

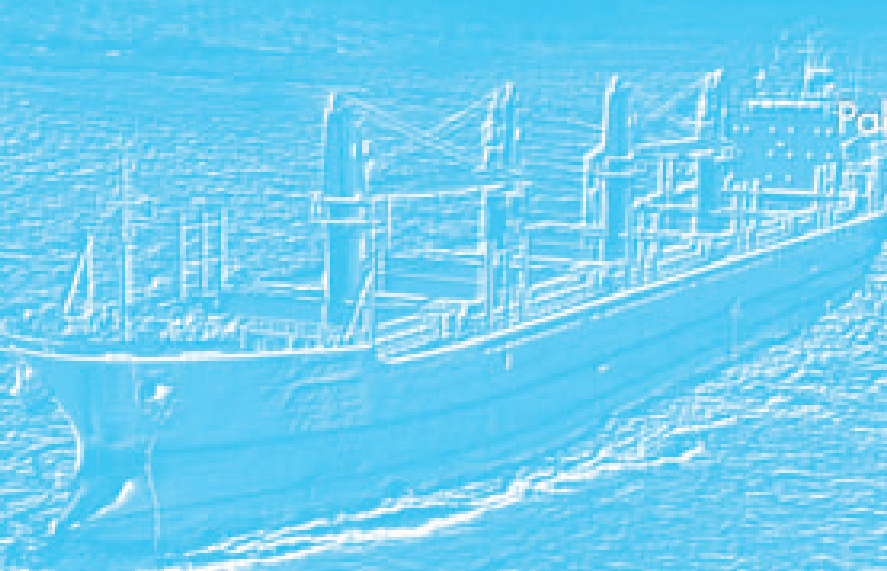


Annual Report

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Pakistan National Shipping Corporation

12



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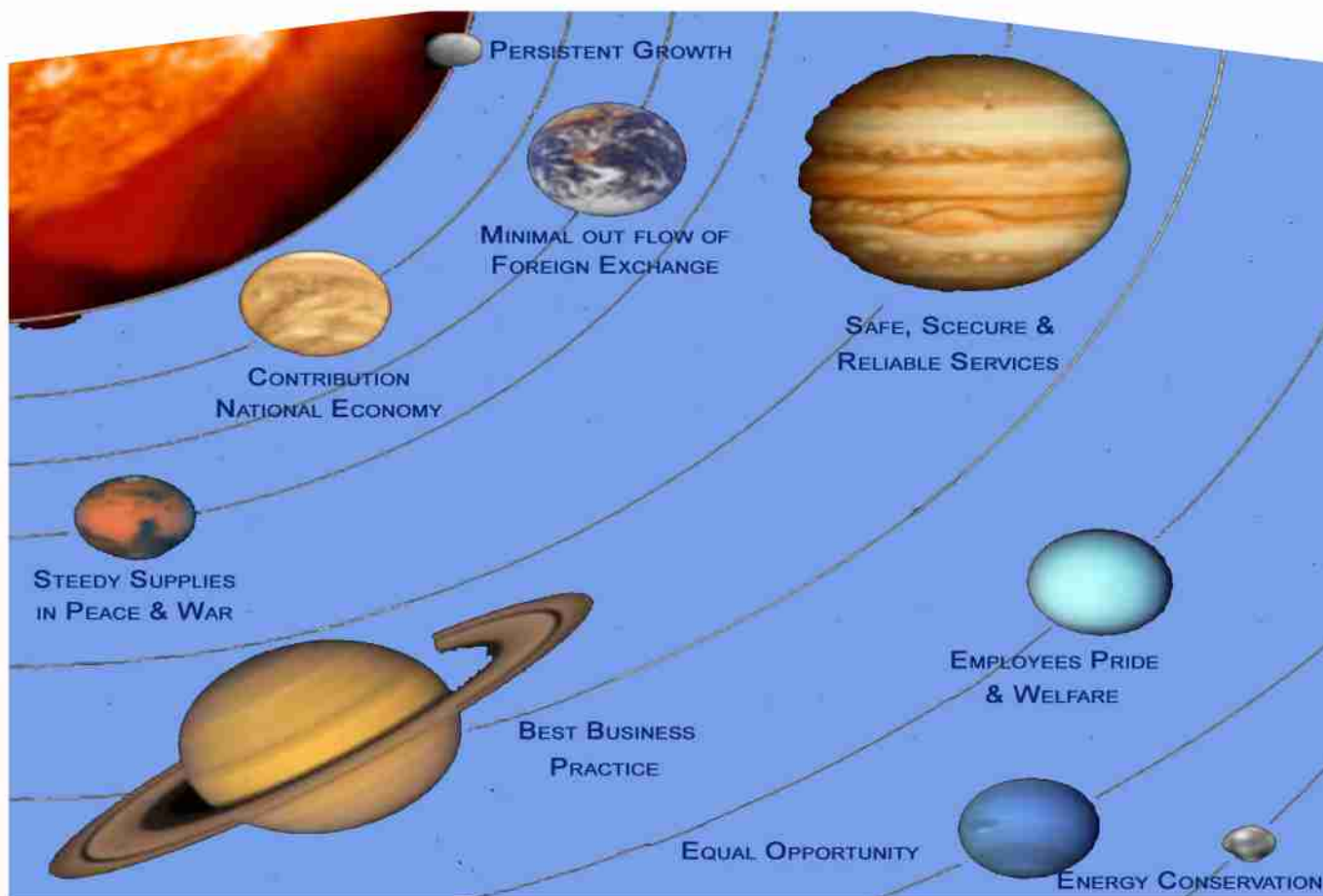
Our Vision

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



Our Mission

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



Strategic Objectives

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

Corporate Information

Board of Directors

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

Capt. S. Akhlaq Hussain Abidi (Member)

Vice Admiral (R) Muhammad Asad Qureshi, HI (M)
(Member)

Capt. S. Kamal A. Mahmoodi (Member)

Mr. Mahmood Akhtar (Member)

Capt. Anwar Shah (Member)

Mr. Khowaja Obaid Imran Ilyas (Member)

Audit Committee of the Board

Mr. Khowaja Obaid Imran Ilyas (Chairman)

Capt. S. Akhlaq Hussain Abidi (Member)

Vice Admiral (R) Muhammad Asad Qureshi, HI (M)
(Member)

Chief Financial Officer

Mr. Imtiaz C. Agboatwala

Secretary

Ms. Zainab Suleman

Chief Internal Auditor

Mr. Mohammad Reyaz

Head Office

PNSC Building, Moulvi Tamizuddin Khan Road,
Karachi - 74000

Regional office

Gulberg Heights, Lower ground floor ,
Near Sherpao Bridge Gulberg, Lahore, Pakistan.

Auditors

A. F. Ferguson & Co., Chartered Accountants
Ernst & Young Ford Rhodes Sidat Hyder & Co.,
Chartered Accountants

Shares Registrar

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

Bankers

Barclays Bank Pakistan PLC
Faysal Bank Limited
JS Bank Limited
Habib Bank Limited
National Bank of Pakistan
Samba Bank Limited
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank
Bank Alfalah, Bahrain
National Bank of Pakistan, Hong Kong
National Bank of Pakistan, Tokyo
UniCredit Bank, Italy
United Bank Limited, London

Statement of Ethics and Business Practices



POLICY STATEMENT

1. It is the Corporation's policy to conduct its business operations within the framework of the law and statutory rules and regulations, including the international laws governing shipping operations.
2. The Corporation manages its affairs in accordance with concepts of good governance, with a high degree of integrity, transparency and accountability.
3. The Corporation constantly endeavours to formulate policies to ensure business growth, optimize operational efficiencies and profitability, and develop a corporate culture to reward merit and eliminate discrimination in all forms.

DEVELOPMENT OF INTERNAL CONTROL SYSTEMS

4. The Corporation maintains and updates its internal control systems, accounting/financial procedures, rules and regulations, in keeping with modern management practices, and ensures due compliance with regulatory requirements.

MAINTENANCE OF PROPER BOOKS OF ACCOUNT AND RECORDS

5. The Corporation maintains proper books of accounts and supporting documents in accordance with law and regulatory requirements. There is no compromise as to the integrity of financial records and financial statements.
6. The Corporation ensures that all statutory records are properly maintained and that statutory returns are filed strictly according to the regulatory requirements.
7. All books of accounts, supporting documents, and statutory records are safeguarded and retained for such periods as are prescribed by law or by the Corporation.

USE AND SAFEGUARDING OF CONFIDENTIAL INFORMATION

8. All information about the policies and business affairs of the Corporation is confidential. Information received from third parties under obligation of confidentiality belongs to those third parties and is confidential. Such information is not used or disclosed except as permissible under the relevant agreements.
9. Employees do not unauthorisedly remove any documents or tangible items which belong to the Corporation or which contain any confidential information, from the Corporation's premises, including vessels.
10. The responsibility to maintain the confidential nature of all non-public information in the Corporation's possession continues after cessation of employment.

CONFLICT OF INTEREST

11. No director, officer or employee has any financial interest in or is involved in the business activities of a competitor of the Corporation.

ACCEPTANCE OR GIVING OF BRIBES

12. No employee of the Corporation accepts or gives bribe or any illegal gratification in the conduct of the Corporation's business.

DISCIPLINE AND GENERAL CONDUCT

13. All employees conform to and abide by the rules and regulations of the Corporation, and comply with and abide by all orders which are from time to time given by any person under whose jurisdiction, superintendence or control an employee is placed for the time being.
14. The Corporation expects that all directors, officers and employees will understand and adhere to this statement of ethics and business practices. They are responsible for the consequences of any violation. If a violation of law is implicated, civil or criminal liability may result.

Board of Directors Profile



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

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

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

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

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

Captain S. Akhlaq Hussain Abidi

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

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

He was nominated as a Member on PNSC Board by the Federal Government on 30th May 2007.





Vice Admiral (R) Muhammad Asad Qureshi HI (M)

Vice Admiral (R) Muhammad Asad Qureshi HI (M) is a Fellow member of Chartered Institute of Logistics and Transport, and has held many important positions in the Federal Government. He is a reputed professional in the management and operation of port terminals and maritime security agency and administration.

He has initiated a number of port development projects to improve port infrastructure and enhance cargo handling capacity. He has also worked as a Commander of Pakistan Navy and has effectively worked for the uplift and betterment of all naval training institutes and ensured availability of the latest equipment and renovated their requisite infrastructure.

He is a dynamic individual who has the capability to bring in Foreign Direct Investment in terminals and industrial sectors and he has also obtained various certifications for adhering to requisite quality controls in development projects and port operations, and has recently been nominated as a member of PNSC's Board of Directors and Audit Committee by the Federal Government on 13th January 2012.

Capt S. Kamal A. Mahmoodi

Capt S. Kamal A. Mahmoodi has 47 years of International experience in the Shipping, Maritime and Trading Sector. He is one of the senior Fellows of the Chartered Institute of Logistics and Transport U.K. He is also member of various Marine and Administrative Professional bodies.

He is the founder of the first Maritime Training Institute in the private sector in Pakistan which has recently been honored with "Dubai International Maritime".

He has worked at various senior positions in the International Business Community and is also one of the leading professional experts of Pakistan Shipping and Maritime fields. He has been awarded with various Trophies & Certificates from the International and National Forums.

Capt S. Kamal A. Mahmoodi has recently been nominated as a member of PNSC's Board of Directors by the Federal Government on 13th January 2012.





Mr. Mahmood Akhtar

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

Since the year 2002, he is working with the Federal Government and has remained posted as Joint Secretary, Additional Secretary, Financial Advisor, and Chief Cost Accounts Officer in the Ministry of Finance.

Presently, he is working as Additional Finance Secretary (Expenditure) in the Finance Division. He was nominated as a Member on PNSC Board by the Federal Government on 17th August 2012.

