SSPL) on certain issues which resulted in additional tax demand and penalty aggregating to Rs. 11.865 million which has been fully provided for in these financial statements.The aforesaid demand and penalty has been paid during the year.

Commitments

29.10 Commitments in respect of capital expenditure amount to Rs 171.730 million (2009: Rs 358.135 million).

29.11 Outstanding letters of guarantee amount to Rs 4.461 million (2009: Rs 17.927 million).

29.12 Commitments in respect of loan arrangement fee amount to Rs 115.362 million (2009: Rs Nil).

30. INCOME FROM SHIPPING BUSINESS

	Note	2010	2009
		(Rupees in ‘000)	
Owned Vessels			
Combi vessels		1,835,033	3,088,284
Bulk carrier		494,046	1,318,694
Oil tanker		3,692,381	3,907,647
		6,021,460	8,314,626
Chartered vessels			
Slot charter		1,222,470	1,645,424
Oil tanker		524,205	1,436,073
		1,746,675	3,081,497
		7,768,135	11,396,122

		Note	2010	2009
			(Rupees in ‘000)	
31.	FLEET EXPENSES - DIRECT			
	Stevedoring and transhipment expenses		89,351	152,167
	Diesel, fuel and lubricants consumed		2,181,256	2,027,886.
	Port, light, canal and customs dues		644,808	573,257
	Salaries and allowances		523,145	623,142
	Charter hire and related expenses	31.1	937,105	1,904,096
	Fleet communication expenses		11,515	13,839
	Agency commission and brokerage		117,173	200,635
	Victualling expenses		55,206	66,367
	Insurance		252,633	422,854
	Claims		13,535	34,973
	Stores and spares consumed		125,787	200,796
	Repairs, maintenance and special surveys		162,374	221,784
	Overage premium		174,766	145,692
	Depreciation			
	Incomplete voyage as at July 1	18	16,835	6,576
	Fleet expenses - direct	5.11	939,265	1,742,392
			956,100	1,748,968
	Exchange loss / (gain)		13,050	(8,100)
	Sundry expenses		57,156	66,565
			6,314,960	8,394,921
31.1	Charter Hire and Related Expenses			
	- Slot charter		502,346	645,715
	- Oil tanker		434,759	1,258,381
			937,105	1,904,096
32.	FLEET EXPENSES - INDIRECT			
	Conference establishment expenses		309	1,061
	Salaries and allowances – regional offices	32.1	5,033	4,736
	Agents’ and other general expenses	32.2	13,235	9,717
	Depreciation	5.11	592	738
	General establishment expenses – regional offices		630	608
			19,799	16,860

32.1 This includes Rs 0.221 million (2009: Rs 0.227 million) in respect of provident fund contribution.

		Note	2010	2009
			(Rupees in ‘000)	
32.2	Agents’ and other general expenses			
	Legal fees and charges		2,632	322
	Printing and stationery		116	273
	Advertisement and publicity		4,243	3,187
	Telephone, telex and postage		4,880	5,128
	Bank charges and commission		639	773
	Other miscellaneous expenses		725	34
			13,235	9,717

	Note	2010	2009
		(Rupees in '000)	
33. ADMINISTRATIVE AND GENERAL EXPENSES			
Salaries and allowances	33.1	347,322	299,412
General establishment expenses	33.2	139,077	142,360
Travelling and conveyance		-	32
Rent, rates and taxes	33.3	14,131	11,893
Scholarship and training expenses		514	1,265
Insurance	33.3	5,146	4,059
Depreciation	5.11	38,080	40,880
Amortisation	6	-	1,649
Directors' fee		690	590
Legal and professional charges		20,727	11,651
Provision for doubtful debts against:			
- trade		101,897	2,641
- others		12,876	3,194
Others		4	181
		680,464	519,807

33.1 This includes Rs 9.113 million (2009: Rs 9.170 million) in respect of provident fund contribution.

33.2 General establishment expenses

	Note	2010	2009
Repairs and maintenance	33.3	15,015	11,557
Medical cost		14,606	884
Medical insurance		19,371	41,178
Contribution to employees welfare fund		9	10
Contribution to group term insurance		1,723	1,898
Security charges		4,324	3,290
Travelling and conveyance		15,450	26,747
Entertainment and canteen subsidy		2,346	3,108
Books, periodicals and subscription		4,152	3,380
Uniform and liveries		731	494
Hajj expenses		925	-
Printing and stationery		4,028	4,065
Telephone, telex and postage		7,381	5,657
Light, power and water		11,546	10,285
Computer expenses		6,992	7,070
Advertisement and publicity		4,510	2,787
Vehicle running and repairs		11,400	11,271
Ship inspection expenses		6,094	2,323
Sundry expenses		8,474	6,356
		139,077	142,360

33.3 This includes repairs and maintenance of Rs 4.962 million (2009: Rs 2.612 million), rent, rates and taxes of Rs 3.626 million (2009: Rs 4.074 million) and insurance of Rs 0.325 million (2009: Rs 0.136 million) in respect of investment property.

	Note	2010	2009
		(Rupees in ‘000)	
34. OTHER OPERATING EXPENSES			
Workers’ Profits Participation Fund	27.2	50,194	53,707
Donations	34.1	3,000	25
Auditors’ remuneration	34.2	8,860	7,266
Employees’ gratuity			
- funded	26.1.6	77,635	(1,660)
- unfunded	26.1.6	5,301	6,362
		82,936	4,702
Post retirement medical benefits	26.1.6	29,170	12,924
Employees’ compensated absences	26.2.5	45,421	56,084
Fixed assets written off		259	124
Loss on disposal of fixed assets		24,528	163,938
Loss on revaluation of long-term investments in listed companies		-	17,514
Loss on revaluation of investment property		-	2,829
Provision in respect of damage claims		8,838	-
		253,206	319,113

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

34.2 Auditors’ remuneration

	2010			2009		
	A. F. Ferguson & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total	A. F. Ferguson & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total
	(Rupees in ‘000)					
Audit fee - the holding company	633	633	1,266	550	550	1,100
Audit fee - Subsidiaries	1,200	1,200	2,400	1,042	1,042	2,084
Audit fee - prior year	-	-	-	-	-	-
Review of half yearly financial statements	265	265	530	230	230	460
Review of compliance with the best practices of the code of Corporate Governance	66	66	132	58	58	116
Fee for audit of the consolidated financial statements	80	80	160	70	70	140
Tax advisory services	3,672	-	3,672	2,839	-	2,839
Out of pocket expenses	419	281	700	315	212	527
	6,335	2,525	8,860	5,104	2,162	7,266

	Note	2010	2009
		(Rupees in ‘000)	
35. FINANCE COSTS			
Interest on long-term financing		-	8,789
Interest on Workers’ Profits Participation Fund		3,466	-
Bank charges and commission		4,628	4,574
Loan arrangement fee		12,818	-
Exchange loss		-	40,791
		20,912	54,154

	Note	2010	2009
		(Rupees in '000)	

36. OTHER OPERATING INCOME

	Note	2010	2009
Income from financial assets / liabilities			
Interest/mark-up on loans and advances to employees		104	188
Income from savings and term deposits accounts		616,623	626,589
Dividend income		842	1,898
Provisions no longer required written back		85,290	49,327
Gain on insurance claims - destroyed items		21,054	-
Insurance claims	36.1	4,374	37,977
Liabilities no longer payable written back		59,175	2,099
Gain on revaluation of long-term investments		3,539	-
Exchange gain	36.2	36,616	84,651
Income from non-financial assets			
Gain on sale of scrap		-	6,031
Profit on disposal of fixed assets	5.10	37,941	-
Others		23,337	16,657
		888,895	825,417

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

	2010	2009
- the insurance policies	4,284	1,639
- others	90	36,338
	4,374	37,977

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

37. TAXATION

	2010	2009
	(Rupees in '000)	
Tax charge for:		
- current year	447,577	667,222
- prior years	41,615	4,926
	489,192	672,148
Deferred	(13,470)	107
	475,722	672,255
Taxes paid abroad relating to current year	5,985	9,814
	481,707	682,069

	2010	2009
	(Rupees in '000)	
37.1 Relationship between tax expense and accounting profit		
Accounting profit before tax	1,449,531	2,994,911
Tax rate	35%	35%
Tax on accounting profit	507,336	1,048,219
Tax effect in respect of income / expenses not admissible for calculation of taxable profit	(189)	7,129
Tax effect of lower tax rates on certain incomes:		
- Tax saving due to lower tax rates	(44,371)	(28,704)
- Tax saving due to lower tax rates - subsidiaries profit	(108,699)	(453,811)
- Tax liability under final tax regime	33,469	35,888
	(119,601)	(446,627)
Effect of charging deferred tax on different ratio than current tax	3,634	1,576
Others (including the impact arising as a consequence of change in allocation ratio of revenue chargeable under FTR and non-FTR tax regime)	42,927	58,193
	(73,229)	(379,729)
	434,107	668,490
Tax effects of adjustments in respect of taxes paid abroad	5,985	8,652
Tax effects of adjustments in respect of prior years	41,615	4,927
Tax expense for the year	481,707	682,069

38. EARNINGS PER SHARE

	2010	2009
Profit after taxation attributable to equity holders of the Group	967,484	2,312,641
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	132,063,380	132,063,380
	(Rupees)	
Earnings per share - basic	7.33	17.51

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

	Note	2010	2009
		(Rupees in '000)	
39. CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,449,531	2,994,911
Adjustments for non-cash charges and other items:			
Depreciation		994,772	1,790,586
Amortisation		-	1,649
Profit on disposal of property, plant and equipment		(37,941)	-
Property, plant and equipment written off		259	124
Loss on sale of property, plant and equipment		24,528	163,938
Provision in respect of damage claims		8,838	-
Provision for employees' gratuity		82,936	4,702
Provision for employees' compensated absences		45,421	56,084
Provision for post retirement medical benefits		29,170	12,924
Dividend income		(842)	(1,898)
Liabilities no longer required written back		(59,175)	(2,099)
Provision no longer required written back		(85,290)	(80,096)
Interest / mark-up income		(616,727)	(626,777)
Loan arrangement fee		12,818	8,789
(Gain) / loss on revaluation of investments		(3,539)	17,514
Loss on revaluation of investment properties		-	2,829
Exchange loss on long-term financing		-	37,035
Working capital changes	39.1	4,103,918	(2,163,455)
		5,948,677	2,216,760

39.1 Working capital changes

	2010	2009
(Increase) / decrease in current assets:		
Stores and spares	(91,767)	30,981
Trade debts - net	335,751	(235,023)
Agents' and owners' balances - net	19,350	11,725
Loans and advances	37,989	(37,357)
Deposits and short term prepayments	14,128	(11,725)
Other receivables	63,460	1,096
Incomplete voyages	11,340	(77,259)
Insurance claims	(13,588)	(19,216)
Short term investment	3,900,000	(2,036,853)
	4,276,663	(2,373,631)
(Decrease) / increase in current liabilities:		
Trade and other payables	(172,745)	210,176
	4,103,918	(2,163,455)

40. CASH AND CASH EQUIVALENTS

	Note	2010	2009
Short-term investments	20	1,207,224	1,208,614
Cash and bank balances		1,314,633	2,223,490
		2,521,857	3,432,104

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

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

	Chairman & Chief Executive		Executive Directors/ Directors		Other Executives	
	2010	2009	2010	2009	2010	2009
	(Rupees in '000)					
Managerial remuneration and allowances	2,220	3,978	9,765	8,959	129,838	53,999
Retirement benefits	-	-	294	163	1,577	457
House rent	472	-	1,414	1,234	30,990	15,392
Conveyance	-	-	-	-	864	1,469
Entertainment	10	-	233	238	149	216
Medical	-	-	721	367	1,039	1,246
Utilities	129	199	1,038	894	21,237	9,345
Personal staff subsidy	-	-	18	9	132	63
Club membership fee and expenses	8	-	104	-	-	-
Bonus	420	-	1,680	1,420	19,334	9,293
Other allowances	-	-	1,179	656	89,900	28,244
	3,259	4,177	16,446	13,940	295,060	119,724
Number of persons	2	1	5	4	117	65

41.1 Retirement benefits represent amount contributed towards various retirement benefit plans. The executives of the Group are entitled to retirement benefits as outlined in note 2.15 and 2.16 to these financial statements. The Chairman and Chief Executive, Executive Directors and certain Executives are provided with Group owned and maintained cars.