Captain Anwar Shah

Captain Anwar Shah is a reputed professional in the management and operation of port terminals, maritime transport and logistics industry with a vast experience of over 34 years that includes marketing, chartering, marine insurance hull and P&I Club, Cargo Claim Survey, Shipping and Trading documentation, Salvage of Ship and Damaged Cargoes, Freight Forwarding, NVOCC operations, Stevedoring, Stowage Plan.

Captain Shah is a Member of Chartered Institute of Ship Brokers London and Fellow Member of Chartered Institute of Logistics & Transport London and a law graduate. He also served as Director General Ports and Shipping/ Additional Secretary Ministry of Ports and Shipping in 2003 - 2007.

He is an expert on World Bank Panel, Governor World Maritime University Malmao (Sweden), Member IMO Secretary General's Panel of Experts (London) and Maritime Advisor to KCCI.

Captain Shah is an elected member of PNSC's Board of Directors.





Khowaja Obaid Imran Ilyas

Khowaja Obaid Imran Ilyas is a graduate in Economics from Cornell University New York USA. He is an ex-banker and served Standard Chartered Bank from year 2000 till year 2002 in Corporate and Industrial Banking.

Currently he holds the position of Director Business Development in family owned business named IDSC (Pvt) Ltd in the business of indenting machinery and spares for the local industry.

Mr. Khowaja Obaid Imran Ilyas is serving as an elected director on the board of directors of PNSC and also as Chairman of The Audit Committee.

Chairman's Message

In my view, Shipping companies should approach the shipping market from a competitive viewpoint, because, each business cycle in shipping industry is set by economic fundamentals. For example recessions are driven by economic shocks which cause an unexpected decline in trade. Similarly economic boom flourishes trade. Within this framework Ship-owners and market sentiment participate in the game'. In a low-return industry, one investor's fortune is another investor's loss, so the stakes are high. When outsiders look at the low average returns, they may wonder: 'Why invest in shipping?' But the owners bid on the premise that they will recover the cost of ship and make good profits the next time events turn the market on its peak. Therefore, Inshallah you will see, one more



bulk carrier, a Supramax would be commissioned as MV Multan in PNSC fleet by the time this report reaches our well wishers.

With recent ship replacement spree in PNSC the average fleet age has come down from 22 years to 11 years. In 2011-12, about 1650 new ships joined the world fleet whereas only 974 were scrapped. Resultantly ships older than 20-25 years are unacceptable in the market today. With 28 years old MV Islamabad leaving the fleet in near future the average age of our fleet will further improve to a historic nine years.

Indeed, shipping, trade and economic development all go hand in hand. Today's trade pattern is just a reflection of the world economy which is creeping somewhat jerkily on the down slope along its evolutionary path. With changes in economics; trade and shipping is constantly changing. It is a business that grew up with the world economy, exploring and exploiting the ebb tide and surge of trade. Because shipping is a service business, ship demand depends on several factors, including price, speed, reliability and security. It starts from the volume of trade. Today the world fleet has approximately 60,000 ships and 200 million tons of surplus tonnage. This may take couple of years to rationalize. Freight rate improvement is therefore expected in that time frame. Having said all above, I would like to point out that no amount of statistical analysis can reduce this complex shipping industry economic structure to a simple predictive 'rule of thumb' for the ship owners.

In this year's report endeavours have been made to share maximum possible insight to the readers so that they can exactly measure where PNSC stands today despite extremely challenging shipping industry environment; which the industry has seen after 26 years.

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

The Management



From
Left to right

Mr. Imtiaz C. Agboatwala
Executive Director (Finance)

Brig (Retd) Rashid Siddiqi SI (M)
Executive Director (Administration)

Vice Admiral (Retd) Saleem Ahmed Meenai HI (M)
Chairman / CEO

Capt. Aftab Siddiqi
Executive Director (Commercial)

Mr. Zaheer Babar Qureshi
Executive Director (Ship Management)

Commodore (R) Syed M. Obaidullah SI(M) TI(M)
Executive Director (Special Projects and Plans)

The Management Team



Chairman

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

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

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

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

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

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



Executive Director (Administration)

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

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

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

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

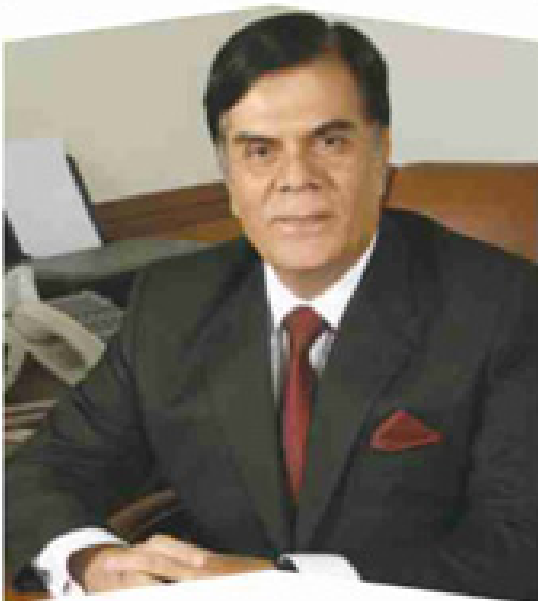


Executive Director (Finance)

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

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

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



Executive Director (Special Projects and Plans)

Commodore (R) Syed M. Obaidullah SI(M) TI(M) joined Pakistan National Shipping Corporation in 2007 as Executive Director (Special Projects and Plans). He served Pakistan Navy for over 35 years. In addition he also served as a Director ship management for 2 Years, and a member of organisation of Islamic ship owners association. He joined Pakistan Navy in June 1971 with the distinction of winning all awards, including the coveted Sword of Honor.

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

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



Executive Director (Commercial)

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

He has almost 39 years of rich experience in the field both ashore and afloat Capt Aftab has gained tremendous experience and knowledge about shipping industry, extensive knowledge on Dry & Wet Chartering, Booking notes / Charter parties / Contract of Affreightments, Admiralty Law and Arbitration & Freight Conferences. Capt. Aftab has been the Chairman of the KARMOHAM Conference (India-Pakistan-Bangladesh-Ceylon Conference) from 1996 to 2008. Members included such prestigious names like Maersk, Hapag Lloyds, UASC, SCI, Evergreen, Andrew weir etc.



Executive Director (Ship Management)

Mr. Zaheer Babar Qureshi has over 38 years of continuous service / professional experience with Pakistan National Shipping Corporation in Ship Operations and Technical Management, both afloat and ashore.

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

Regulatory Appointments



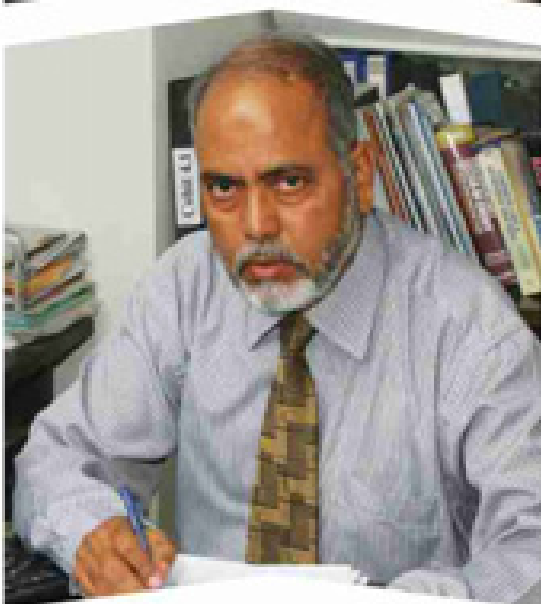
Ms. Zainab Suleman

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



Mr. Syed Jarar Haider Kazmi

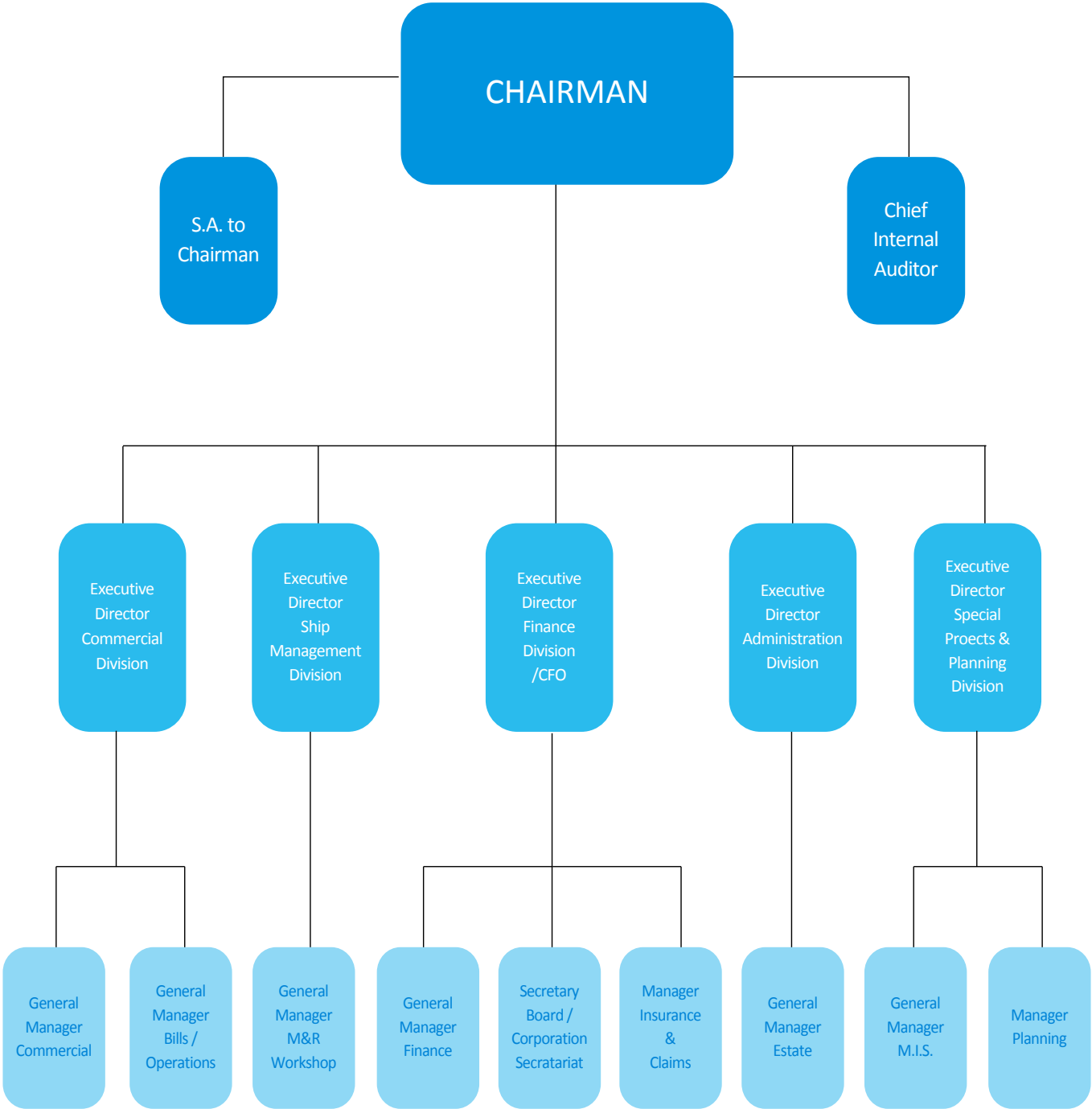
Mr. Syed Jarrar Haider Kazmi is head of Finance Department and Chief Accountant since January 2007. He is associated with PNSC since October 2005. Mr. Jarar is an associate member of the Institute of Chartered Accountants of Pakistan and the fellow member of Institute of Public Finance Accountants of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



Mr. Mohammad Reyaz

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

Organogram



Fleet Strength



VESSEL NAME	BUILT	DEADWEIGHT MT	LENGTH OVERALL M	GROSS TONNAGE MT
TANKERS				
M.T QUETTA	2003	107,215	246.80	58,118
M.T LAHORE	2003	107,018	246.80	58,157
M.T KARACHI	2003	107,081	246.80	58,127
BULK CARRIERS				
M.V KAGHAN	1986	65,716	225.78	36,098
M.V CHITRAL	2003	46,710	185.73	26,395
M.V MALAKAND	2004	76,830	225.00	40,040
M.V HYDERABAD	2004	52,951	121.43	29,365
M.V SIBI	2009	28,442	169.37	17,018
COMBI VESSEL				
M.V ISLAMABAD	1983	18,204	153.01	12,395
	Total	610,167		335,713



Directors' Report

The Board of Directors of Pakistan National Shipping Corporation is pleased to present the thirty fourth Annual Report together with the Audited Financial Statements for the year ended June 30, 2012.

Industry Outlook

Recessions are driven by economic shocks which cause an unexpected decline in trade. Shipping industry has recently witnessed double dip recession and historic downfall in freight rates which continue to slide down. While the more unfortunate companies have already filed bankruptcy, some are struggling and others are taking the challenge to survive for another day when markets will take a positive turn. Though USA and Euro-zone economic battle is continuing, vigorous endeavours are underway to find ways to revive, therefore a likely solution is expected to come sooner than later.

The existence of market economic cycles in the shipping business are sometimes 'episodic' rather than regular four stages cycle, that is, a trough, a recovery, a peak, and a collapse. Historically, cycles averaged 8 years, though there are no firm rules about the length or timing of these stages. We saw the last peak in 2008 when ships were in short supply and freight rates shot up stimulating massive new ships ordering. Now there is a huge surplus tonnage available to traders to choose from. The rates are therefore falling and will remain low until enough ships have been scrapped to bring the market into balance. Freight rates link supply and demand. Freight cycle peaks and troughs are produced by the inelastic demand curve moving along the supply curve. With nearly a thousand ships from the world fleet heading towards scrap yards we hope to see improvement in freight market in coming years. Present trough will presumably start to slowly reverse in 2013.

Our Performance

Despite very high fuel prices, freight rates at the lowest ebb and stagnant trade volume, Pakistan National Shipping Corporation (PNSC) as a group managed to remain in profit. The fleet was vigorously engaged round the year without any breaks in transportation of dry bulk and liquid cargoes globally. Out of domestic market PNSC lifted 16.3 % of Pakistan's trade volume. Rest of the 83.7% cargoes were handled by foreign carriers including the cargo of public sector enterprises mainly on C&F basis. During the year, two dry cargo combi vessels M.V. Multan and M.V. Sargodha were disposed off as they were overage, and turning commercially unviable.

Taking advantage of the lower market prices, PNSC Board approved acquisition of new Dry Bulk Carrier Vessel. With the induction of this Supramax, the PNSC Group's fleet was raised to 10 vessels subsequent to year end. An overview of the performance of the Group during the year was as follows:

- o PNSC Group achieved a turnover of Rs. 8,875 million as against Rs. 9,293 million last year with slight decrease in freight earnings (4.35%), both dry cargo and liquid cargoes despite large dip in freight rates.
- o Direct fleet expenses also decreased from Rs. 7,126 million to Rs. 6,649 million, a decrease of 6.7%, mainly due to reduction in repair & maintenance expenses due to acquisition of newer fleet.
- o Gross Profit of Rs. 2,096 million was achieved as against Rs. 2,062 million last year.
- o Admin Expenses and other operating expenses decreased by 3.7% due to better cost control measures.
- o Profit after tax was Rs. 753 million, over last years' restated figure of Rs. 1,633 million.
- o Earnings per share (EPS) of the Pakistan National Shipping Corporation Group of Companies were Rs. 5.70 as against re-stated EPS of Rs. 12.36 last year.

The stand-alone accounts of PNSC show a loss after tax of Rs. 165 million as compared to a profit after tax of Rs. 596 million in the last year. However, the Group showed good profitability and the reason for loss in stand-alone accounts is mainly due to reduction in service fee and dividend income from PNSC's subsidiary companies due to fall in freight rates. Further, Finance Cost of Rs. 1,069 million was also incurred in current year due to acquisition of fleet for the Group. The stand-alone position of PNSC is expected to improve in coming years as freight market is likely to increase, and burden of mark-up cost will also decrease due to repayment of loan installments.

Nature of Our Business, Objectives and Strategies

The Group undertakes as main functions maritime operations of its fleet, maritime engineering works (maintenance, repair etc.) to its own ships and foreign ships visiting Pakistan and real estate business of its three commercial buildings. As far as maritime operations are concerned, the Group is mainly engaged in three sea transportation trades worldwide consisting Multi-purpose/General Cargo, Dry Bulk and Liquid Bulk cargoes sectors. Being a national flag carrier, PNSC also carries Pakistan's strategic cargoes viz. arms, ammunition, defence equipment, crude oil, raw materials etc. under obligations during the time of peace and war. The crude oil is being transported from Arabian Gulf to Karachi through PNSC's own modern crude oil tankers.

Management's objectives and its strategies for meeting those objectives including priorities for action and addressing threats and opportunities of market trends:

The management adhered to its policy of fleet modernization with the objective to lower operational costs. The stable financial health of the Group despite slow economic activity and subdued freight rates is mainly attributable to recent change in the fleet mix. The Group will continue with its fleet expansion program on identification of requisite fund raising possibilities and opportunities.

During the year two dry cargo Combi vessels i.e. M.V. Sargodha and M.V. Multan were disposed off which were incurring substantial expenditure in terms of maintenance and repairs due to old age. Both vessels were having difficulties in commercial employment in the low freight market conditions. These disposals resulted in savings to the Group.

Looking at the forecast of dry and wet sectors, it is hoped that the earnings will increase in coming years. The Group is taking steps to secure new business for maximum utilization of its cargo carrying capacity and expansion opportunities. Joint ventures with potential participants are also under consideration. While some may consolidate in near future the group remains open to engage in partnership with commercially attractive proposals.

PNSC management's strategies and objectives have shown impressive results during past years in terms of maintaining profitability as well as contribution to national economy. In last decade The Group paid Rs. 1.67 billion as dividend to Government of Pakistan and Rs. 3.689 billion as tax. In addition the Group earned foreign exchange to the tune of US\$ 1,219 million.

Our Market Dynamics

PNSC Business Relations

PNSC enjoys a very good reputation in the world shipping market. Its services are well recognised by all major trading houses. As a result our dry bulk fleet fully remained employed with first class charters world-wide such as ABML, Glencore, Oldendorff and STX Pan Ocean. As per government maritime policy, PNSC has first right of refusal on public sector and defence cargoes. So our main emphasis is to provide best of the shipping services and competitive rates to public sector organizations and defence cargoes transportation. Our modernised tanker fleet remains engaged in performing CoA for various Pakistani oil refineries. The utilization of national flag carrier for the purpose has resulted in substantial saving of foreign currency to the government in terms of freights. It has always been and will remain to be our utmost endeavour to provide most efficient and professional shipping services to our clients. The Corporation is in dialogue with PSO for a long term contract of affreightment for carriage of their processed fuel oil from Gulf into Pakistan. PNSC under the recently signed MoU will provide dedicated services to PSO in transportation of processed fuel oil. This new business venture will accrue financial saving of foreign reserves for the country.

Market Share

World Seaborne trade is about \$18.2 trillion of which 90% is carried by sea. PNSC having a total DWT capacity of 610,167 tonnes has lifted a total of 10.3 million tonnes cargo which is equivalent to approximately 16.3% of the total country's seaborne trade which stands at 63.3 million tonnes in 2011-12. The addition of a Supramax Bulk Carrier of 50,244 metric tonnes subsequent to year end will increase PNSC's total cargo carrying capacity to 660,167 metric tonnes approx and have more lifting in future.

Largely, all crude oil requirement of the country are met by PNSC fleet. Out of the total crude oil import in Pakistan of around 7.2 million tonnes per annum, PNSC tanker fleet is catering to approx. 6.5 million tonnes per annum. The above figures also include 906,931 metric tonnes of processed fuel oil (PFO) for PSO through Kuwait Petroleum Corporation (KPC).

Critical performance measures

PNSC has implemented planning, monitoring, evaluation and analysis through an Enterprise Resource Planning (ERP) software including various others tools and KPIs specifically to closely monitor the overall performance. The Group has upgraded its "Shipping Expert System (SES)" software and other modules which control vessel operations by providing online link between vessel and head office in real time. The management has revised its scoreboard by "PNSC Dashboard" which provides real time information about the Group and its subsidiaries performance along with the variance analysis. Industry norms are religiously practiced in commercial planning and execution to achieve best operational performance in the given market.

Human Capital Building

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

Succession Planning

Succession Planning is a process to identify necessary competencies, and then assess, develop, retain and engage a talent pool to ensure continuity of leadership for all critical positions.

It is PNSC's policy to ensure that, for each key position, there is a documented succession plan as back up for the individual who currently holds that position.

This exercise is based on their performance evaluation reviews (PER) and relevant job competencies as defined in the current and next level job descriptions. Such individuals will be especially monitored to assess any training and development needs or any other job-related assistance to prepare them for the next level job.

Line management and HR work together to identify and support these individuals. Wherever possible, PNSC will strive to follow this internal succession planning to promote from within the existing pool. The HODs and HRD are responsible for the overall implementation of this policy.

Industrial Relations

Healthy industrial relations are key to the progress and success in PNSC. This not only maintains uninterrupted service, high morale, complete mental focus of workers and employees but also reduces industrial disputes.

Collective bargaining includes not only negotiations between the Management and union but also includes the process of resolving labour-management conflicts. Thus, collective bargaining is, essentially, a recognized way of creating a system of industrial jurisprudence.

PNSC is committed to follow Government of Pakistan's Industrial Regulations Act 2012 in accordance with ILO Convention.

Employment of Special Persons

As per Government Regulations, PNSC maintains 2% Employment Quota for Disabled Persons.

Credit Rating

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

Commercial Operations

During the year under review, PNSC and its vessel-owning subsidiary companies lifted 10.300 million freight tons of cargo as compared to 9.586 million freight tons of cargo in the previous year.

SECTOR	2011-2012	2010-2011	2009-2010
	FREIGHT TONS MILLION	FREIGHT TONS MILLION	FREIGHT TONS MILLION
Dry Bulk	2.530	0.885	0.622
Liquid Bulk (Tanker)	7.701	8.620	7.227
Slot Charter	0.069	0.081	0.072
Total	10.300	9.586	7.921

Risks Including Strategic, Commercial, Operational and Financial Risks

No business is risk free and therefore there are inherent risk factors in shipping business too. This is the most unpredictable period since the beginning of the global financial crisis. Markets are at rock bottom, and likely to stay there for some time because of the large number of new vessels due to come into service. Likelihood is that older vessels and speculative investors, as well as low-grade operators, may disappear before the situation can start to improve. The Group is exposed to the volatility inherent in the dry bulk and tanker market, where it has virtually all its assets and operations. Demand for dry & liquid bulk transportation is closely linked to global economic trends.

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

PNSC has been transporting crude oil for three major oil refineries in Pakistan under a 10 years Contract of Affreightment (CoA) which was awarded in 2003 and will expire in 2013. Efforts are being made for renewal of the CoA however the state of uncertainty remains for the next extendable period and terms of contract.

PNSC is also in dialogue with Pakistan State Oil (PSO) for carriage of processed fuel oil into Pakistan. Number of meetings has been held with PSO to draw out terms of carriage of cargo under a long term contract. PNSC and PSO recently have signed an MoU which also caters for formation of Joint Venture Company for the purpose.