41.2 The aggregate amount charged in the financial statements for fee to non-executive directors was Rs 0.690 million (2009: Rs 0.590 million).

During the year the former chairman left the Corporation on November 06, 2009 and the incoming chairman joined office on November 07, 2009.

42. FINANCIAL INSTRUMENTS BY CATEGORY

	2010	2009
	(Rupees in '000)	
FINANCIAL ASSETS		
Financial assets at fair value through profit or loss		
Long-term investments - listed companies	26,254	22,615
Loans and receivables		
Long-term loans - employees	1,003	1,384
Trade debts	462,272	798,023
Agents' and owners' balances	1,070	20,420
Deposits	5,305	9,859
Interest / mark-up accrued	1,786	147,214
Other receivables	68,785	123,855
Insurance claims	46,651	33,063
Cash and bank balances	1,314,633	2,223,490
	1,901,505	3,357,308

	2010	2009
	(Rupees in '000)	
Available-for-sale financial assets		
Long-term investments - other entity	100	100
Held to maturity		
Short-term investments	1,207,224	5,108,614
	3,135,083	8,488,637
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables	1,040,391	1,262,042
NET FINANCIAL ASSETS	2,094,692	7,226,594

43 FINANCIAL RISK MANAGEMENT

43.1 Financial risk factors

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

43.1.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter-parties failed completely to perform as contracted. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including trade debts and committed transactions. Out of the total financial assets of Rs 3,135.083 million (2009: Rs 8,500.395 million), the financial assets that are subject to credit risk amounted to Rs 3,107.108 million (2009: Rs 8,447.240 million).

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

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

The sector wise analysis of receivables, comprising trade debts, deposits, loans excluding loans to associates and other receivables is given below:

	2010	2009
	(Rupees in '000)	
Public sector	157,242	713,330
Private sector	585,447	359,794
	742,689	1,073,124

Out of Rs 742.689 million (2009: Rs 1,073.124 million), the Group has provided Rs 201.450 million (2009: Rs 108.770 million) as the amounts being doubtful to be recovered from them.

Due to the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non–performance by these counter parties on their obligations to the Group. Accordingly the credit risk is minimal and the Group also believes that it is not exposed to major concentration of credit risk.

43.1.2 Market Risk

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group faces foreign currency risk on receivable and payable transactions at foreign ports. Foreign currency risks are not covered as a considered management decision, however the Group generates revenue in foreign currency and utilises it in paying its foreign currency based transactions therefore, it is not exposed to major foreign exchange risk.

At June 30, 2010, if the currency had weakened / strengthened by 5% against the US dollar with all other variables held constant, pre-tax profit for the year would have been Rs 18.383 million higher / lower, mainly as a result of foreign exchange gains / losses on translation of US dollar denominated bank balances and bills payables.

Cash flow and fair value interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group has interest bearing assets having fixed maturity and fixed rate of return and no interest bearing liabilities. Therefore, it is not exposed to cash flow and fair value interest rate risk.

Price risk

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

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

43.1.3 Liquidity risk

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

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

All financial assets and financial liabilities shall mature within twelve months except long term investment in listed companies and an other entity and long term loans to employees as mentioned in Notes 9 and 10 to these financial statements.

43.1.4 Fair value of financial instruments

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

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

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

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

The Group's financial assets measured at fair value comprise only of level 1 financial assets amounting to Rs 26.154 million (2009: Rs 22.615 million).

43.1.5 Capital risk management

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

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

The Group is not subject to externally imposed capital requirements.

As at June 30, 2010 and 2009 the Group had surplus cash reserves to meet its requirements and there was no material net debt position.

44. ENTITY WIDE INFORMATION

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

44.2 Information about services

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

44.3 Information about geographical areas

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

44.4 Information about major customers

The Group's revenue from no one customer accounts for 10% or more of the total revenue.

45. RELATED PARTY DISCLOSURES

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

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

	Note	2010	2009
		(Rupees in '000)	
Contribution to Provident Fund		9,334	9,397
Key management personnel compensation		19,704	18,117
Directors' fee		690	590
Freight Income			
Karachi Shipyard and Engineering services - Associate		-	3,950
Investment in Term Deposit Receipts (TDRs)			
JS Bank Limited - Associate	45.1	400,000	400,000
Interest income on TDRs			
JS Bank Limited - Associate	45.1	27,364	72,506
Premium paid on account of medical health insurance			
Allianz EFU Health Insurance Limited - Associate	45.1	26,543	65,471
Premium paid on account of Group Term Insurance of employees			
State Life Insurance Corporation		2,697	1,898

45.1 During the year two Directors have resigned from the Board of the Group w.e.f. November 06, 2009, hence, the transactions disclosed above covers a period from July 2009 to November 2009.

46. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

46.1 The Board of Directors at the meeting held on September 03, 2010 have proposed for the year ended June 30, 2010 cash dividend of Rs 1.5 per share (2009: Rs 3 per share), amounting to Rs 198.095 million (2009: Rs 396.190 million) subject to the approval of the members at the annual general meeting to be held on October 14, 2010. The financial statements for the year ended June 30, 2010 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

47. CORRESPONDING FIGURES

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

Note	From	To	Note	(Rupees in '000)
17	Other receivables	Incomplete voyages	18	4,653

48. GENERAL

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

49. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 03, 2010 by the Board of Directors of the Corporation.

Brig. (R) Rashid Siddiqi
Chairman

Khowaja Obaid Imran Ilyas
Director

REPORT AND ACCOUNTS
OF
PAKISTAN NATIONAL
SHIPPING CORPORATION
(HOLDING COMPANY)

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

FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS
1-C 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, 2010 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

(b) in our opinion-

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change stated in note 2.1.2.1 and 2.1.2.2 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;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and, respectively give a true and fair view of the state of the Corporation's affairs as at June 30, 2009 and of the profit, its changes in equity and cash flows for the year then ended; and

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

A. F. FERGUSON & CO.
Chartered Accountants
Audit Engagement Partner: Khurshid Hasan
Karachi, September 3, 2010

ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Audit Engagement Partner: Riaz A. Rehman Chamdia
Karachi, September 3, 2010

PAKISTAN NATIONAL SHIPPING CORPORATION
BALANCE SHEET
AS AT JUNE 30, 2010

	Note	2010	2009 (Restated)	2008 (Restated)
			(Rupees in '000)	
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	5	1,436,371	1,149,157	1,009,174
Intangible asset	6	-	-	1,649
Investment properties	7	970,926	969,296	969,987
Long-term investments in:				
- Related parties (subsidiaries and an associate)	8	1,558,416	1,558,416	1,558,416
- Listed companies and an other entity	9	26,254	22,715	40,229
		1,584,670	1,581,131	1,598,645
Long-term loans and advances				
-Related parties (subsidiaries)		11,665,738	5,008,387	2,547,661
-Others		668	1,012	1,434
	10	11,666,406	5,009,399	2,549,095
Deferred tax-net	11	36,074	20,655	15,316
		15,694,447	8,729,638	6,143,866
CURRENT ASSETS				
Stores and spares	12	22,788	22,622	16,939
Trade debts	13	193,195	369,276	236,312
Agents' and owners' balances	14	1,070	20,420	32,145
Loans and advances	15	38,863	76,852	39,495
Deposits and short-term prepayments	16	7,085	20,901	9,262
Interest / mark-up accrued		1,780	147,207	65,137
Other receivables	17	22,315	73,288	558,707
Incomplete voyages	18	24,019	10,622	4,674
Insurance claims	19	572	2,859	302
Short-term investments	20	1,207,224	5,108,614	3,113,147
Cash and bank balances	21	1,307,961	2,217,680	3,394,350
		2,826,872	8,070,341	7,470,470
TOTAL ASSETS		18,521,319	16,799,979	13,614,336
EQUITY AND LIABILITIES				
Share capital	22	1,320,634	1,320,634	1,320,634
Reserves	23	5,140,981	4,814,590	4,152,565
		6,461,615	6,135,224	5,473,199
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX	24	671,928	681,027	743,324
NON-CURRENT LIABILITIES				
Deferred liabilities	25	291,288	219,894	208,783
CURRENT LIABILITIES				
Trade and other payables	26	10,904,729	9,387,358	6,588,431
Provision against damage claims	27	39,403	99,810	126,966
Current portion of long-term financing		-	-	245,607
Taxation-net		152,356	276,666	228,026
		11,096,488	9,763,834	7,189,030
TOTAL EQUITY AND LIABILITIES		18,521,319	16,799,979	13,614,336
CONTINGENCIES AND COMMITMENTS	28			

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

Brig. (R) Rashid Siddiqi
Chairman

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees in ‘000)	
REVENUES			
Chartering revenues	29	1,746,675	3,081,497
Services fee	30	240,837	332,585
Rental income		81,110	77,701
		2,068,622	3,491,783
EXPENDITURE			
Fleet expenses - direct	31	951,167	1,916,028
- indirect	32	14,733	16,127
		965,900	1,932,155
GROSS PROFIT		1,102,722	1,559,628
Administrative and general expenses	33	562,693	490,801
Other operating expenses	34	216,283	146,228
Finance costs	35	19,161	48,446
		798,137	685,475
Other operating income	36	834,377	824,149
PROFIT BEFORE TAXATION		1,138,962	1,698,302
Taxation	37	427,429	641,539
PROFIT AFTER TAXATION		711,533	1,056,763
		(Rupees)	
EARNINGS PER SHARE	38	5.39	8.00

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.

Brig. (R) Rashid Siddiqi
Chairman

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010

	Issued, subscribed and paid-up share capital (Note 22)	Capital reserves	Unappropriated profit	Total
	(Rupees in '000)			
Balance as at July 1, 2008 - as previously reported	1,320,634	126,843	3,979,938	5,427,415
Restatement on account of adjustment made in amount allocable to Workers' Profits Participation Fund for prior years (note 4)	-	-	45,784	45,784
Balance as at July 1, 2008 - restated	1,320,634	126,843	4,025,722	5,473,199
Final cash dividend for the year ended June 30, 2008 (Rs 3.1 per ordinary share)	-	-	(409,396)	(409,396)
Total comprehensive income for the year ended June 30, 2009			1,056,763	1,056,763
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity - net of tax	-	-	14,658	14,658
Balance as at June 30, 2009 - restated	1,320,634	126,843	4,687,747	6,135,224
Balance as at July 1, 2009 - restated	1,320,634	126,843	4,687,747	6,135,224
Final cash dividend for the year ended June 30, 2009 (Rs 3 per ordinary share)	-	-	(396,190)	(396,190)
Total comprehensive income for the year ended June 30, 2010			711,533	711,533
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity - net of tax	-	-	11,048	11,048
Balance as at June 30, 2010	1,320,634	126,843	5,014,138	6,461,615

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

Brig. (R) Rashid Siddiqi
Chairman

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010	2009
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	39	6,350,607	2,274,583
Employees' gratuity paid		(31,119)	(1,108)
Employees' compensated absences paid		(39,736)	(41,859)
Post retirement medical benefits paid		(15,278)	(19,632)
Long-term loans and advances		344	422
Finance costs paid		-	(8,789)
Taxes paid		(565,209)	(592,792)
Net cash generated from operating activities		5,699,609	1,610,825
Cash flows from investing activities			
Fixed capital expenditure		(328,692)	(236,050)
Expenditure in 'Investment Properties'		(1,630)	(2,138)
Proceeds from disposal of property, plant and equipment		4,711	9,680
Long-term loans and advances - related party		(6,657,351)	(2,460,726)
Interest / mark-up received		762,154	544,706
Dividend received		842	1,898
Net cash used in investing activities		(6,219,966)	(2,142,630)
Cash flows from financing activities			
Repayment of long-term financing		-	(282,642)
Dividend paid		(390,752)	(403,609)
Net cash used in financing activities		(390,752)	(686,251)
Net decrease in cash and cash equivalents		(911,109)	(1,218,056)
Cash and cash equivalents at the beginning of the year		3,426,294	4,644,350
Cash and cash equivalents at the end of the year	40	2,515,185	3,426,294

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

Brig. (R) Rashid Siddiqi
Chairman

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1. THE CORPORATION AND ITS OPERATIONS

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

The Corporation had applied for delisting from the Lahore Stock Exchange (LSE) in the year 2002. However, at present the matter of delisting from LSE is pending subject to a final decision by the Supreme Court.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance), the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted in Pakistan and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). However, the requirements of the Ordinance and the directives issued by the SECP have been followed where their requirements are not consistent with the requirements of the IFRSs.

2.1.1 Standards, amendments to published approved accounting standards and interpretations becoming effective for the year ended June 30, 2010:

The following standards, interpretations and amendments to existing standards have been published that are mandatory and relevant for the Corporation's accounting period beginning on July 1, 2009.

IAS 1 (revised), 'Presentation of financial statements'. (see note 2.1.2.1)

IFRS 7 (amendment) 'Financial instruments: Disclosures'. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures as given in note 43.1.4 of these financial statements, but does not have an impact on the Corporation's financial position or performance.

IFRS 8, 'Operating segments', replaces IAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Under IFRS 8, operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The management has determined that the Corporation has a single reportable segment as the chief operating decision maker views the Corporation's operations as one reportable segment. The adoption of this standard has therefore only resulted in some additional entity wide disclosures as given in note 44 to these financial statements.

IAS 23 (Amendment), 'Borrowing costs'. (see note 2.1.2.2)

IAS 19 (Amendment), 'Employee benefits' (effective from January 1, 2009).

- The amendment clarifies that a plan amendment that results in a change in the extent to which benefit promises are affected by future salary increases is a curtailment, while an amendment that changes benefits attributable to past service gives rise to a negative past service cost if it results in a reduction in the present value of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the Corporation's financial statements.

- The definition of return on plan assets has been amended to state that plan administration costs are deducted in the calculation of return on plan assets only to the extent that such costs have been excluded from measurement of the defined benefit obligation. Adoption of the amendment is not expected to have any effect on the Corporation's financial statements.

- The distinction between short term and long term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered. The adoption of this amendment will only impact the presentation of the financial statements.

- IAS 37, 'Provisions, contingent liabilities and contingent assets', requires contingent liabilities to be disclosed, not recognised. IAS 19 has been amended to be consistent with IAS 37. Adoption of the amendment is not expected to have any effect on the Corporation's financial statements.

IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). As per the new requirements, disclosures equivalent to those for value-in-use calculation should be made where fair value less costs to sell is calculated on the basis of discounted cash flows. Adoption of the amendment is not expected to have significant effect on the Corporation's financial statements.

IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). It states that a prepayment may only be recognised in the event that prepayment has been made in advance of obtaining right of access to goods or receipt of services. This amendment is not expected to have any effect on the Corporation's financial statements.

IAS 40 (Amendment), 'Investment property' (effective from January 1, 2009). Property that is under construction or development for future use as investment property is within the scope of IAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have an impact on the Corporation's operations, as there are no investment properties that are under construction.

Standards, amendments to published approved accounting standards and interpretations becoming effective for the year ended June 30, 2010 but not relevant:

There are certain new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2009 but are considered not to be relevant or have any significant effect on the Corporation's operations and are, therefore, not disclosed in these financial statements.

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after January 1, 2010:

During the year ended June 30, 2010, the Government of Pakistan (GoP) announced Benazir Employees Stock Option Scheme (BESOS) whereby the GoP has decided to transfer 12% of its shareholding to a separate trust for the purpose of granting share based benefits to the employees of the Corporation.

International Financial Reporting Standard 2 (IFRS-2) 'Share-based Payment" does not specifically address the type of benefits that are payable under BESOS (i.e. Group cash settled share based payment transactions), however, as a result of amendments subsequently introduced in IFRS-2, an entity is also required to recognise all share based cash payments to employees where the entity itself is not required to settle the obligation. These amendments in IFRS-2 are applicable for the accounting periods beginning on or after January 1, 2010 and accordingly the Corporation would be required to consider the accounting implications of BESOS for the purpose of recognition and disclosure in the financial statements for the year ending June 30, 2011.

However, the management of the Corporation contends that in view of its peculiar nature, the requirements of Amended IFRS 2 may not be applicable to BESOS and accordingly, the management has sought an opinion in respect of the subject matter from the Technical Committee of the Institute of Chartered Accountants of Pakistan, being a recognised professional body, the reply to which is, at present, awaited.

IAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The company will apply IAS 1 (amendment) from July 1, 2010. This amendment will not have material impact on the Corporation's financial statements.

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

2.1.2 Changes in accounting policies

2.1.2.1 IAS 1 (revised), 'Presentation of financial statements' prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity. It requires non-owner changes in equity to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Corporation has applied IAS 1 (revised) from July 1, 2009, and has elected to present one performance statement (i.e. the profit and loss account). The adoption of the above standard has an impact only on the presentation of the financial statements.

Further, where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning of the earliest comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period. The Corporation has presented a restated statement of financial position (i.e. balance sheet) as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

2.1.2.2 During the year, the Corporation has changed its accounting policy for borrowing costs as a consequence of amendment in IAS 23 (amendment) ' Borrowing Costs' whereby the allowed alternative method of charging costs directly to profit and loss account is not allowed. In accordance with the revised policy, borrowing costs directly attributable to acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) are capitalised as part of the cost of that asset. Previously, all borrowing costs were charged directly to the profit and loss account. This change has been made to comply with the requirements of IAS 23 (amendment) 'Borrowing costs' which became effective from accounting periods beginning on or after January 1, 2009. This change in policy does not have any impact on these financial statements of the Corporation as it does not have any borrowings related to qualifying assets.

2.2 Basis of preparation

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

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

- Certain investment properties and financial instruments as referred to in notes 2.5 and 2.6.1 respectively have been carried at fair value to comply with the requirements of IAS-40 'Investment Property' and IAS-39 'Financial Instruments: Recognition and Measurement' respectively; and

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

2.3 Fixed assets

2.3.1 Property, plant and equipment

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

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

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.

A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on any asset, in which case the deficit is taken to surplus on revaluation of fixed assets account. Surplus on revaluation cannot be distributed to shareholders until it is transferred to retained earnings. An annual transfer from the surplus on revaluation of fixed assets account to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and the depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets. Upon disposal, any revaluation reserve relating to the particular assets being sold is transferred to retained earnings.

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

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

2.3.2 Capital work-in-progress

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

2.3.3 Intangible assets

An Intangible asset is an identifiable non monetary asset without physical substance. Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Cost in relation to intangible assets presently held by the Corporation includes cost of computer software and other expenses incidental to the purchase of computer software.

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

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

2.4 Impairment of assets

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

2.5 Investment properties

Properties held for long-term rental yields which are significantly rented out by the Corporation are classified as investment properties.

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

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

2.6 Financial instruments

2.6.1 Financial assets

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

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit and loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term (Note 42).

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Various financial assets classified under this category are disclosed in Note 42.

c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories (Note 42).

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are carried at amortised cost (Note 42).

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

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

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

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

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

2.6.2 Impairment

The Corporation assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment testing of trade debts, agents' and owners' balances, deposits and other receivables is described in note 13, 14, 16 and 17 respectively.

2.6.3 Financial liabilities

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

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

2.6.4 Off-setting of financial assets and financial liabilities

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

2.7 Stores and spares

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

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

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

2.8 Trade debts and other receivables

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

2.9 Taxation

2.9.1 Current

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

2.9.2 Deferred

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

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

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

2.10 Insurance claims

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 there against are taken to income when such claims are accepted by the underwriters.

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

2.11 Trade and other payables

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

2.12 Provisions

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

2.13 Dividend and appropriations

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

2.14 Staff retirement benefits

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

2.14.2 Defined benefit gratuity scheme

The Corporation operates a funded retirement gratuity scheme for its permanent employees other than those who joined the Corporation after October 16, 1984. Further, the Corporation also operates an unfunded retirement gratuity scheme for contractual employees. Annual provisions to cover the obligations under the scheme are based on actuarial estimates and are charged to income currently. Actuarial valuations are carried out using the Projected Unit Credit Method.

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

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

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

2.14.3 Post-retirement medical benefits

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

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

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

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’s employees. The Corporation retains the constructive and legal obligation to discharge the liability to its employees. Accordingly, the plan is treated as a defined benefit plan.

2.15 Employees’ compensated absences

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

2.16 Cash and cash equivalents

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

2.17 Foreign currency translation

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

2.18 Revenue recognition

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

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

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

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

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

2.19 Borrowing costs

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of that asset.

2.20 Contingent liabilities

A contingent liability is disclosed when:

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

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

3. CRITICAL ACCOUNTING ESTIMATES 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) Assumptions and estimations in valuation of property, plant and equipment and investment properties (note 5 and 7);

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

(c) Assumptions and estimations in recognition of taxation and deferred tax (note 37 and 11);

(d) Assumptions and estimations in accounting for provision for trade debts (note 13);

(e) Assumptions and estimations in accounting for provision against damage claims (note 27); and

(f) Assumptions and estimations in accounting for defined benefit plans (note 25).

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

4. ADJUSTMENT MADE IN AMOUNT ALLOCABLE TO WORKERS' PROFITS PARTICIPATION FUND FOR PRIOR YEARS

During the current year, the Corporation obtained opinions from its legal advisors who advised that any amount erroneously allocated to Workers' Profits Participation Fund (the Fund) and payments made in this respect in prior years to the fund can be adjusted in subsequent years by making an adjustment from the amount payable on profits for that year. Upto June 30, 2001 total shipping income of the Corporation was considered for the purpose of computation of the amount allocable to the Fund and the amount so determined was allocated and paid to the Fund.

The Corporation had carried out an exercise and determined that upto June 30, 2007 an aggregate of amount of Rs 45.784 million was allocated and paid in excess to the Fund in respect of income from foreign voyages and income from subsidiaries accounted for on the basis of equity method of accounting. Keeping in view the aforementioned opinion of the legal advisors, the Corporation has during the year ended June 30, 2010 adjusted the amount of Rs 45.784 million from the balance payable to the Fund as at June 30, 2009 representing allocation of WPPF made for the years following the year ended June 30, 2007.

The aforesaid change has been applied retrospectively and comparative information has been restated in accordance with International Accounting Standard No. 8 'Accounting Polices, Changes in Accounting Estimates and Error' (IAS-8). Had the Corporation not adjusted the balance payable to the Fund, the amount of trade and other payables would have been higher by Rs 45.784 million and the unappropriated profit as at June 30, 2010 would have been lower by the same amount.