Credit risks

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

Piracy risk

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

Financial risks

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

Corporate Social Responsibility

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

The procedures and policies laid down by the Corporation for operation of ships ensure compliance with spirit of national and international regulations and international conventions. To keep these procedures dynamic and updated, the Corporation has entrusted responsibility of continuous training, updating of knowledge, protection of marine environment, safety and security of ships to a dedicated department. PNSC directly and indirectly sponsors and promotes training and recruitment of the Pakistani national in Pakistan Maritime Training Complex and other maritime training institutes to build a qualified maritime work force for employment on national and foreign flag ships. PNSC under its internship scheme provides training to fresh graduates from Universities across the country.

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.

Board Structure

Five Directors are appointed by the Federal Government and two are elected in the AGM after every three years. Thus all Directors in PNSC Board of Directors are fully independent. The following committees have been established by the Board of Directors:

S. No	COMMITTEES OF THE BOARD
I	Audit Committee
II	Human Resources & Remuneration Committee

Audit Committee

The PNSC Board of Directors has determined the terms of reference of the Audit Committee as under:

- a) The Audit Committee is responsible for recommending to the Board of Directors the appointment of external auditors, any questions of resignation or removal of external auditors, audit fees and provisions by external auditors of any service to the Corporation. The Board to consider the Audit Committee's recommendations in this respect.
- b) to determine appropriate measures to safeguard the Corporation's assets;
- c) to review preliminary announcement of results prior to publication;
- d) to review quarterly, half-yearly and annual financial statements of the Corporation, prior to their approval by the Board of Directors, focusing on:
 - major judgment areas;
 - significant adjustments resulting from the audit;
 - the going-concern assumption;
 - any changes in accounting policies and practices;
 - compliance with applicable accounting standards; and
 - compliance with listing regulations and other statutory and regulatory requirements.
- e) to facilitate the external auditors in their work and discuss with them their major observations arising from the interim and the final audits of the Corporation and any other matter that the auditors may wish to highlight in the absence of management, where necessary;
- f) to review management letter issued by external auditors and management's response thereto;
- g) to ensure coordination between the internal and external auditors of the Corporation;
- h) to review the scope and extent of internal audit and ensure the internal audit function has adequate resources to carry on with its work;
- i) to consider major findings of internal investigations and management's response thereto;

- j) to ascertain that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;
- k) to review the Corporation's statement on internal control systems prior to endorsement by the Board of Directors;
- l) to institute special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the Chief Executive and to consider remittance of any matter to the external auditors or to any other external body;
- m) to determine compliance with relevant statutory requirements;
- n) to monitor compliance with the best practices of corporate governance and identification of significant violations thereof; and
- o) to consider any other issue or matter as may be assigned by the Board of Directors.

Corporate and Financial Reporting Framework

It is certified that:

- (i) The financial statements prepared by the management present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- (ii) Proper books of accounts of the Corporation have been maintained.
- (iii) Appropriate accounting policies have been consistently applied in the preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- (iv) International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.
- (v) The system of internal control system is sound in design and has been effectively implemented and monitored.
- (vi) There are no significant doubts about the Corporation's ability to continue as a going concern.
- (vii) There has been no material departure from the best practices of corporate governance, as detailed in the Stock Exchange Listing Regulations.
- (viii) Summary of key operating and financial data of last six financial years in summary form is annexed.
- (ix) Outstanding duties and taxes, if any, have been duly disclosed in financial statements.
- (x) The total of investments made by Pakistan National Shipping Corporation Employees Contributory Provident Fund, based on the un-audited accounts for the year ended June 30, 2012 stood at Rs 852 million (2011: Rs 845 million).
- (xi) During the year ended June 30, 2012, a total of nine meetings of the Board of Directors were held. The position of attendance during respective tenure was as follows:

Board Meetings Held for The Period From July 1, 2011 To June 30, 2012

S.N	Name of Directors	Meetings	
		Held	Attended
1	Vice Admiral (Retd.) Saleem Ahmed Meenai HI (M)	9	8
2	Mr. Seerat Asghar Jaura (Upto 16th August, 2012)	9	3
3	Capt. S. Akhlaq Hussain Abidi	9	9
4	Vice admiral (R) M.Asad Qureshi HI (M) (Joined on 13th January,2012)	9	5
5	Capt. Anwar Shah	9	8
6	Capt.S.Kamal A.Mahmoodi (Joined on 13th January, 2012)	9	5
7	Mahmood Akhtar (Joined on 17th august, 2012)	-	-
8	Mr. Khowaja Obaid Imran Ilyas	9	8

Audit Committee Meetings Held for the Period From July 1, 2011 To June 30, 2012

S.N	Name of Directors	Meetings	
		Held	Attended
1	Mr. Khowaja Obaid Imran Ilyas	6	6
2	Vice Admiral (R) M.Asad Qureshi, (Joined on 13th January, 2012)	6	3
3	Capt. S. Akhlaq Hussain Abidi	6	6

Certificate of Related Party Transactions

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

Management

During the year ended June 30, 2012, two new directors were nominated by the Federal Government, namely Vice Admiral (R) Muhammad Asad Qureshi and Capt.S.Kamal A.Mahmoodi both of whom joined the Corporation as directors on January 13, 2012.

Subsequent to year end, Mr. Mahmood Akhtar was transferred and posted by Government of Pakistan, Finance Division as Additional Finance Secretary (Expenditure) in place of Mr. Seerat Asghar Jaura who was on the PNSC Board by virtue of his position. Mr. Mahmood Akhtar is now on the PNSC Board as Additional Finance Secretary (Expenditure).

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, 2013.

Strategies, Objectives and Future Prospects

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

The Corporation has developed a Five Years Fleet Development Plan (2010-15), which envisaged induction of 13 vessels. While PNSC is pursuing inductions, this development plan is kept under continuous review and is revised/updated on the basis of trade & freight market trends in global shipping industry.

Dividend

The Directors are pleased to recommend payment of cash dividend at 5% (Rs. 0.50 per share) to the shareholders whose names appear on the Share Register of the Corporation at the close of business on November 21, 2012.

Acknowledgment

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

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

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

Dated: October 31, 2012

Major Events



Prime Minister Raja Pervaiz Ashraf witnessing the MOU being signed between PSO and PNSC at Governor House Karachi. On 09-08-2012. Dr. Ishrat-ul-Ebad Khan, Governor Sindh, Syed Qaim Ali Shah Chief Minister Sindh, Mr. Qamar Zaman Kaira, Federal Minister for Information & Broadcasting, Senator Baber Khan Ghauri, Federal Minister for Port & Shipping, Dr. Asim, Federal Minister for Petroleum were also present on the occasion.



Pakistan State Oil (PSO) and Pakistan National Shipping Corporation (PNSC), the nation's flagship oil marketing and shipping companies respectively, have solidified their partnership by signing a contract of affreightment (COA) on October 05, 2012 at the PNSC building. The accord was signed between Naeem Yahya Mir, CEO & MD-PSO, and Vice Admiral Saleem Ahmed Meenai, Chairman-PNSC. Also present at the occasion were PSO's Naved Alam Zubairi, SGM Projects; Dr Nazir A Zaidi, SGM-International Marketing; along with PNSC's Executive Directors Brig Rashid Siddiqi, Capt Aftabuddin Siddiqi, Imtiaz C. Agboatwala, Cdre Syed Muhammad Obaidullah, Zaheer Babar Qureshi and Manager (Tankers) Mr. Zahid Ahmed Butt. The agreement which is valid for one year and renewable on an annual basis will enable PSO to transport upto 3 million metric tonnes of Furnace Oil via PNSC vessels from Middle East to Pakistan's shores.



Flag hosting ceremony of newly inducted PNSC vessel (M.V Multan).

Value Added Statement

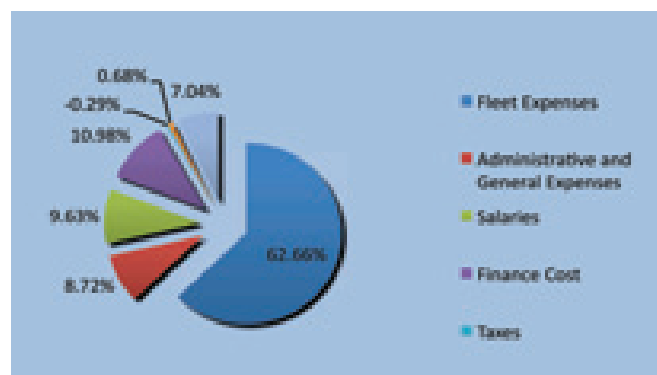
Wealth Generated

	2012		2011	
	Rs. In '000	%	Rs. In '000	%
Income from Shipping Business	8,793,743	90.67%	9,193,246	88.83%
Rental Income	81,579	0.84%	99,923	0.97%
Other operating income	823,344	8.49%	1,055,964	10.20%
	<u>9,698,666</u>	<u>100%</u>	<u>10,349,133</u>	<u>100%</u>

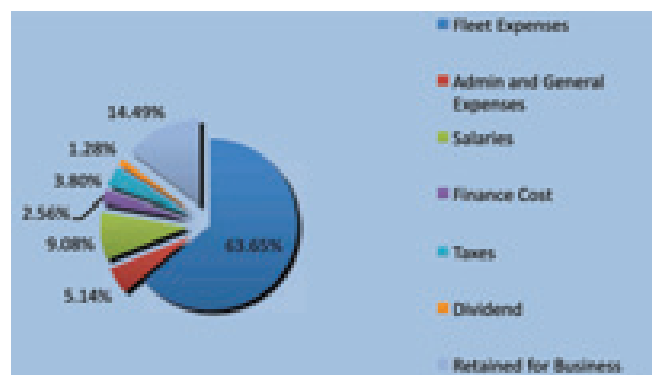
Wealth Distributed

Fleet Expenses	6,112,701	63.03%	6,587,433	63.65%
Administrative and General Expenses	850,159	8.77%	531,923	5.14%
Salaries	939,443	9.69%	940,190	9.08%
Finance Costs	1,071,405	11.05%	264,435	2.56%
Taxes	(28,197)	-0.29%	393,168	3.80%
Dividend	66,032	0.68%	132,063	1.28%
Retained for Business	687,124	7.08%	1,499,921	14.49%
	<u>9,698,666</u>	<u>100%</u>	<u>10,349,133</u>	<u>100%</u>