	Note	2010	2009
		(Rupees in '000)	
5. PROPERTY, PLANT AND EQUIPMENT			
- Fixed assets	5.1	767,609	801,558
- Capital work-in-progress	5.8	668,762	347,599
		1,436,371	1,149,157

5.1 The following is a statement of fixed assets:

	Leasehold land (notes 5.2 & 5.3)	Buildings on leasehold land (notes 5.2 & 5.3)	Vessel (note 5.4)	Vehicles	Office equipment	Furniture and fittings	Motor launch and jetty	Equipment on board	Container fittings	Beach huts (note 5.2 & 5.3)	Workshop machinery and equipment (note 5.2 & 5.3)	Computer equipment	Total
	(Rupees in'000)												
As at June 30, 2008													
Cost or revalued amount	644,560	179,857	1,440	66,084	10,407	9,185	18	787	3,468	2,723	13,042	10,401	941,972
Less: accumulated depreciation	-	25,867	1,440	41,898	4,229	3,426	18	553	3,468	-	7,881	4,678	93,458
Net book value	644,560	153,990	-	24,186	6,178	5,759	-	234	-	2,723	5,161	5,723	848,514
Year ended June 30, 2009													
Opening net book value	644,560	153,990	-	24,186	6,178	5,759	-	234	-	2,723	5,161	5,723	848,514
Additions including transfers from CWIP	-	6,895	-	12,934	2,264	2,420	-	-	-	21,534	1,650	1,414	49,111
Loss on revaluation	(37,235)	(6,766)	-	-	-	-	-	-	-	(9,084)	-	-	(53,085)
Disposals / revaluation adjustments													
Cost	-	(8,362)	-	(13,516)	(693)	(5)	-	-	-	(2,021)	-	-	(24,597)
Accumulated depreciation	-	8,362	-	12,761	157	5	-	-	-	2,021	-	-	23,306
	-	-	-	(755)	(536)	-	-	-	-	-	-	-	(1,291)
Write off													
Cost or revalued amount	-	-	-	(656)	-	-	-	-	-	-	(300)	-	(956)
Accumulated depreciation	-	-	-	656	-	-	-	-	-	-	176	-	832
	-	-	-	-	-	-	-	-	-	-	(124)	-	(124)
Depreciation charge for the year	-	(23,170)	-	(11,065)	(1,216)	(975)	-	(118)	-	(2,021)	(738)	(2,264)	(41,567)
Closing net book value	607,325	130,949	-	25,300	6,690	7,204	-	116	-	13,152	5,949	4,873	801,558
As at June 30, 2009													
Cost or revalued amount	607,325	171,624	1,440	64,846	11,978	11,600	18	787	3,468	13,152	14,392	11,815	912,445
Less: accumulated depreciation	-	40,675	1,440	39,546	5,288	4,396	18	671	3,468	-	8,443	6,942	110,887
Net book value	607,325	130,949	-	25,300	6,690	7,204	-	116	-	13,152	5,949	4,873	801,558
Year ended June 30, 2010													
Opening net book value	607,325	130,949	-	25,300	6,690	7,204	-	116	-	13,152	5,949	4,873	801,558
Additions	-	2,243	-	-	1,832	709	-	-	-	-	111	2,634	7,529
Disposals													
Cost	-	(3,213)	-	-	-	-	-	-	-	-	-	-	(3,213)
Accumulated depreciation	-	362	-	-	-	-	-	-	-	-	-	-	362
	-	(2,851)	-	-	-	-	-	-	-	-	-	-	(2,851)
Write off													
Cost	-	-	-	-	-	-	-	-	-	-	1	-	1
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	(1)	-	(1)
	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year	-	(21,477)	-	(8,754)	(1,585)	(1,274)	-	(116)	-	(1,315)	(592)	(3,514)	(38,627)
Closing net book value	607,325	108,864	-	16,546	6,937	6,639	-	-	-	11,837	5,468	3,993	767,609
As at June 30, 2010													
Cost or revalued amount	607,325	170,654	1,440	64,846	13,810	12,309	18	787	3,468	13,152	14,504	14,449	916,762
Less: accumulated depreciation	-	61,790	1,440	48,300	6,873	5,670	18	787	3,468	1,315	9,036	10,456	149,153
Net book value	607,325	108,864	-	16,546	6,937	6,639	-	-	-	11,837	5,468	3,993	767,609
Annual rate of depreciation (%)		3 to 20	4	20	15	10 to 15	10 to 15	10 to 15	15	10	5 to 10	33	

5.2 The revaluation of the 'leasehold land', 'buildings on leasehold land', 'beach huts' and 'workshop machinery and equipment' were carried out as of June 30, 2009 by Pee Dee & Associates on the basis of their professional assessment of present market values. The revaluation resulted in a deficit of Rs 53.085 million on the written down values of Rs 804.511 million which had been incorporated in the books of the Corporation as at June 30, 2009. Out of the total revaluation surplus arisen, Rs 692.352 million (2009: Rs 706.739 million) remains undepreciated at June 30, 2010. However, the deficit on revaluation of buildings arisen during the year 2009 did not include the revaluation effect of PNSC building as it was in rehabilitation stage and renovation was being carried out.

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

	2010	2009
	(Rupees in '000)	
Leasehold land and buildings on leasehold land and beach huts	36,412	45,507
Workshop machinery and equipment	4,730	5,129
	41,142	50,636

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

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

Particulars	Mode of disposal	Cost or revaluation	Accumulated depreciation	Net book value	Sale Proceeds	Gain	Particulars of purchaser
	(Rupees in '000)						
Building on leasehold land							
Air Conditioning Tender Plant		3,213	362	2,851	4,711	1,860	M/S Fahat Khan & Co., L-841, Shireen Jinnah Colony, Block I, Clifton, Karachi
		3,213	362	2,851	4,711	1,860	

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

	Note	2010	2009
		(Rupees in '000)	
Fleet expenses - indirect	32	592	738
Administrative and general expenses	33	38,035	40,829
		38,627	41,567

5.7 The management of the Corporation has revised estimates in respect of useful lives of computer equipment and beach huts and has accordingly revised their useful lives from 4 years to 3 years and 6.67 years to 10 years respectively. Had the subject estimate not been revised the depreciation charge for the year would be lower by Rs 1.591 million and profit before tax would be higher by the Rs 1.591 million.

		2010	2009
5.8	Capital work-in-progress	(Rupees in '000)	
	Buildings on leasehold land	668,762	347,599

6. INTANGIBLE ASSET

	Note	Cost: As at July 1	Cost: Additions	Cost: As at June 30	Accumulated amortisation: As at July 1	Accumulated amortisation: Charge for the year	Accumulated amortisation: As at June 30	Net book value as at June 30	Annual rate of amortisation
		(Rupees in '000)							%
Computer software									
2010	6.1 & 6.2	16,503	-	16,503	16,503	-	16,503	-	20
2009		16,503	-	16,503	14,854	1,649	16,503	-	20

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

6.2 SES was being amortised over the useful life of five years and had been fully amortised during the year ended June 30, 2009, however, it is still in active use.

7. INVESTMENT PROPERTIES	Note	Leasehold land	Buildings on leasehold land	Total
		(Rupees in '000)		
Balance as at July 1, 2008		910,700	59,287	969,987
Additions during the year		-	2,138	2,138
Deficit on revaluation of investment properties	7.1	-	(2,829)	(2,829)
Balance as at June 30, 2009		910,700	58,596	969,296
Balance as at July 1, 2009		910,700	58,596	969,296
Additions during the year		-	1,630	1,630
Balance as at June 30, 2010		910,700	60,226	970,926

7.1 Last revaluation of the Corporation's investment properties was carried out by Pee Dee & Associates as of June 30, 2009 on the basis of their professional assessment of present market values. However, no revaluation gain / loss was assessed in respect of revaluation of leasehold land in investment properties. The management of the Corporation believes that the current market values of the investment properties approximate their fair values.

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

(No. of shares - ordinary) 2010	2009	Name of the company	Country of incorporation	Latest available audited financial statements for the year ended	Percentage holding	Face value per share	2009	2010
						(Rupees)	(Rupees '000)	
(i) Subsidiary companies - unlisted								
10,000,000	10,000,000	Bolan Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	100,000	100,000
9,436,000	9,436,000	Chitral Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	94,360	94,360
5,686,000	5,686,000	Hyderabad Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	56,860	56,860
15,686,000	15,686,000	Islamabad Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	156,860	156,860
36,000	36,000	Johar Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	360	360
7,286,000	7,286,000	Kaghan Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	72,860	72,860
3,354,166	3,354,166	Karachi Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	185,536	185,536
16,736,000	16,736,000	Khairpur Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	167,360	167,360
36,000	36,000	Lahore Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	360	360
14,686,000	14,686,000	Lalazar Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	146,860	146,860
9,486,000	9,486,000	Makran Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	94,860	94,860
4,636,000	4,636,000	Malakand Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	46,360	46,360
6,936,000	6,936,000	Multan Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	69,360	69,360
1,200	1,200	Pakistan Co-operative Ship Stores (Private) Limited	Pakistan	June 30, 2010	55	100	120	120
36,000	36,000	Quetta Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	360	360
6,936,000	6,936,000	Sargodha Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	69,360	69,360
6,786,000	6,786,000	Shalamar Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	67,860	67,860
9,636,000	9,636,000	Sibi Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	96,360	96,360
13,236,000	13,236,000	Swat Shipping (Private) Limited	Pakistan	June 30, 2010	100	10	132,360	132,360
							1,558,416	1,558,416
(ii) Associate - unlisted								
12,250	12,250	Muhammadi Engineering Works Limited	Pakistan	December 31, 1982 (unaudited)	49	100	1,600	1,600
		Less: Accumulated impairment losses					1,600	1,600
							-	-
							1,558,416	1,558,416

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

	2010	2009
	(Rupees in '000)	
Financial assets designated as 'at fair value through profit or loss'		
Listed companies		
6,930 (2009: 6,930) ordinary shares of Rs 10 each fully paid of Siemens (Pakistan) Engineering Company Limited. Market value per share Rs 1,039.56 (2009: Rs 1,018.00 per share)	7,204	7,055
72,828 (2009: 72,828) ordinary shares of Rs 10 each fully paid of Pakistan State Oil Company Limited. Market value per share Rs 260.20 (2009: Rs 213.65)	18,950	15,560
	26,154	22,615
Available for sale financial asset		
Other entity - carried at cost		
10,000 (2009: 10,000) ordinary shares of Rs 10 each of Pakistan Tourism Development Corporation Limited	100	100
	26,254	22,715

	Note	2010	2009
		(Rupees in '000)	
10. LONG-TERM LOANS AND ADVANCES			
Related parties (subsidiaries)	10.1	11,665,738	5,008,387
Others			
Considered good			
Due from employees	10.2	1,003	1,384
Less: recoverable within twelve months	15	335	372
		668	1,012

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

	2010	2009
	(Rupees in '000)	
Quetta Shipping (Private) Limited	4,999,640	5,008,387
Lahore Shipping (Private) Limited	3,399,640	-
Karachi Shipping (Private) Limited	3,266,458	-
	11,665,738	5,008,387

10.2 It comprises of house building and vehicle loans amounting to Rs 0.817 million (2009: Rs 1.058 million) and Rs 0.186 million (2009: Rs 0.326 million) respectively.

10.3 Vehicle loans represent loans to employees for purchase of vehicles and are secured against employees' personal guarantees and charge on vehicles. Such loans are recoverable over 36 or 48 monthly instalments on which interest is being charged at the rate of 11% (2009: 11%) per annum.

10.4 House building loans represent loans to employees for purchase of land, residential accommodation and construction and renovation of houses. These loans are recoverable over 180 monthly installments. An amount of Rs 0.792 million (2009: Rs 0.527 million) is secured against mortgages of the employees' properties. Interest on such loans to officers is charged at various rates while no interest is being charged on loans given to other employees.

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

	Note	2010	2009
		(Rupees in '000)	
11. DEFERRED TAX - NET			
Deductible temporary differences arising in respect of:			
- accelerated depreciation		1,508	1,105
- short-term provisions and deferred liabilities		54,990	45,262
		56,498	46,367
Taxable temporary differences arising in respect of:			
- surplus on revaluation of fixed assets	24	20,424	25,712
		36,074	20,655

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

	Note	2010	2009
		(Rupees in '000)	
12. STORES AND SPARES			
Stores			
- at depot		21,507	20,937
- at buildings		266	283
		21,773	21,220
Spares			
- at buildings		1,015	1,402
		22,788	22,622
13. TRADE DEBTS			
- considered good		193,195	369,276
- considered doubtful		17,596	17,738
		210,791	387,014
Less: Provision for impairment	13.1	17,596	17,738
		193,195	369,276

13.1 Provision for impairment

	2010	2009
Balance at the beginning of the year	17,738	46,005
Amounts reversed	(142)	(28,267)
Balance at the end of the year	17,596	17,738

The ageing analysis of these trade debts is as follows:

	2010	2009
Upto 1 month	122,070	197,084
1 to 6 months	56,449	101,014
More than 6 months	32,272	88,916
	210,791	387,014

As at June 30, 2010, trade receivables of Rs 17.596 million (2009: Rs 17.738 million) were impaired and provided for. These receivable balances are outstanding for more than five years.

	Note	2010	2009
		(Rupees in '000)	
14. AGENTS' AND OWNERS' BALANCES			
Considered good			
- secured		-	14,335
- unsecured		1,070	6,085
		1,070	20,420
Considered doubtful		4,453	18,971
		5,523	39,391
Less: provision for impairment	14.1	4,453	18,971
		1,070	20,420

		2010	2009
		(Rupees in '000)	
14.1 Provision for impairment			
Balance at the beginning of the year		18,971	15,994
Provision made during the year		4,453	2,977
Amounts written off		(18,971)	-
Balance at the end of the year		4,453	18,971

As at June 30, 2010, Agents' and Owners' Balances of Rs 4.453 million (2009: Rs 18.971 million) were impaired and provided for. These receivable balances are outstanding for more than three years.

15. LOANS AND ADVANCES

	Note	2010	2009
		(Rupees in '000)	
Considered good			
Loans:			
Due from employees	10	335	372
Advances to:			
- employees		17,108	17,700
- contractors and suppliers		14,856	53,353
- others		6,564	5,427
		38,863	76,852

16. DEPOSITS AND SHORT TERM PREPAYMENTS

	Note	2010	2009
		(Rupees in '000)	
Deposits			
Trade:			
- considered good		2,218	2,405
- considered doubtful		184	184
		2,402	2,589
Less: provision for impairment - trade		184	184
		2,218	2,405
Others:			
- considered good		3,040	7,407
- considered doubtful		185	185
		3,225	7,592
Less: provision for impairment - others		185	185
		3,040	7,407
Prepayments		1,827	11,089
		7,085	20,901

	Note	2010	2009
		(Rupees in '000)	
17. OTHER RECEIVABLES			
Rent receivable:			
- considered good		4,161	10,376
- considered doubtful		4,359	7,306
		8,520	17,682
Less: provision for impairment of rent receivable	17.1	4,359	7,306
		4,161	10,376
Current account balance with a subsidiary company - unsecured, considered good	17.2	-	34,220
Insurance claimable for destroyed items		-	4,946
Others:			
- considered good	17.3	18,154	23,746
- considered doubtful		8,851	461
		27,005	24,207
Less: provision for impairment of other receivables	17.4	8,851	461
		18,154	23,746
		22,315	73,288

17.1 Provision for impairment of rent receivables

	2010	2009
	(Rupees in '000)	
Balance at the beginning of the year	7,306	7,089
Provision made during the year	33	217
Amounts written off / adjusted	(2,980)	-
Balance at the end of the year	4,359	7,306

The ageing analysis of rent receivables is as follows:

	2010	2009
Upto 1 month	1,085	1,014
1 to 6 months	1,136	781
More than 6 months	6,299	15,887
	8,520	17,682

As at June 30, 2010, rent receivables of Rs 4.359 million (2009: Rs 7.306 million) were impaired and provided for. These receivables are outstanding for more than three years.

17.2 The break-up of current account balance with a subsidiary company is as follows:

	2010	2009
	(Rupees in '000)	
Lahore Shipping (Private) Limited	-	34,220
	-	34,220

The maximum aggregate amount of receivable due from related parties at the end of any month during the year was Rs 160.691 million (2009: Rs 123.542 million).

17.3 This includes amounts receivable from sundry debtors, General Sales Tax refund claims and insurance claims receivables of Rs 2.526 million (2009: Rs 9.149 million), Rs 3.807 million (2009: Rs 12.197 million) and Rs 11.167 million (2009: Rs nil) respectively.

		2010	2009
		(Rupees in '000)	
17.4	**Provision for impairment of other receivables**		
	Balance at the beginning of the year	461	461
	Provision made during the year	8,390	-
	Balance at the end of the year	8,851	461
18.	**INCOMPLETE VOYAGES**		
	Charter hire and related expenses	24,141	10,622
	Less: net freight	122	-
		24,019	10,622

		Note	2010	2009
			(Rupees in '000)	
19.	**INSURANCE CLAIMS**			
	- Considered good		572	2,859
	- Considered doubtful		-	2,492
			572	5,351
	Less: provision for impairment of insurance claims		-	2,492
			572	2,859
19.1	**Provision for impairment of insurance claims**			
	Balance at the beginning of the year		2,492	2,850
	Amounts written off		(2,492)	(358)
	Balance at the end of the year		-	2,492
20.	**SHORT TERM INVESTMENTS**			
	Held to maturity			
	Term deposits with banks having maturity of:			
	- six to twelve months		-	1,100,000
	- three to six months		-	2,800,000
	- three months or less	40	1,207,224	1,208,614
			1,207,224	5,108,614

20.1 The mark-up on term deposits ranges from 11.65% to 12.25% (2009: 7.75% to 17.75%) per annum.

21. CASH AND BANK BALANCES

	Note	2010	2009
		(Rupees in '000)	
Cash at bank:			
- in current accounts			
– local currency		135,090	186,626
– foreign currency		396,080	806,821
		531,170	993,447
- in savings accounts	21.1 & 21.2		
– local currency		773,967	1,209,468
– foreign currency		1,205	14,326
		775,172	1,223,794
Cash in hand		1,619	439
		1,307,961	2,217,680

21.1 The mark-up on savings accounts ranges from 5% to 11.95% (2009: 2.5% to 9%) per annum.

21.2 This includes Rs nil (2009: Rs 13.433 million) and Rs 4.461 million (2009: Rs 4.461 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.

22. SHARE CAPITAL

22.1 Authorised Capital

2010	2009		2010	2009
(No. of shares)			(Rupees in '000)	
200,000,000	200,000,000	Ordinary shares of Rs 10 each	2,000,000	2,000,000

22.2 Issued, subscribed and paid-up capital

2010	2009		2010	2009
(No. of shares)				
24,130,789	24,130,789	Ordinary shares of Rs 10 each issued as fully paid to shareholders of former NSC and PSC in consideration of their shareholdings in those companies	241,308	241,308
25,900,000	25,900,000	Ordinary shares of Rs 10 each issued as fully paid to the Government of Pakistan (GoP) for cash received in 1985	259,000	259,000
64,309,800	64,309,800	Ordinary shares of Rs 10 each issued as fully paid to the GoP on financial restructuring of the Corporation in the year 1989-90	643,098	643,098
17,722,791	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

22.3 As at June 30, 2010 GoP held 103,581,917 (2009: 117,706,724) ordinary shares of the Corporation. As referred in note 2.1.1 during the year 12% shareholding of GoP is transferred to a separate trust under Benazir Employees' Stock Option Scheme.

		Note	2010	2009 (Restated)	2008 (Restated)
23.	RESERVES			(Rupees in '000)	
	Capital reserves	23.1	126,843	126,843	126,843
	Revenue reserves (including unappropriated profit)		5,014,138	4,687,747	4,025,722
			5,140,981	4,814,590	4,152,565

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

		Note	2010	2009
24.	SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX		(Rupees in '000)	
	As at July 1		706,739	779,397
	Deficit arising on revaluation of fixed assets during the year		-	(53,085)
			706,739	726,312
	Less: transferred to unappropriated profit:			
	Surplus relating to incremental depreciation charged on related assets - net of tax		11,048	14,658
	Related deferred tax liability		3,339	4,915
			14,387	19,573
			692,352	706,739
	Less: Related deferred tax liability on:			
	- Revaluation as at July 1		25,712	36,073
	- Deficit arising on revaluation of fixed assets during the year		-	(3,980)
	- Incremental depreciation charged during the year on related assets transferred to profit and loss account		(3,339)	(4,915)
	- Effect of allocation of revenue between FTR and NTR		(1,949)	(1,466)
		11	20,424	25,712
	As at June 30		671,928	681,027
25.	DEFERRED LIABILITIES			
	Employees' gratuity			
	- funded	25.1.3	56,156	8,521
	- unfunded	25.1.3	15,328	11,146
			71,484	19,667
	Post retirement medical benefits	25.1.3	93,937	80,045
	Employees' compensated absences	25.2.3	125,867	120,182
			291,288	219,894

25.1 Retirement benefit schemes

25.1.1 As stated in notes 2.14.2 and 2.14.3 of these financial statements, the Corporation operates a funded retirement gratuity scheme for permanent employees other than those who joined the Corporation after October 16, 1984, an unfunded retirement gratuity scheme for contractual employees and an unfunded post retirement medical benefit scheme for all the employees. Liability is maintained against these schemes based on the actuarial recommendations. Actuarial valuation of these benefits are carried out at least once in every two years and the latest valuations were carried out as at June 30, 2010 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the defined benefit obligation schemes:

	2010		2009	
	Employees' gratuity (funded and unfunded)	Post retirement medical benefits	Employees' gratuity (funded and unfunded)	Post retirement medical benefits
Discount rate	13%	13%	12%	12%
Increase in salary	11%	N/A	10%	N/A
Rate of return on plan assets	13%	N/A	12%	N/A
Medical escalation rate	N/A	10%	N/A	9%
Death rates	based on LIC (1975-79) Ultimate mortality tables.			

25.1.2 The disclosures made in notes 25.1.3 to 25.1.12 are based on the information included in the actuarial valuation report as of June 30, 2010.