2012



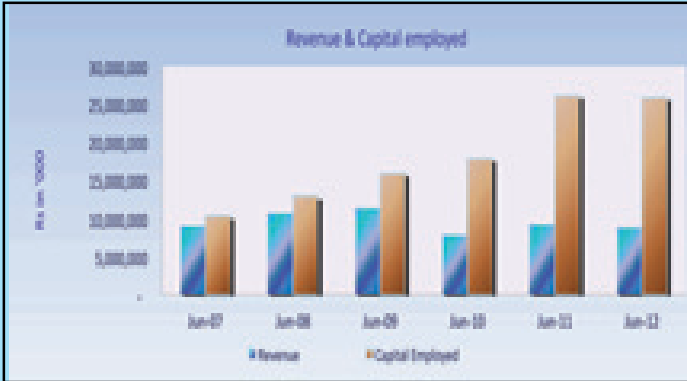
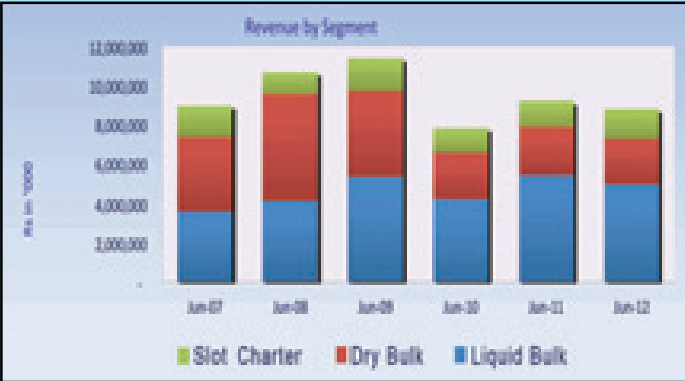
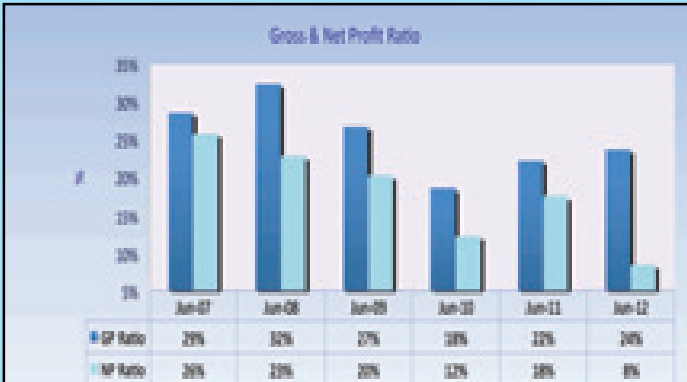
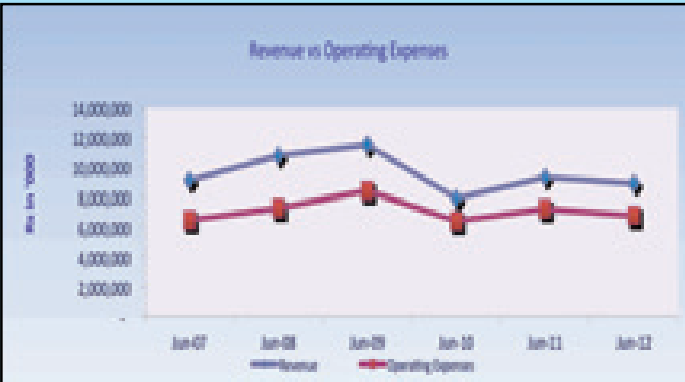
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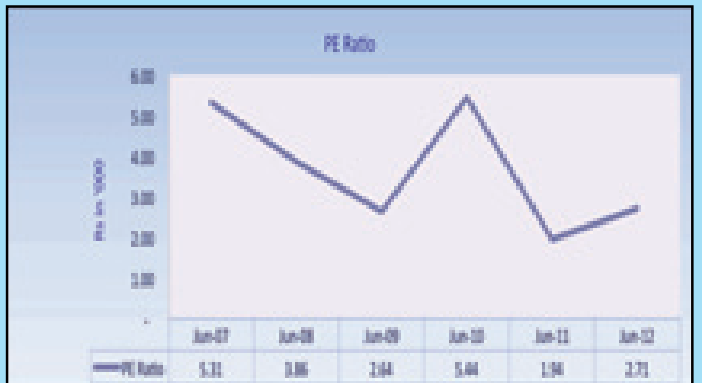
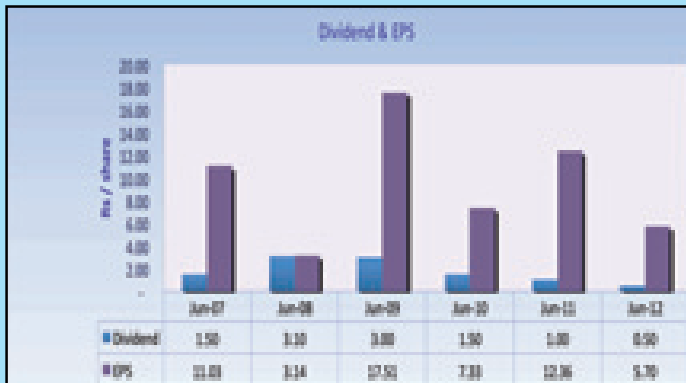
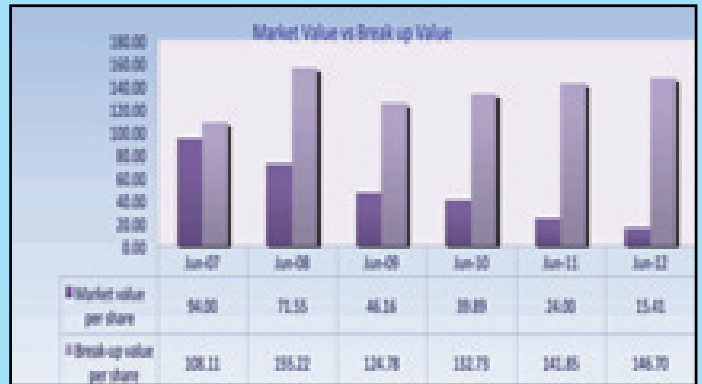
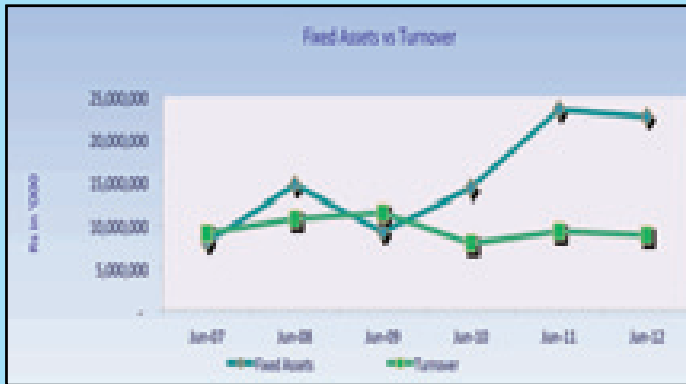


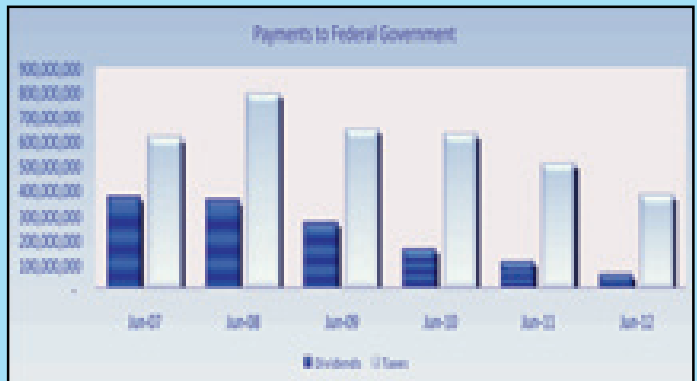
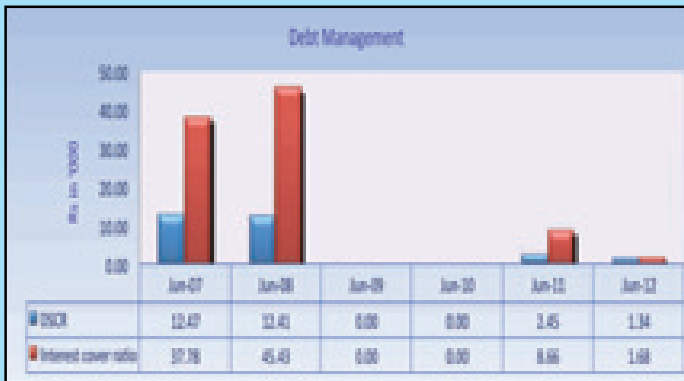
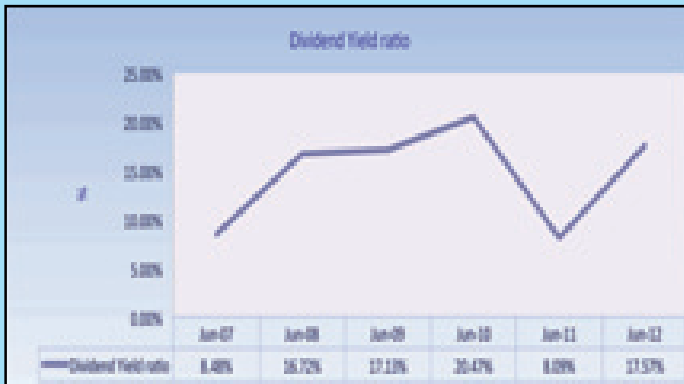
Financial Ratios

		2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007
Profitability Ratios							
Profit before tax	%	8.2%	21.8%	18.4%	26.1%	32.4%	31.3%
GP ratio	%	23.61%	22.18%	18.48%	26.69%	32.33%	28.53%
Profit after tax	%	8.5%	17.6%	12.3%	20.2%	22.8%	25.7%
EBITDA margin to sales	%	32.8%	35.5%	37.0%	41.8%	36.3%	46.1%
Return on equity	%	4.05%	9.04%	5.74%	14.56%	18.99%	22.50%
Return on capital employed	%	2.91%	6.25%	5.43%	13.85%	11.83%	15.69%
Liquidity Ratios							
Current ratio	%	1.73	1.59	2.96	5.44	4.37	5.47
Cash to current liabilities	Times	0.63	0.78	1.02	1.33	1.89	0.60
Cash flow from operations to sales	Times	0.17	0.17	0.66	0.13	0.47	-0.19
Activity/Turnover Ratios							
Debtor turnover ratio	Times	16.34	16.64	12.52	16.86	19.20	23.69
Asset turnover ratio	Times	0.31	0.39	0.42	0.56	0.55	0.61
Fixed assets turnover ratio	Times	0.37	0.38	0.52	1.24	0.73	1.11
Market Ratios							
Earnings per share	Rs.	5.70	12.36	7.33	17.51	18.54	17.70
P/E ratio	Times	2.71	1.94	5.44	2.64	3.86	5.31
Price to book ratio	Times	0.71	1.10	2.76	3.32	4.20	7.57
Dividend yield ratio	%	6.49%	4.17%	3.76%	6.50%	4.33%	1.60%
Dividend payout ratio	Times	0.18	0.08	0.20	0.17	0.17	0.08
Dividend cover ratio	Times	5.69	12.35	4.89	5.84	5.98	11.80
Cash dividend	Rs.	0.50	1.0	1.5	3.0	3.1	1.5
Breakup value/share with surplus	Rs.	146.70	141.85	132.73	124.78	155.22	108.11
Breakup value/share without surplus	Rs.	140.79	136.80	127.59	120.25	97.64	78.64
Share price at year end	Rs.	24.00	24.00	39.89	46.16	71.55	94.00
Share price- High	Rs.	41.74	41.74	75.54	52.31	112.20	97.20
- Low	Rs.	23.40	23.40	38.00	44.14	65.00	40.00
Capital Structure Ratios							
Financial leverage ratio	Times	0.37	0.44	0.02	0.01	0.04	0.08
Debt service coverage ratio	Times	1.34	2.45	-	-	12.41	12.47
Debt to equity ratio	Times	0.37	0.44	0.02	0.01	0.04	0.08
Interest cover ratio	Times	1.68	8.66	-	-	45.43	37.78

Graphical Analysis







Horizontal Analysis (Group)