25.1.3 Balance sheet reconciliation

	2010			2009		
	Employees' gratuity Funded	Employees' gratuity Unfunded	Post retirement medical benefits	Employees' gratuity Funded	Employees' gratuity Unfunded	Post etirement medical benefits
	(Rupees in '000)					
Present value of defined benefit obligation	261,670	21,845	103,452	288,787	12,176	95,987
Fair value of plan assets (note 25.1.8)	(221,806)	-	-	(219,846)	-	-
	39,864	21,845	103,452	68,941	12,176	95,987
Unrecognised net actuarial gain / (loss)	16,292	(6,517)	(9,515)	(60,420)	(1,030)	(15,942)
Recognised Liability	56,156	15,328	93,937	8,521	11,146	80,045

25.1.4 Movement in present value of defined benefit obligation

As at July 1	288,787	12,176	95,987	235,540	6,977	87,407
Current service cost	8,936	2,750	2,403	7,636	4,374	2,347
Interest cost	32,014	1,521	10,825	26,615	903	9,923
Actuarial (gain) / loss	(16,279)	6,517	9,515	65,523	1,030	15,942
Benefits paid	(51,788)	(1,119)	(15,278)	(46,527)	(1,108)	(19,632)
As at June 30	261,670	21,845	103,452	288,787	12,176	95,987

25.1.5 Movement in fair value of plan assets

As at July 1	219,846	-	-	235,159	-	-
Expected return on plan assets	23,735	-	-	26,111	-	-
Contribution	30,000	-	-	-	-	-
Actuarial gain	13	-	-	5,103	-	-
Benefits paid	(51,788)	-	-	(46,527)	-	-
As at June 30	221,806	-	-	219,846	-	-

25.1.6 Expenses

Current service cost	8,936	2,750	2,403	7,636	4,374	2,347
Interest cost	32,014	1,521	10,825	26,615	903	9,923
Expected return on plan assets	(23,735)	-	-	(26,111)	-	-
Recognition of actuarial loss / (gain)	60,420	1,030	15,942	(9,800)	1,085	654
	77,635	5,301	29,170	(1,660)	6,362	12,924
Less: charged to subsidiaries	3,396	783	946	(99)	2,602	546
Expenses	74,239	4,518	28,224	(1,561)	3,760	12,378

25.1.7 Actual return on plan assets

Expected return on plan assets	23,735	-	-	26,111	-	-
Actuarial gain on plan assets	13	-	-	5,103	-	-
Actual return on plan assets	23,748	-	-	31,214	-	-

25.1.8 Plan assets comprise of investment and cash at bank aggregating to Rs 221.806 million (2009: Rs 219.846 million).

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

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

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

Employee gratuity	2010	2009	2008	2007	2006
	(Rupees in '000)				
Present value of defined benefit obligation	283,515	300,963	242,517	246,776	223,611
Fair value of plan assets	(221,806)	(219,846)	(235,159)	-	-
Deficit	61,709	81,117	7,358	246,776	223,611
Experience (gain) / loss on defined benefit obligation	(9,762)	66,553	(11,067)	41,022	4,679
Experience gain / (loss) on plan assets	13	5,103	(2,352)	-	-
Post retirement medical benefits					
Present value of defined benefit obligation	103,452	95,987	87,407	84,594	76,674
Experience adjustment on defined benefit obligation	9,515	15,942	654	1,981	(9,800)

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

	One percentage point increase	One percentage point decrease
	(Rupees in '000)	
Effect on aggregate service cost and interest cost	395	(375)
Effect on defined benefit obligation	2,957	(2,797)

25.2 Employees' compensated absences

25.2.1 As stated in note 2.15, the Corporation operates an employees' compensated absences scheme. Provision is maintained against this scheme based on the actuarial recommendations. Actuarial valuation is carried out at least once in every two years and the latest valuation was carried out as at June 30, 2010 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the scheme:

	2010	2009
Discount rate	13%	12%
Increase in salary	11%	10%

25.2.2 The disclosures made in notes 25.2.3 to 25.2.7 are based on the information included in the actuarial valuation as of June 30, 2010.

25.2.3 Balance sheet reconciliation

	2010	2009
	(Rupees in '000)	
Present value of defined benefit obligation (recognised)	125,867	120,182

25.2.4 Movement in present value of defined benefit obligation

As at July 1	120,182	105,957
Current service cost	30,758	26,654
Interest cost	14,838	13,323
Actuarial (gain) / loss	(175)	16,107
Benefits paid	(39,736)	(41,859)
As at June 30	125,867	120,182

25.2.5 Expenses

Current service cost	30,758	26,654
Interest cost	14,838	13,323
Recognition of actuarial (gain) / loss	(175)	16,107
	45,421	56,084
Less: charged to subsidiaries	1,445	2,260
Expense	43,976	53,824

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

	2010	2009	2008	2007	2006
	(Rupees in '000)				
Present value of defined benefit obligation	125,867	120,182	105,957	108,710	94,144

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

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

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

	Rupees in '000
Gratuity	10,776
Post retirement medical benefits	24,702
Compensated absences	51,570

25.4 During the year the Corporation contributed Rs 9.334 million (2009: 9.397 million) to the provident fund.

	Note	2010	2009 (Restated)	2008 (Restated)
26. TRADE AND OTHER PAYABLES			(Rupees in '000)	
Creditors		21,816	140,866	53,634
Current account balances with subsidiary companies	26.1	10,354,326	8,716,731	5,986,233
Agents' and owners' balances		114,232	132,335	97,614
Accrued liabilities		213,303	198,943	205,390
Deposits	26.2	23,257	32,811	26,318
Workers' Profits Participation Fund	26.3	50,194	58,252	39,545
Unclaimed dividends		22,380	16,942	11,155
Other liabilities				
- freight		15,301	31,317	121,380
- amounts retained from contractors		28,022	19,070	8,134
- others		61,898	40,091	39,028
		105,221	90,478	168,542
		10,904,729	9,387,358	6,588,431

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

	2010	2009
	(Rupees in '000)	
Bolan Shipping (Private) Limited	576,380	441,537
Chitral Shipping (Private) Limited	655,289	530,402
Hyderabad Shipping (Private) Limited	816,792	827,226
Islamabad Shipping (Private) Limited	427,991	339,643
Kaghan Shipping (Private) Limited	927,590	772,048
Khairpur Shipping (Private) Limited	449,708	247,286
Makran Shipping (Private) Limited	320,386	8,782
Malakand Shipping (Private) Limited	764,397	771,611
Multan Shipping (Private) Limited	560,018	531,699
Sargodha Shipping (Private) Limited	65,316	155,423
Sibi Shipping (Private) Limited	365,078	375,064
Shalamar Shipping (Private) Limited	1,495,403	1,495,726
Swat Shipping (Private) Limited	442,313	192,818
Lalazar Shipping (Private) Limited	799,926	812,762
Johar Shipping (Private) Limited	587,194	603,033
Lahore Shipping (Private) Limited	102,439	-
Karachi Shipping (Private) Limited	186,214	162,591
Quetta Shipping (Private) Limited	811,892	449,080
	10,354,326	8,716,731

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

	Note	2010	2009 (Restated)	2008 (Restated)
			(Rupees in '000)	
26.3 Workers' Profits Participation Fund				
As at July 1	4	58,252	39,545	12,756
Allocation for the year	34	50,194	53,707	51,789
Interest on fund utilised during the year		3,466	-	-
		111,912	93,252	64,545
Less: payments made during the year		61,718	35,000	25,000
As at June 30		50,194	58,252	39,545

	2010	2009
	(Rupees in '000)	
27. PROVISION AGAINST DAMAGE CLAIMS		
As at July 1	99,810	126,966
Charge during the year	8,838	-
Reversal during the year	(69,245)	(27,156)
As at June 30	39,403	99,810

28. CONTINGENCIES AND COMMITMENTS

Contingencies

28.1 Amount in respect of claims not admitted by the Corporation as at June 30, 2009 aggregate to Rs 228.182 million (2009:

Rs 247.213 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 13.685 million (2009: Rs 14.313 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 112.901 million (2009: Rs 71.832 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 39.403 million (2009: Rs 99.810 million) against the aforementioned claims in these financial statements (note 27).

28.2 The Corporation has not accepted liability in respect of customs duty approximating Rs 2.500 million (2009: Rs 2.500 million) relating to the sale of the vessel M.V. Bhambore during the year ended June 30, 1978. The duty was claimed from the Corporation and the matter has been taken up with the appropriate Government agencies.

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

Following the Supreme Court's adjudication of the East & West Steamship Company's matter in favour of the former owners, the Government provisionally assessed additional compensation due to the former owners at approximately Rs 97.012 million (2009: 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 (2009: Rs 1.300 million and Rs 66.800 million) respectively.

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

28.4 While framing the tax assessment for the income year ended June 30, 1990, the assessing officer had made an addition to income of Rs 3,974.455 million, being the remission of liabilities due to the Federal Government under the scheme of financial restructuring of the Corporation. The resultant tax liability including additional taxes for late payment of tax amounted to Rs 1,293.694 million, part of which was paid by the Corporation and the remaining amount of Rs 1,233.694 million was directly discharged at source by the Federal Government. During the year ended June 30, 2002, the ITAT had given its decision in favour of the Corporation on the appeal filed against the above order. However, the department filed an appeal with the Honourable High Court against the order of ITAT. The Honourable High Court has decided the said appeal against the Corporation. The leave to appeal filed by the Corporation has been accepted by the Honourable Supreme Court and suspended the decision of Honourable High Court. The Honourable Supreme Court will hear the appeal in due course.

28.5 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.

28.6 In respect of a matter disclosed in note 28.6 to the last annual financial statements, during the year ended June 30, 2010, Taxation Officer (TO) has rectified certain mistakes in tax computation and has issued revised assessment orders in respect of tax years 2003, 2005, 2006 and 2007. According to these revised assessment orders the tax demand has been reduced to Rs 298.208 million. The Corporation had already paid Rs 180 million during the year ended June 30, 2009, whereas the balance amount of Rs 118.208 million has been paid during the current year in respect of these assessment orders. Nonetheless, the Corporation is contesting appeal filed with the Income Tax Appellate Tribunal (ITAT) in respect of the matters upheld by Commissioner of Income Tax (Appeals) and is confident that the subject matter in respect of tax years 2003, 2005, 2006 and 2007 shall eventually be decided in favour of the Corporation.

28.7 Commitments in respect of capital expenditure amount to Rs 171.730 million (2009: Rs 358.135 million).

28.8 Outstanding letters of guarantee amount to Rs 4.461 million (2009: Rs 17.927 million).

28.9 Commitments in respect of loan arrangement fee amount to Rs 115.362 million (2009: Rs Nil).

	Note	2010	2009
		(Rupees in '000)	
29. CHARTERING REVENUES			
Foreign flag vessels:			
Voyage charter revenue		524,205	1,436,073
Slot charter revenue		1,222,470	1,645,424
		1,746,675	3,081,497
30. SERVICES FEE			
Technical and commercial services fee		180,628	249,439
Administrative and financial services fee		60,209	83,146
		240,837	332,585
31. FLEET EXPENSES - DIRECT			
Charter hire and related expenses	31.1	937,105	1,904,096
Claims		1,669	942
Exchange loss		12,393	10,990
		951,167	1,916,028
31.1 Charter, hire and related expenses			
Foreign flag vessels:			
- Voyage charter expenses		434,759	1,258,381
- Slot charter expenses		502,346	645,715
		937,105	1,904,096
32. FLEET EXPENSES - INDIRECT			
Conference establishment expenses		309	1,061
Salaries and allowances - regional offices	32.1	5,033	4,736
Agents' and other general expenses	32.2	8,169	8,984
Depreciation	5.6	592	738
General establishment expenses - regional offices		630	608
		14,733	16,127

32.1 This includes Rs 0.221 million (2009: Rs 0.227 million) in respect of provident fund contribution.

	Note	2010	2009
32.2 Agents' and other general expenses		(Rupees in '000)	
Legal fees and charges		-	322
Printing and stationery		114	273
Advertisement and publicity		2,850	2,871
Telephone, telex and postage		4,871	5,128
Bank charges and commission		299	365
Other miscellaneous expenses		35	25
		8,169	8,984

33. ADMINISTRATIVE AND GENERAL EXPENSES

	Note	2010	2009
Salaries and allowances	33.1	347,254	299,348
General establishment expenses	33.2	126,203	118,214
Rent, rates and taxes	33.3	14,117	11,836
Scholarship and training expenses		514	1,265
Insurance	33.3	5,146	3,935
Depreciation	5.6	38,035	40,829
Amortisation	6	-	1,649
Directors' fee		690	590
Legal and professional charges		17,858	9,941
Provision for doubtful debts against other receivables and agents' and owners' balances		12,876	3,194
		562,693	490,801

33.1 This includes Rs 9.113 million (2009: Rs 9.170 million) in respect of provident fund contribution.

	Note	2010	2009
		(Rupees in '000)	
33.2 General establishment expenses			
Repairs and maintenance	33.3	15,015	11,557
Medical cost		14,606	884
Medical insurance		19,371	41,178
Contribution to employees welfare fund		9	10
Contribution to group term insurance		1,723	1,898
Hajj expenses		925	-
Security charges		4,324	3,290
Travelling and conveyance		7,577	6,164
Entertainment and canteen subsidy		2,346	3,108
Books, periodicals and subscriptions		3,484	3,347
Uniform and liveries		731	494
Printing and stationery		3,940	4,017
Telephone, telex and postage		6,632	5,394
Light, power and water		11,546	10,285
Computer expenses		6,338	6,764
Advertisement and publicity		4,510	2,787
Vehicle running and repairs		11,400	11,271
Ship inspection expenses		6,094	395
Sundry expenses		5,632	5,371
		126,203	118,214

33.3 This includes repairs and maintenance of Rs 4.962 million (2009: Rs 2.612 million), rent, rates and taxes of Rs 3.626 million (2009: Rs 4.074 million) and insurance of Rs 0.325 million (2009: Rs 0.136 million) in respect of investment property.

34. OTHER OPERATING EXPENSES

	Note	2010	2009
		(Rupees in '000)	
Workers' Profits Participation Fund	26.3	50,194	53,707
Donations	34.1	3,000	25
Auditors' remuneration	34.2	3,294	3,628
Employees' gratuity			
- funded	25.1.6	74,239	(1,561)
- unfunded	25.1.6	4,518	3,760
		78,757	2,199
Post retirement medical benefits	25.1.6	28,224	12,378
Employees' compensated absences	25.2.5	43,976	53,824
Fixed assets written off	5.1	-	124
Loss on revaluation of long-term investments in listed companies	9	-	17,514
Loss on revaluation of investment properties		-	2,829
Provision in respect of damage claims		8,838	-
		216,283	146,228

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

34.2 Auditors' remuneration

	2010			2009		
	A. F. Ferguson & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total	A. F. Ferguson & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total
	(Rupees in '000)					
Audit fee						
- current year	633	633	1,266	550	550	1,100
Fee for review of half yearly financial statements	265	265	530	230	230	460
Fee for review of statement of compliance with best practices of the code of corporate governance	66	66	132	58	58	116
Fee for audit of consolidated financial statements	80	80	160	70	70	140
Tax advisory services fee	810	-	810	1,499	-	1,499
Out of pocket expenses	218	178	396	178	135	313
	2,072	1,222	3,294	2,585	1,043	3,628

		Note	2010	2009
35.	FINANCE COSTS		(Rupees in ‘000)	
	Interest on long-term financing		-	8,789
	Interest on Workers’ Profits Participation Fund	26.3	3,466	-
	Bank charges		2,877	2,622
	Loan arrangement fee		12,818	-
	Exchange loss on long-term financing		-	37,035
			19,161	48,446

		Note	2010	2009
36.	OTHER OPERATING INCOME		(Rupees in ‘000)	
	Income from financial assets / liabilities			
	Interest / mark-up on loans and advances to employees		104	188
	Income from saving and term deposits		616,623	626,588
	Gain on insurance claims - destroyed items		21,054	-
	Dividend income		842	1,898
	Insurance claims	36.1	1,282	32,534
	Exchange gain	36.2	36,572	84,488
	Gain on revaluation of long-term investments		3,539	-
	Liabilities no longer payable written back		59,175	2,099
	Income from non-financial assets			
	Gain on sale of scrap		-	6,031
	Profit on disposal of fixed assets	5.5	1,860	8,389
	Provisions no longer required written back		71,052	46,583
	Sundries		22,274	15,351
			834,377	824,149

		Note	2010	2009
			(Rupees in ‘000)	
36.1	This represents recoveries from hull, cargo and other claims according to:			
	- the insurance policies		1,282	384
	- others		-	32,150
			1,282	32,534

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

		2010	2009
37.	TAXATION	(Rupees in ‘000)	
	Tax charge for:		
	- current year	422,073	639,257
	- prior years	18,723	-
		440,796	639,257
	Deferred	(13,470)	107
		427,326	639,364
	Taxes paid abroad relating to current year	103	2,175
		427,429	641,539

	2010	2009
	(Rupees in '000)	
37.1 Relationship between tax expense and accounting profit		
Accounting profit before tax	1,138,962	1,698,302
Tax rate	35%	35%
Tax on accounting profit	398,637	594,406
Tax effect in respect of income / expenses not admissible for calculation of taxable profit	(189)	7,129
Effect of charging deferred tax on different ratio than current tax	3,634	1,576
Tax effect of lower tax rates on certain incomes:		
- Tax saving due to lower tax rates	(44,371)	(28,704)
- Tax liability under final tax regime	8,160	7,925
	(36,211)	(20,779)
Others (including the impact arising as a consequence of change in allocation ratio of revenue chargeable under FTR and non-FTR tax regime)	42,804	58,194
	10,038	46,120
	408,675	640,526
Tax effects of adjustments in respect of taxes paid abroad	31	1,013
Tax effects of adjustments in respect of prior years	18,723	-
Tax expense for the year	427,429	641,539

38. EARNINGS PER SHARE

	2010	2009
Profit after taxation attributable to ordinary shareholders	711,533	1,056,763
	(Number of shares)	
Weighted average ordinary shares in issue during the year	132,063,380	132,063,380
	(Rupees)	
Earnings per share - basic	5.39	8.00

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

	Note	2010	2009
		(Rupees in '000)	
39. CASH GENERATED FROM OPERATIONS			
Profit before taxation		1,138,962	1,698,302
Adjustments for non-cash charges and other items:			
Depreciation	5.6	38,627	41,567
Amortisation	6	-	1,649
Profit on disposal of fixed assets		(1,860)	(8,389)
Fixed assets written off		-	124
Provision in respect of damage claims		8,838	-
Provision for employees' gratuity	25.1.6	78,757	2,199
Provision for employees' compensated absences	25.2.5	43,976	53,824
Provision for post retirement medical benefits	25.1.6	28,224	12,378
Dividend income		(842)	(1,898)
Provision for impairment on doubtful receivables		12,876	-
Provision reversed in respect of trade debts		(142)	-
Provisions no longer required written back		(71,052)	(55,781)
Liabilities no longer payable written back		(59,175)	(2,099)
Interest / mark-up income		(616,727)	(626,776)
Interest / mark-up expense		-	8,789
Loan arrangement fee		12,818	-
(Gain) / loss on revaluation of long-term investments		(3,539)	17,514
Loss on revaluation of investment properties		-	2,829
Exchange loss on long-term financing		-	37,035
Working capital changes	39.1	5,740,866	1,093,316
		6,350,607	2,274,583

39.1 Working capital changes

	2010	2009
Decrease / (increase) in current assets		
Stores and spares	(166)	(5,683)
Trade debts	176,223	(104,697)
Agents' and owners' balances	14,897	11,725
Loans and advances	37,989	(37,357)
Deposits and short-term prepayments	13,816	(11,639)
Other receivables	42,550	480,766
Incomplete voyages	(13,397)	(1,295)
Insurance claims	2,287	(2,199)
Short term investments	3,900,000	(2,036,853)
	4,174,199	(1,707,232)
Increase in current liabilities		
Trade and other payables	1,566,667	2,800,548
	5,740,866	1,093,316

	Note	2010	2009
		(Rupees in '000)	
40. CASH AND CASH EQUIVALENTS			
Short-term investments	20	1,207,224	1,208,614
Cash and bank balances	21	1,307,961	2,217,680
		2,515,185	3,426,294

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

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

	Chairman & Chief Executive		Executive Directors/ Directors		Other Executives	
	2010	2009	2010	2009	2010	2009
	(Rupees in '000)					
Managerial remuneration and allowances	2,220	3,978	9,765	8,959	129,838	53,999
Retirement benefits	-	-	294	163	1,577	457
House rent	472	-	1,414	1,234	30,990	15,392
Conveyance	-	-	-	-	864	1,469
Entertainment	10	-	233	238	149	216
Medical	-	-	721	367	1,039	1,246
Utilities	129	199	1,038	894	21,237	9,345
Personal staff subsidy	-	-	18	9	132	63
Club membership fee and expenses	8	-	104	-	-	-
Bonus	420	-	1,680	1,420	19,334	9,293
Other allowances	-	-	1,179	656	89,900	28,244
	3,259	4,177	16,446	13,940	295,060	119,724
Number of persons	2	1	5	4	117	65

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

41.2 The aggregate amount charged in the financial statements for fee to non-executive directors was Rs 0.690 million (2009: Rs 0.590 million).

41.3 During the year the former chairman left the Corporation on November 06, 2009 and the incoming chairman joined office on November 07, 2009.

42. FINANCIAL INSTRUMENTS BY CATEGORY	2010	2009
	(Rupees in '000)	
FINANCIAL ASSETS		
Financial assets at fair value through profit or loss		
Long-term investments - listed companies	26,254	22,615
Loans and receivables		
Long-term loans - employees	1,003	1,384
Long-term loans and advances to related parties	11,665,738	5,008,387
Trade debts	193,195	369,276
Agents' and owners' balances	1,070	20,420
Deposits	5,258	9,812
Interest / mark-up accrued	1,780	147,207
Other receivables	18,508	61,091
Insurance claims	572	2,859
Cash and bank balances	1,307,961	2,217,680
	13,195,085	7,838,116
Held to maturity		
Short-term investments	1,207,224	5,108,614
Available-for-sale financial assets		
Long-term investments - other entity	100	100
	14,428,663	12,969,445
FINANCIAL LIABILITIES		
Financial liabilities at amortised cost		
Trade and other payables	(10,854,535)	(9,329,106)
NET FINANCIAL ASSETS	3,574,128	3,640,339

43. FINANCIAL RISK MANAGEMENT

43.1 Financial risk factors

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

43.1.1 Concentration of credit risk

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

As at June 30, 2010, out of the total financial assets of Rs 14,428.663 million (2009: 12,969.445 million) the financial assets which are subject to credit risk amounted to Rs 14,400.690 million (2009: 12,946.291 million). The management of the Corporation believes that it is not exposed to major concentration of credit risk.

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

A significant component of the receivable balances of the Corporation relates to amounts due from the Private Sector organisations. Due to the Corporation's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non–performance by these counter parties on their obligations to the Corporation. The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. The sector wise analysis of receivables, comprising trade debts, agents' and owners' balances, deposits and other receivables is given below:

	2010	2009
	(Rupees in '000)	
Public Sector	112,148	382,901
Private Sector	145,318	100,520
	257,466	483,421

Out of Rs 257.466 million (2009: 483.421 million), the Corporation has provided Rs 35.628 million (2009: 44.845 million) as the amounts being doubtful to be recovered from them.

43.1.2 Market risk

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The corporation faces foreign currency risk on receivable and payable transactions at foreign ports. Foreign currency risks are not covered as a considered management decision, however, in case of revenue in foreign currency the related cash flows are utilised in paying foreign currency based transactions, therefore, it is not exposed to major foreign exchange risk.