	2012	2011	2010	2009	2008	2007
	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000	Rs '000
	%	%	%	%	%	%
Profit & Loss						
Revenues	8,875,322	9,293,169	7,889,942	11,474,349	10,753,528	9,089,124
Expenditure	6,779,676	7,231,597	6,431,835	8,411,781	7,277,061	6,495,702
Gross profit	2,095,646	2,061,572	1,458,107	3,062,568	3,476,467	2,593,422
Administrative and general expenses	608,494	631,646	623,353	519,807	445,027	468,030
Other operating expenses	514,133	196,303	253,206	319,113	184,265	143,509
Finance costs	1,071,405	264,435	20,912	54,154	174,987	77,353
Other operating income	823,344	1,055,964	888,895	825,417	814,973	943,526
Profit before taxation	724,958	2,025,152	1,449,531	2,994,911	3,487,161	2,848,056
Taxation	(28,197)	392,210	481,707	682,069	1,038,281	511,183
Profit after taxation	753,155	1,632,942	967,824	2,312,842	2,448,880	2,336,873
	-4%	69%	-58%	-6%	5%	83%
Balance Sheet						
Property, plant and equipment	22,614,412	23,476,232	14,266,718	8,264,524	13,624,883	7,069,437
Other non-current assets	1,237,337	1,051,142	1,037,733	1,013,768	1,028,705	1,107,702
Trade debts	432,070	654,580	462,272	798,023	563,000	557,290
Cash and bank balances	1,742,306	2,100,797	1,314,633	2,223,490	3,399,105	907,906
Other current assets	2,572,424	1,513,423	2,023,878	6,071,744	3,886,123	6,749,267
Total Assets	28,598,549	28,796,174	19,105,234	18,371,549	22,501,816	16,391,602
	-1%	51%	4%	-18%	37%	21%
Shareholder's equity	18,593,130	18,066,178	16,850,410	15,880,463	12,894,975	10,385,689
Surplus on revaluation of fixed assets	780,110	667,582	678,837	598,820	7,604,028	3,892,173
Deferred liabilities	583,701	433,440	291,028	219,894	208,783	397,077
Long term financing	5,878,871	6,941,693	-	-	-	215,643
Other non current liabilities	11,349	-	-	-	-	-
Current portion of long term financing	1,079,763	1,079,763	-	-	245,607	258,771
Other current liabilities	1,671,626	1,607,518	1,284,959	1,672,372	1,548,423	1,242,249
Total Equity and Liabilities	28,598,549	28,796,174	19,105,234	18,371,549	22,501,816	16,391,602
	-1%	51%	4%	-18%	37%	21%
Cash Flow Statement						
Cash flows from operating activities	1,547,467	1,562,377	5,242,579	1,503,728	5,064,293	(1,730,785)
Cash flows from investing activities	377,914	(9,278,524)	(5,762,074)	(2,034,478)	(2,662,349)	502,797
Cash flows from financing activities	(1,230,297)	7,766,987	(390,752)	(686,251)	(460,745)	(391,160)
Net decrease in cash and cash equivalents	695,084	50,840	(910,247)	(1,217,001)	1,941,199	(1,619,148)
	-1%	-106%	-25%	-163%	-220%	-864%
Others						
Profit for the year	724,958	2,025,152	1,449,531	2,994,911	3,487,161	2,848,056
Finance costs	1,071,405	264,435	20,912	54,154	68,986	77,353
Depreciation	1,111,501	1,009,936	1,449,531	1,790,586	766,270	1,265,878
Amortisation	-	-	-	1,649	3,301	3,301
EBITDA	2,907,864	3,299,523	2,919,974	4,841,300	4,325,718	4,194,588
	-12%	13%	-40%	12%	3%	62%
Profit for the year	724,958	2,025,152	1,449,531	2,994,911	3,487,161	2,848,056
Finance costs	1,071,405	264,435	20,912	54,154	68,986	77,353
EBIT	1,796,363	2,289,587	1,470,443	3,049,065	3,556,147	2,925,409
	-22%	56%	-52%	-14%	22%	99%

Vertical Analysis (Group)

	2012	2011	2010	2009	2008	2007
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
	%	%	%	%	%	%
Profit & Loss						
Revenues	8,875,322	9,293,169	7,889,942	11,474,349	10,753,528	9,089,124
Expenditure	6,779,676	7,231,597	6,431,835	8,411,781	7,277,061	6,495,702
Gross profit	2,095,646	2,061,572	1,458,107	3,062,568	3,476,467	2,593,422
Administrative and general expenses	608,494	631,646	623,353	519,807	445,027	468,030
Other operating expenses	514,133	196,303	253,206	319,113	184,265	143,509
Finance costs	1,071,405	264,435	20,912	54,154	174,987	77,353
Other operating income	823,344	1,055,964	888,895	825,417	814,973	943,526
Profit before taxation	724,958	2,025,152	1,449,531	2,994,911	3,487,161	2,848,056
Taxation	(28,197)	392,210	481,707	682,069	1,038,281	511,183
Profit after taxation	753,155	1,632,942	967,824	2,312,842	2,448,880	2,336,873
	8%	18%	12%	20%	23%	26%
Balance Sheet						
Property, plant and equipment	22,614,412	23,476,232	14,266,718	8,264,524	13,624,883	7,069,437
Other non-current assets	1,237,337	1,051,142	1,037,733	1,013,768	1,028,705	1,107,702
Trade debts	432,070	654,580	462,272	798,023	563,000	557,290
Cash and bank balances	1,742,306	2,100,797	1,314,633	2,223,490	3,399,105	907,906
Other current assets	2,572,424	1,513,423	2,023,878	6,071,744	3,886,123	6,749,267
Total Assets	28,598,549	28,796,174	19,105,234	18,371,549	22,501,816	16,391,602
	100%	100%	100%	100%	100%	100%
Shareholder's Equity						
Surplus on revaluation of fixed assets	18,593,130	18,066,178	16,850,410	15,880,463	12,894,975	10,385,689
Deferred liabilities	780,110	667,582	678,837	598,820	7,604,028	3,892,173
Long term financing	583,701	433,440	291,028	219,894	208,783	397,077
Other non current liabilities	11,349	6,941,693	-	-	-	215,643
Current portion of long term financing	1,079,763	1,079,763	-	-	245,607	258,771
Other current liabilities	1,671,626	1,607,518	1,284,959	1,672,372	1,548,423	1,242,249
Total Equity and Liabilities	28,598,549	28,796,174	19,105,234	18,371,549	22,501,816	16,391,602
	100%	100%	100%	100%	100%	100%
Cash flow statement						
Cash flows from operating activities	1,547,467	1,562,377	5,242,579	1,503,728	5,064,293	(1,730,785)
Cash flows from investing activities	377,914	(9,278,524)	(5,762,074)	(2,034,478)	(2,662,349)	502,797
Cash flows from financing activities	(1,230,297)	7,766,987	(390,752)	(686,251)	(460,745)	(391,160)
Net increase/decrease in cash and cash equivalents	695,084	50,840	(910,247)	(1,217,001)	1,941,199	(1,619,148)
	223%	3073%	-576%	-124%	261%	107%
	54%	-18251%	633%	167%	-137%	-31%
	-177%	15277%	43%	56%	-24%	24%
	100%	100%	100%	100%	100%	100%
Others						
Profit for the year	724,958	2,025,152	1,449,531	2,994,911	3,487,161	2,848,056
Finance costs	1,071,405	264,435	20,912	54,154	68,986	77,353
Depreciation	1,111,501	1,009,936	1,449,531	1,790,586	766,270	1,265,878
Amortisation	-	-	-	1,649	3,301	3,301
EBITDA	2,907,864	3,299,523	2,919,974	4,841,300	4,325,718	4,194,588
	100%	100%	100%	100%	100%	100%
Profit for the year	724,958	2,025,152	1,449,531	2,994,911	3,487,161	2,848,056
Finance costs	1,071,405	264,435	20,912	54,154	68,986	77,353
EBIT	1,796,363	2,289,587	1,470,443	3,049,065	3,556,147	2,925,409
	100%	100%	100%	100%	100%	100%

Six Years at a Glance (PNSC)

	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007
-----Rupees "000"-----						
Profit & Loss						
Revenue	2,777,932	3,084,361	2,077,947	3,491,783	3,100,257	2,168,325
Expenditure	1,845,685	1,945,834	1,351,580	1,932,155	1,912,278	802,803
Gross profit	932,247	1,138,527	726,367	1,559,628	1,187,979	1,365,522
Administrative, general & other expenses	609,673	310,042	421,782	685,475	615,906	260,768
Other income	505,073	317,110	834,377	824,149	765,462	833,398
Profit / (loss) before taxation	(241,632)	883,601	1,138,962	1,698,302	1,337,535	1,938,152
Taxation	(77,085)	287,199	427,429	641,539	922,644	480,933
Profit / (loss) after taxation	(164,547)	596,402	711,533	1,056,763	414,891	1,457,219
Balance Sheet						
Non-current assets	26,617,392	26,312,254	15,698,168	8,729,638	6,143,866	3,542,942
Current assets	3,859,841	3,309,308	2,826,872	8,070,341	7,470,470	8,492,819
Total assets	30,477,233	29,621,562	18,525,040	16,799,979	13,614,336	12,035,761
Paid-up capital	1,320,634	1,320,634	1,320,634	1,320,634	1,320,634	1,320,634
Reserves	5,107,078	5,460,726	5,144,962	4,814,590	4,152,565	3,874,701
Share-holders' equity	6,427,712	6,781,360	6,465,596	6,135,224	5,473,199	5,195,335
Surplus on revaluation of fixed assets	777,285	662,817	671,928	681,027	743,324	748,461
Non-current liabilities	6,473,920	7,375,134	291,028	219,894	208,783	612,720
Current liabilities	16,798,316	14,802,251	11,096,488	9,763,834	7,189,030	5,479,245
	30,477,233	29,621,562	18,525,040	16,799,979	13,614,336	12,035,761
RATIOS						
Profitability ratios						
Operating profit/ operating revenue (%)	34%	37%	35%	45%	38%	63%
Profit / (loss) before tax/operating revenue (%)	-8.70%	28.65%	54.81%	48.64%	43.14%	89.38%
Profit/ (loss) after tax/operating revenue (%)	-5.92%	19.34%	34.24%	30.26%	13.38%	67.20%
Return on capital employed	-1.20%	4.02%	9.58%	15.02%	6.46%	22.23%
Liquidity / Leverage Ratios						
Current ratio	0.23	0.22	0.25	0.83	1.04	1.55
Asset turnover ratio (Times)	0.10	0.12	0.13	0.40	0.50	0.61
Equity / total assets (%)	24%	25%	39%	41%	46%	49%
Return to Shareholders						
Earnings per share (Rs.)	(1.25)	4.52	5.39	8.00	3.14	11.03
Price earning ratio (Rs.)	(12.33)	5.31	7.40	5.77	22.79	8.52
Cash dividend (Rs. / share)	0.5	1.00	1.50	3.00	3.10	1.50
Break-up value per share	54.56	56.37	54.05	51.61	47.07	45.01
Share prices in rupees						
- High	25.89	41.74	75.54	52.31	112.20	97.20
- Low	11.5	23.40	38.00	44.14	65.00	40.00

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

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

Review Report to the Members on Statement of Compliance With the Best Practices of 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, 2012 prepared by the Board of Directors of Pakistan National Shipping Corporation to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited where the Corporation is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the status of the Corporation's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Corporation for the year ended June 30, 2012.