As at June 30, 2010, if the currency had weakened / strengthened by 5% against the US dollar with all other variables held constant, pre-tax profit for the year would have been Rs 11.507 million (2009: Rs 33.815 million) higher / lower, mainly as a result of foreign exchange gains / losses on translation of US dollar denominated assets and liabilities.

Cash flow and fair value interest rate risk

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

The Corporation has interest bearing assets having fixed maturity and fixed rate of return and no interest bearing liabilities. Accordingly, the Corporation is not exposed to cash flow and fair value interest rate risk.

Price risk

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

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

43.1.3 Liquidity risk

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

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

All financial assets and financial liabilities shall mature within twelve months except long term investments in listed companies and an other entity and long term loans to employees to others as mentioned in notes 9 and 10 to these financial statements.

43.1.4 Fair value of financial instruments

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

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

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

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

The Corporation's financial assets measured at fair value comprise only of level 1 financial assets amounting to Rs 26.154 million (2009: Rs 22.615 million).

43.2 Capital risk management

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

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

The Corporation is not subject to externally imposed capital requirements.

As at June 30, 2010 and 2009 the Corporation had surplus cash reserves to meet its requirement and there was no material net debt position.

44. ENTITY WIDE INFORMATION

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

44.2 Information about services

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

	2010	2009
Transportation of dry cargo	1,222,470	1,645,424
Transportation of liquid cargo	524,205	1,436,073
	1,746,675	3,081,497

44.3 Information about geographical areas

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

44.4 Information about major customers

The Corporation's revenue from no one customer accounts for 10% or more of the total revenue.

45. RELATED PARTY DISCLOSURES

The Corporation has related party relationships with its subsidiaries, associate, employee benefit plans and its directors and executive officers (including their associates). Transactions with related parties essentially entail investments made in subsidiary companies, dividend income received from related investee companies, freight income and chartering revenue recovered, services fee charged on account of rendering of technical, commercial, administrative and financial services, expenses charged to subsidiary companies on actual cost basis etc. Service fee charges on account of rendering of technical, commercial, administrative and financial services is charged to subsidiary companies and related parties on the basis of mutually agreed terms. Balances with related parties have been disclosed in notes 17.2 and 26.1 to these financial statements. Particulars of remuneration to key management personnel are disclosed in note 41 of these financial statements. Investments in related parties and long-term loans and advances to related parties are disclosed innote 8 and 10 of these financial statements.

Related party	Relationship with the Corporation	2010	2009
		(Rupees in '000)	
Service fee charged			
Bolan Shipping (Private) Limited	Subsidiary	19,885	12,477
Chitral Shipping (Private) Limited	Subsidiary	2,540	14,333
Hyderabad Shipping (Private) Limited	Subsidiary	-	12,464
Islamabad Shipping (Private) Limited	Subsidiary	15,265	6,278
Johar Shipping (Private) Limited	Subsidiary	31,865	48,576
Kaghan Shipping (Private) Limited	Subsidiary	19,762	52,748
Karachi Shipping (Private) Limited	Subsidiary	10,299	-
Khairpur Shipping (Private) Limited	Subsidiary	11,192	15,146
Lahore Shipping (Private) Limited	Subsidiary	17,306	-
Lalazar Shipping (Private) Limited	Subsidiary	-	36,290
Makran Shipping (Private) Limited	Subsidiary	6,410	12,334
Malakand Shipping (Private) Limited	Subsidiary	-	9,187
Multan Shipping (Private) Limited	Subsidiary	11,516	14,023
Quetta Shipping (Private) Limited	Subsidiary	46,338	53,573
Sargodha Shipping (Private) Limited	Subsidiary	6,633	17,049
Sibi Shipping (Private) Limited	Subsidiary	-	10,240
Swat Shipping (Private) Limited	Subsidiary	41,826	17,867
		240,837	332,585

Related party	Relationship with the Corporation	2010	2009
		(Rupees in '000)	
Rental expense			
Pakistan Co-operative Ship Stores (Private) Limited	Subsidiary	547	332
Transfer of stores and spares			
Bolan Shipping (Private) Limited	Subsidiary	1,124	2,080
Chitral Shipping (Private) Limited	Subsidiary	41	1,554
Hyderabad Shipping (Private) Limited	Subsidiary	-	1,563
Islamabad Shipping (Private) Limited	Subsidiary	1,991	1,744
Johar Shipping (Private) Limited	Subsidiary	2,803	1,934
Kaghan Shipping (Private) Limited	Subsidiary	66	720
Karachi Shipping (Private) Limited	Subsidiary	420	-
Khairpur Shipping (Private) Limited	Subsidiary	951	1,509
Lahore Shipping (Private) Limited	Subsidiary	1,671	-
Lalazar Shipping (Private) Limited	Subsidiary	-	1,346
Makran Shipping (Private) Limited	Subsidiary	152	1,304
Malakand Shipping (Private) Limited	Subsidiary	-	102
Multan Shipping (Private) Limited	Subsidiary	2,127	283
Sargodha Shipping (Private) Limited	Subsidiary	3,228	1,520
Sibi Shipping (Private) Limited	Subsidiary	-	61
Swat Shipping (Private) Limited	Subsidiary	2,366	1,812
Quetta Shipping (Private) Limited	Subsidiary	3,146	2,637
		20,086	20,169

Related party	Relationship with the Corporation	2010	2009
		(Rupees in '000)	
Retirement benefit costs charged			
Bolan Shipping (Private) Limited	Subsidiary	1,163	588
Chitral Shipping (Private) Limited	Subsidiary	960	246
Hyderabad Shipping (Private) Limited	Subsidiary	-	275
Islamabad Shipping (Private) Limited	Subsidiary	572	402
Johar Shipping (Private) Limited	Subsidiary	115	285
Kaghan Shipping (Private) Limited	Subsidiary	41	95
Khairpur Shipping (Private) Limited	Subsidiary	1,061	367
Lalazar Shipping (Private) Limited	Subsidiary	-	523
Makran Shipping (Private) Limited	Subsidiary	369	254
Malakand Shipping (Private) Limited	Subsidiary	-	329
Multan Shipping (Private) Limited	Subsidiary	1,312	776
Sargodha Shipping (Private) Limited	Subsidiary	839	552
Sibi Shipping (Private) Limited	Subsidiary	-	290
Swat Shipping (Private) Limited	Subsidiary	74	176
Quetta Shipping (Private) Limited	Subsidiary	64	151
		6,570	5,309

Related party	Relationship with the Corporation	Note	2010	2009
	Service fee charged		(Rupees in '000)	
Contribution to Provident fund			9,334	9,397
Key management personnel compensation			19,704	18,117
Freight Income				
Karachi Shipyard and Engineering services	Associate		-	3,950
Investment in Term Deposit Receipts (TDRs)				
JS Bank Limited	Associate	45.3	400,000	400,000
Interest income on TDRs				
JS Bank Limited	Associate	45.3	27,364	72,506
Premium paid on account of medical health insurance				
Allianz EFU Health Insurance Limited	Associate	45.3	26,543	65,471
Premium paid on account of Group Term Insurance of employees				
State Life Insurance Corporation	Associate		2,697	1,898
Advance extended against purchase of tanker to related parties	Subsidiary	10.1	6,666,098	2,460,725

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

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

45.3 During the year two Directors have resigned from the Board of the Corporation w.e.f November 06, 2009, hence, the transactions disclosed relate to the period from July 2009 to November 2009.

46. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors at the meeting held on September 03, 2010 have proposed for the year ended June 30, 2010 cash dividend of Rs 1.50 per share (2009: Rs 3.00 per share), amounting to Rs 198.095 million (2009: Rs 396.190 million) subject to the approval of the members at the annual general meeting to be held on October 14, 2010. The financial statements for the year ended June 30, 2010 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

47. CORRESPONDING FIGURES

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

Note	From	To	Note	(Rupees in '000)
17	Other receivables	Incomplete voyages	18	4,653

48. GENERAL

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

49. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 03, 2010 by the Board of Directors of the Corporation.

Brig. (R) Rashid Siddiqi
Chairman

Khowaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
Pattern of shareholding as at June 30, 2010

No. of Shareholders	From	To	Total No. of Shares Held
11005	1	100	369614
3187	101	500	729446
869	501	1000	628440
683	1001	5000	1413997
85	5001	10000	623287
17	10001	15000	203428
13	15001	20000	225172
9	20001	25000	201442
8	25001	30000	226641
3	30001	35000	100900
5	35001	40000	193077
6	40001	45000	254365
6	45001	50000	299624
2	50001	55000	106600
4	55001	60000	230960
2	70001	75000	147200
3	75001	80000	237142
2	90001	95000	188140
2	95001	100000	199947
2	100001	105000	205595
1	135001	140000	137026
2	155001	160000	317642
1	195001	200000	200000
1	220001	225000	220241
1	225001	230000	227500
1	235001	240000	235916
1	240001	245000	240470
1	260001	265000	264030
1	295001	300000	298808
1	385001	390000	386236
1	435001	440000	436564
1	565001	570000	567954
1	745001	750000	746603
1	800001	805000	802500
1	1045001	1050000	1046386
1	1440001	1445000	1443762
1	14120001	14125000	14124807
1	103580001	103585000	103581917
15932			132063379

CATEGORIES OF SHAREHOLDERS	*NO.*	*SHARES HELD*	*%*
Associated Companies, Undertakings and Related Parties			
M/s PNSC Employess Empowerment Trust	1	14,124,807	10.70
Mohammadi Engg. Works Ltd	1	4,766	0.00
NIT & ICP	2	14,129,573	10.70
National Bank of Pakistan Trustee Deptt.	1	436,626	0.33
Investment Corporation of Pakistan	1	91,105	0.07
	2	527,731	0.40
Directors, CEO, their spouses and minor children			
Khowaja Obaid Imran Ilyas	1	2,414	0.00
Mr. Jahangir Siddiqui	1	116	0.00
	3	2,530	0.00
Executives	-	-	-
Banks, Development Finance Institutions, Non-Banking Bank, Development, Finance Institutions	76	2,002,594	1.52
Non-Banking Finance Institutions			
Insurance Companies	14	1,484,227	1.12
Modarabas and Mutual Funds	12	925,552	0.70
	102	4,412,373	3.34
Shareholders holding 10% or more voting interest			
Federal Government	1	103,581,917	78.43
Individual	15,711	7,494,927	5.68
Foreign/Non-resident Investors	13	625,211	0.47
Others	99	1,289,117	0.98
	15,932	132,063,379	100.00

(*Including 3656 Shareholders whose current domicile is not known) N.B: The above two statements including 1459 shareholders holding 11411708 shares through Central Depository Company of Pakistan Limited

PAKISTAN NATIONAL SHIPPING CORPORATION

Proxy form

Please quoto your
Foilo No./ CDC Account No.

I/We ____________________

of ____________________

being shareholders of Pakistan National Shipping Corporation holding __________

share (s) hereby appoint Mr /Miss /Mrs. ____________________

S/o.D/o. W/o ____________________

of ____________________

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

S/o. D/o/ W/o/ ____________________

of ____________________

as my/ our porxy to vote for me/ us and on my/ our behalf at the meeing of the shareholders o f the Corporation to be held at Karachi on the 14th day of October 2010 at 11:00 a.m. and at any adjounment thereof.

Dated this ____________________ day of ____________________ 2010.

Revenue Stamp
of
Rs 5

Signature of the Shareholder ____________________

Address ____________________

____

Folio No. CDC Account No. ____________________

Transfer Receipt No. ____________________

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