A.F.FERGUSON & CO.
 Chartered Accountants
 Karachi: October 31, 2012
 Engagement partner: Saad Kaliya

ERNST & YOUNG FORD RHODES SIDAT HYDER
 Chartered Accountants
 Karachi: October 31, 2012
 Engagement partner: Pervez Muslim

Statement of Compliance with the best practices of the Code of Corporate Governance

Pakistan National Shipping Corporation

(Established under the Pakistan National Shipping Corporation Ordinance, 1979)

Year Ended: 30th June, 2012

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation 37 of listing Regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed Company 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, Ordinance No. xx of 1979, the Board of Directors consists of five directors appointed by Federal Government, and two directors elected by the shareholders other than the Federal Government. All directors other than the Chairman are non-executive directors. At present the board includes:

Category	Names
Chairman/CEO of BOD	I. Vice Admiral (Retd) Saleem Ahmed Meenai HI (M)
Non - Executive Directors (Nominated by Federal Government)	II. Capt. S.Akhlaq Hussain Abidi III. Vice Admiral (R) Muhammad Asad Qureshi, HI (M) IV. Capt. S.Kamal A. Mahmoodi V. Mr. Mahmood Akhtar
Non - Executive Directors (Elected by Shareholders)	I. Capt. Anwar Shah II. Mr. Khowaja Obaid Imran Ilyas

- 2 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 executive directors have been taken by the board. Chairman/CEO and five non-executive directors have been appointed by the Federal Government whereas two other non-executive directors have been elected under the PNSC Ordinance, 1979.
- 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4 No casual vacancy has occurred.
- 5 The Corporation has prepared a "Statement of Ethics and Business Practices" and has ensured that appropriate steps have been taken to disseminate it through out the Corporation along with its supporting policies and procedures.
- 6 The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Corporation. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7 The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Corporation.
- 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 arranged any training programs for its directors during the year.
10. There have 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 CCG and fully describes the salient matters required to be disclosed.
- 12 The financial statements of the Company 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 company other than that disclosed in the pattern of shareholding.
- 14 The company has complied with all the corporate and financial reporting requirements of the CCG.
- 15 The board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors and the Chairman of the committee is a non-executive director.
- 16 The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17 The board has formed an HR and Remuneration Committee. It comprises of three members, of whom all are non-executive directors and the Chairman of the committee is a non-executive director.
- 18 The board has set up an effective internal audit function. The Members of the Internal Audit Function of the Corporation are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Corporation.
- 19 The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the corporation and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
- 20 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.
- 21 The "closed period", prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of corporation's securities, was determined and intimated to directors, employees and stock exchange(s).
- 22 Material/price sensitive information has been disseminated among all market participants at once through the stock exchange.
- 23 We confirm that all other material principles enshrined in the CCG have been complied with.

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

Dated: October 31, 2012

**CONSOLIDATED
REPORT AND ACCOUNTS**

OF

**PAKISTAN NATIONAL
SHIPPING CORPORATION
GROUP OF COMPANIES**

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

ERNST & YOUNG FORD RHODES
SIDAT HYDER
CHARTERED ACCOUNTANTS
PROGRESSIVE ALAZA
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, 2012 and the related consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of Pakistan National Shipping Corporation and its subsidiary companies. These financial statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing 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, 2012 and the results of their operations for the year then ended.

A. F. FERGUSON & CO.
Chartered Accountants
Karachi: October 31, 2012
Engagement partner: Saad Kaliya

ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Karachi: October 31, 2012
Engagement partner: Pervez Muslim

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2012

	Note	2012	2011 (Rupees in '000) (Re-stated)	2010 (Re-stated)
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	7	22,614,412	23,476,232	14,266,718
Intangible asset	8	-	-	-
Investment properties	9	1,080,596	996,638	970,926
Long-term investments in:				
- Related party (associate)	10	-	-	-
- Listed companies and an other entity	11	22,453	26,883	26,254
Long-term loans	12	72	214	668
Long-term deposits		90	90	90
Deferred taxation - net	13	134,126	27,318	39,795
		<u>23,851,749</u>	<u>24,527,375</u>	<u>15,304,451</u>
CURRENT ASSETS				
Stores and spares	14	471,684	537,248	536,449
Trade debts	15	432,070	654,580	462,272
Agents' and owners' balances	16	529	6,443	1,070
Loans and advances	17	32,713	62,618	38,863
Deposits and short term prepayments	18	27,498	28,079	7,132
Interest / mark-up accrued on bank deposits and investments		9,453	2,582	1,786
Other receivables	19	89,089	240,382	72,592
Incomplete voyages	20	119,724	93,941	84,276
Insurance claims	21	21,485	36,672	46,651
Taxation - net		268,774	28,158	27,835
Short-term investments	22	1,531,475	477,300	1,207,224
Cash and bank balances	23	1,742,306	2,100,797	1,314,633
		<u>4,746,800</u>	<u>4,268,800</u>	<u>3,800,783</u>
TOTAL ASSETS		<u>28,598,549</u>	<u>28,796,175</u>	<u>19,105,234</u>
EQUITY AND LIABILITIES				
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE HOLDING COMPANY				
Share capital	24	1,320,634	1,320,634	1,320,634
Reserves	25	<u>17,270,673</u>	<u>16,743,984</u>	<u>15,527,541</u>
		<u>18,591,307</u>	<u>18,064,618</u>	<u>16,848,175</u>
NON-CONTROLLING INTEREST	26	<u>1,823</u>	<u>1,560</u>	<u>2,235</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		<u>18,593,130</u>	<u>18,066,178</u>	<u>16,850,410</u>
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX				
- Owners of the holding company		779,586	666,295	676,693
- Non-controlling interest	27	524	1,287	2,144
		<u>780,110</u>	<u>667,582</u>	<u>678,837</u>
NON-CURRENT LIABILITIES				
Long-term financing	28	5,878,870	6,941,693	-
Deferred liabilities	29	583,701	433,440	291,028
Advance rent		11,349	-	-
		<u>6,473,920</u>	<u>7,375,133</u>	<u>291,028</u>
CURRENT LIABILITIES AND PROVISION				
Trade and other payables	30	1,533,201	1,414,283	1,090,585
Provision against damage claims	31	20,111	28,327	39,403
Accrued mark-up		105,963	134,898	-
Current portion of long-term financing		1,079,763	1,079,763	-
Taxation - net		12,351	30,011	154,971
		<u>2,751,389</u>	<u>2,687,282</u>	<u>1,284,959</u>
TOTAL EQUITY AND LIABILITIES		<u>28,598,549</u>	<u>28,796,175</u>	<u>19,105,234</u>
CONTINGENCIES AND COMMITMENTS	32			

The annexed notes 1 to 52 form an integral part of these consolidated financial statements.

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

Khawaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
 CONSOLIDATED PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 (Rupees in '000)	2011 (Re-stated)
REVENUES			
Income from shipping business	33	8,793,743	9,193,246
Rental income		81,579	99,923
		<u>8,875,322</u>	<u>9,293,169</u>
EXPENDITURE			
Fleet expenses - direct	34	6,648,400	7,126,499
- indirect	35	26,612	17,038
Real estate expenses	36	104,664	88,060
		<u>6,779,676</u>	<u>7,231,597</u>
GROSS PROFIT		<u>2,095,646</u>	<u>2,061,572</u>
Administrative and general expenses	37	608,494	631,646
Other operating expenses	38	514,133	196,303
Finance costs	39	1,071,405	264,435
		<u>2,194,032</u>	<u>1,092,384</u>
Other operating income	40	823,344	1,055,964
PROFIT BEFORE TAXATION		<u>724,958</u>	<u>2,025,152</u>
Taxation	41	(28,197)	392,210
PROFIT AFTER TAXATION		<u>753,155</u>	<u>1,632,942</u>
Attributable to:			
Equity holders of the holding company		752,892	1,632,620
Non-controlling interest		263	322
		<u>753,155</u>	<u>1,632,942</u>
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR			
Recognition of actuarial losses		(61,882)	(96,348)
Income tax on actuarial losses		(2,718)	3,749
		<u>(64,600)</u>	<u>(92,599)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>688,555</u>	<u>1,540,343</u>
			(Rupees) (Re-stated)
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY	42	<u>5.70</u>	<u>12.36</u>

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

The annexed notes 1 to 52 form an integral part of these consolidated financial statements.

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

Khawaja Obaid Imran Ilyas
 Director

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2012

Attributable to the share holders of the holding company

	Issued, subscribed and paid- up share capital (Note 24)	Capital reserves	Revenue reserves			Non- controlling interest	Total	
			General reserves	Actuarial losses	Unappropriated profit			
(Rupees in '000)								
Balance as at July 1, 2010	1,320,634	131,344	129,307	-	15,188,777	16,770,062	2,235	16,772,297
Effect of retrospective application of change in accounting policy referred in note - 6	-	-	-	2,766	75,347	78,113	-	78,113
Balance as at July 1, 2010 - as restated	1,320,634	131,344	129,307	2,766	15,264,124	16,848,175	2,235	16,850,410
Total profit after tax for the year ended June 30, 2011 - as restated	-	-	-	-	1,632,620	1,632,620	322	1,632,942
Other comprehensive loss for the year ended June 30, 2011 - as restated	-	-	-	(92,599)	-	(92,599)	-	(92,599)
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity- net of tax	-	-	-	-	10,056	10,056	-	10,056
Transaction cost incurred for issue of further share capital of subsidiaries	-	-	-	-	(135,788)	(135,788)	-	(135,788)
Transactions with owners								
Final cash dividend for the year ended June 30, 2010 paid to shareholders of the holding company (Rs 1.5 per Ordinary share)	-	-	-	-	(198,095)	(198,095)	-	(198,095)
Acquisition of non-controlling interest	-	-	-	-	249	249	(997)	(748)
					(197,846)	(197,846)	(997)	(198,843)
Balance as at June 30, 2011 - as restated	1,320,634	131,344	129,307	(89,833)	16,573,166	18,064,618	1,560	18,066,178
Total profit after tax for the year ended June 30, 2012	-	-	-	-	752,892	752,892	263	753,155
Other comprehensive loss for the year ended June 30, 2012	-	-	-	(64,600)	-	(64,600)	-	(64,600)
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity- net of tax	-	-	-	-	7,562	7,562	-	7,562
Transaction cost incurred for issue of further share capital of subsidiaries	-	-	-	-	(37,102)	(37,102)	-	(37,102)
Transactions with owners								
Final cash dividend for the year ended June 30, 2011 paid to shareholders of the holding company (Re 1 per Ordinary share)	-	-	-	-	(132,063)	(132,063)	-	(132,063)
	-	-	-	-	(132,063)	(132,063)	-	(132,063)
Balance as at June 30, 2012	1,320,634	131,344	129,307	(154,433)	17,164,455	18,591,307	1,823	18,593,130

The annexed notes 1 to 52 form an integral part of these consolidated financial statements.

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

Khawaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION AND ITS SUBSIDIARY COMPANIES
 CONSOLIDATED CASH FLOW STATEMENT
 FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 (Rupees in '000)	2011 (Re-stated)
Cash flows from operating activities			
Cash generated from operations	43	2,889,010	2,482,723
Employees' gratuity paid		(51,242)	(42,453)
Employees' compensated absences paid		(48,525)	(56,438)
Post retirement medical benefits paid		(11,571)	(14,213)
Long-term loans and advances - net		142	454
Finance costs paid		(1,166,736)	(428,873)
Receipt under cross currency interest rate swap		299,602	228,904
Arrangement fee paid		-	(106,662)
Advance rent		11,349	-
Damage claims paid		(3,084)	(743)
Taxes paid		(371,478)	(500,322)
Net cash generated from operating activities		<u>1,547,467</u>	<u>1,562,377</u>
Cash flows from investing activities			
Capital expenditure		(274,500)	(10,966,645)
Expenditure on 'Investment Properties'		(990)	-
Proceeds from disposal of property, plant and equipment		455,866	1,490,857
Interest / mark-up received		197,118	196,649
Consideration paid for acquisition of non controlling interest		-	(748)
Dividends received		420	1,363
Net cash generated from / (used in) investing activities		<u>377,914</u>	<u>(9,278,524)</u>
Cash flows from financing activities			
Long-term financing (repaid) / obtained - net		(1,062,823)	8,098,218
Transaction costs paid for issue of ordinary share capital		(37,102)	(135,788)
Dividends paid		(130,372)	(195,443)
Net cash (used in) / generated from financing activities		<u>(1,230,297)</u>	<u>7,766,987</u>
Net increase in cash and cash equivalents		<u>695,084</u>	<u>50,840</u>
Cash and cash equivalents at the beginning of the year		<u>2,572,697</u>	<u>2,521,857</u>
Cash and cash equivalents at the end of the year	44	<u><u>3,267,781</u></u>	<u><u>2,572,697</u></u>

The annexed notes 1 to 52 form an integral part of these consolidated financial statements.

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

Khawaja 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, 2012

1. THE GROUP AND ITS OPERATIONS

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

The Group consists of:

Holding company

Pakistan National Shipping Corporation

Subsidiary companies

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

Associate

- Muhammadi Engineering Works (Private) Limited

The holding company owns 73% (2011: 73%) of the share capital of Pakistan Co-operative Ship Stores (Private) Limited and 100% (2011: 100%) of the share capital of the remaining eighteen subsidiary companies. All the fully owned subsidiaries of the Group operate one vessel / tanker each with the exception of Bolan Shipping (Private) Limited, Swat Shipping (Private) Limited, Lalazar Shipping (Private) Limited, Johar Shipping (Private) Limited, Shalamar Shipping (Private) Limited, Khairpur Shipping (Private) Limited, Multan Shipping (Private) Limited, Sargodha Shipping (Private) Limited and Makran Shipping (Private) Limited which currently do not own any vessel / tanker.

2. STATEMENT OF COMPLIANCE

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

3. 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 4.4.1 have been included at revalued amounts;
- Certain investment properties and financial instruments as referred to in notes 4.6 and 4.7.1, 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; and
- Accounting for staff benefits as referred to in notes 4.15 and 4.16 respectively.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Standards, amendments to published approved accounting standards and interpretations becoming effective for the year ended June 30, 2012:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or have any significant effect on the Group's operations and are, therefore, not disclosed in these consolidated financial statements. However, during the year ended June 30, 2012, the Group has opted for early adoption of the following approved accounting standards as more fully explained in note 4.2 below:

- IAS 19, 'Employee benefits' (effective for annual periods beginning on or after January 1, 2013)
- IAS 1, (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after January 1, 2013)

Standards, amendments to published approved accounting standards and interpretations becoming effective in the year ended June 30, 2012 but not relevant:

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

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

There are certain amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect to the Group's operations and are therefore not mentioned in these consolidated financial statements.

4.2 New standards early adopted by the Group during the year:

The Group has elected to adopt IAS 19, (Revised) 'Employee Benefits' and IAS 1, (Amendments) 'Presentation of Financial Statements' in advance of their effective date of January 1, 2013.

4.2.1 IAS 19, 'Employee benefits'

Upon adoption of this IAS the impact on the Group is the recognition of all actuarial gains and losses in other comprehensive income as they occur and the immediate recognition of all past service costs in profit and loss account. Further, the recognition and disclosure of interest cost and expected return on plan assets has been replaced with a net interest amount calculated by applying the discount rate to the net defined liability / (asset).

4.2.2 IAS 1, (Amendments) 'Presentation of Financial Statements'

The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'. In accordance with the amendment, the balance sheet should be as at the date of the beginning of the preceding period, that is, the opening position. Notes to the consolidated financial statements in support of the balance sheet so presented are therefore not required.

4.3 Basis of consolidation

4.3.1 Subsidiaries

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

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

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

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

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

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

Transactions with non-controlling interests

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

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

4.3.2 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.

4.4 Fixed assets

4.4.1 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except for leasehold land and buildings thereon, beach huts and workshop machinery and equipment which are stated at revalued amounts less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Independent valuations were performed periodically, the carrying amounts were reviewed against these valuations and adjustments were made where there were material changes. Revaluation surpluses were recognised on balance sheet as surplus on revaluation of fixed assets. A revaluation deficit was recognised in profit or loss, except that a deficit directly offsetting a previous surplus on an asset, in which case the deficit was taken to surplus on revaluation of fixed asset. With effect from July 1, 2011, the Group has revised its accounting policy in respect of owned vessels under which vessels are now carried at cost less accumulated depreciation and any identified impairment losses. The reason for and the effects of this change in accounting policy are stated in note 6.2.

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.

Vessels of Group are required to be dry-docked after approximately every thirty months (i.e. at least twice in five years) for major repairs and maintenance that cannot be performed while the vessels are operating. The costs associated with dry-dockings are capitalised as they occur and are depreciated on a straight-line basis over the period from the date of completion of current dry-dock till the estimated date of the next dry-dock. However, for vessels under fifteen years of age, dry-docking is usually carried only once in every five years and the interim dry-docking after thirty months is skipped by carrying out certain limited repairs in lieu of dry-docking. Thus, dry-docking expenses for these types of vessels are amortised over a period of five years and the expenses incurred in lieu of dry-docking are amortised till the date of next dry-dock.

Unamortised dry-docking costs of vessels that are sold are written off and included in the calculation of the resulting gain or loss in the year the vessel is sold. Where a vessel undergoes another dry-docking operation during the specified amortisation period, any unamortised balance related to the previous dry-docking of the vessel is fully charged in the period that ends at the beginning of the new dry-docking operation.

Depreciation is charged to profit and loss account applying the straight line method where by 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.

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 - 'Property, Plant and Equipment' are capitalised and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to profit and loss as and when incurred. Gains and losses on disposals of the assets are included in profit and loss currently.

4.4.2 Capital work-in-progress

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

4.4.3 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are stated at cost less accumulated amortisation and 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.

4.5 Impairment of assets

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

4.6 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.

4.7 Financial instruments

4.7.1 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 46).

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 46

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 46).

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 46).

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.

4.7.2 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.

4.7.3 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.

4.7.4 Derivative financial instruments

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

4.7.5 Interest bearing loans and borrowings

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

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

4.7.6 Off-setting of financial assets and financial liabilities

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

4.8 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 profit and loss account 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.

4.9 Trade debts and other receivables

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

4.10 Taxation

4.10.1 Current

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

4.10.2 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.

4.11 Insurance claims

Hull claims and other claimable expenses relating to hull are charged to profit and loss account 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.

4.12 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.

4.13 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.

4.14 Dividend and other appropriations

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

4.15 Staff retirement benefits

4.15.1 The Group operates a contributory provident fund for permanent employees, for which contributions are charged to profit and loss for the year.

4.15.2 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. Provisions are made in the consolidated financial statements to cover obligations on the basis of actuarial valuation carried out annually under the Projected Unit Credit method. Previously, actuarial gains / losses arising at each valuation date were being recognised as income or expense in the following year. However, the Group has changed its accounting policy in this regard due to early adoption of amendments in IAS-19 (Revised) "Employee benefits", whereby actuarial gains / losses are now being recognised directly to equity through statement of other comprehensive income. The description and the impacts of the change in accounting policy have been detailed in note 6.

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

4.15.3 Post-retirement medical benefits

The Group provides lump sum medical allowance to its retired permanent employees in accordance with the service regulations. Previously, the actuarial gains or losses arising at each valuation date were recognised as income or expense in the following year. With effect from the current year, the Group has changed its accounting policy in this regard due to early adoption of amendments in IAS-19 (Revised) "Employee benefits", whereby actuarial gains / losses are now being recognised directly to equity through statement of other comprehensive income.

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

4.16 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 profit and loss currently. The actuarial gains or losses arising at each valuation date are recognised immediately.

4.17 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.

4.18 Foreign currency translation

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

4.19 Revenue recognition

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

4.20 Borrowing costs

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

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

4.21 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.

4.22 Benazir Employees' Stock Option Scheme

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

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

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

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

Had the exemption not been granted, the impact based on the independent actuarial valuations conducted as on June 30, 2012, for the years ended June 30, 2011 and 2012 would have been as follows:

	Year ended June 30, 2012	Year ended June 30, 2011
	(Rupees in '000)	
Staff costs of the Group for the year would have been higher by	127,264	167,338
Profit after taxation would have been lower by	127,264	167,338
Retained earnings would have been lowered by	472,048	344,784
Reserves would have been higher by	472,048	344,784
	(Rupees)	
Earnings per share would have been lower by	0.96	1.27

5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

- (a) Valuation of certain property, plant and equipment and investment properties (note 7 and 9).
- (b) Determining the residual values and useful lives of property, plant and equipment (note 7).
- (c) Recognition of deferred tax and taxation (note 13 and 41).
- (d) Determining the provision for slow moving stores and spares (note 14).
- (e) Accounting for provision for impairment of trade debts (note 15).
- (f) Accounting for provision against damage claims (note 31).
- (g) Accounting for defined benefit plans (note 29).
- (h) Measuring fair value of cross currency swap and interest rate swap (note 30); and
- (i) Measuring the value of contingent assets and liabilities (note 32).

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

6. CHANGE IN ACCOUNTING POLICY

6.1 Early adoption of amendments in IAS 19, (Revised) 'Employee Benefits'

IAS 19, (Revised) 'Employee Benefits' has been adopted early by the Group. The effective date of this amendment is from annual periods beginning on or after January 2013, however the Group has decided to apply this amendment from the current year. The amendment requires an entity to recognise actuarial gains or losses immediately in 'other comprehensive income'. Actuarial gains or losses were previously amortised over the expected future service of the employees.

This change in accounting policy has been accounted for retrospectively as required under International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been re-stated.

6.2 With effect from July 1 2011, the Group revised its accounting policy in respect of vessels owned, under which vessels are now carried at cost less accumulated depreciation and impairment losses, if any. This change aligns the Group's accounting policy with the leading global shipping lines, enhancing the comparability of Group's consolidated financial statements with those of leading global shipping lines and will result in more relevant information keeping in view the existing business model of the Group

Previously, the vessels owned by the Group were stated at the revalued amounts. Independent valuations were performed periodically, the carrying amounts were reviewed against these valuations and adjustments were made where there were material changes. Revaluation surpluses were recognised on balance sheet as surplus on revaluation of fixed assets. A revaluation deficit was recognised in profit or loss, except that a deficit directly offsetting a previous surplus on an asset, in which case the deficit was taken to surplus on revaluation of fixed asset.

The management believes that the new policy provides reliable and more relevant information to the users of the consolidated financial statements.

This change in accounting policy has been accounted for retrospectively as referred under International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative consolidated financial statements have been re-stated.

Effects of the retrospective application of the change in accounting policies are as follows:

	As at 30 June, 2011			As at 30 June, 2010		
	As previously reported	As re-stated	Re-statement	As previously reported	As re-stated	Re-statement
-----Rupees in '000-----						
<u>Effect on Balance Sheet</u>						
Property, plant and equipment	23,975,314	23,476,232	(499,082)	14,710,607	14,266,718	(443,889)
Deferred tax	18,890	27,318	8,428	36,074	39,795	3,721
Incomplete voyages	92,992	93,941	949	80,616	84,276	3,660
Surplus on revaluation of fixed assets	1,227,292	666,295	560,997	1,191,054	676,693	514,361
Deferred liabilities	320,395	433,440	(113,045)	291,288	291,028	260
Reserves	16,785,737	16,743,984	41,753	15,449,428	15,527,541	(78,113)
Increase in retained earnings						
- Actuarial losses						(2,766)
- Unappropriated profit						(75,347)

	For the year ended June 30, 2011		
	As previously reported	As re-stated	Re-statement
-----Rupees in '000-----			
<u>Effect on profit and loss account</u>			
Other operating expenses			
Employees' gratuity			
- funded	7,423	23,715	(16,292)
- unfunded	13,632	7,115	6,517
	21,055	30,830	(9,775)
Post retirement medical benefits	31,285	38,467	(7,182)
Employees' compensated absences	89,871	89,871	-
	142,211	159,168	(16,957)

	For the year ended June 30, 2011		
	As previously reported	As re-stated	Re-statement
	-----Rupees in '000-----		
Fleet expenses - direct			
Depreciation expense	<u>989,834</u>	<u>918,191</u>	<u>71,643</u>
Other operating income	<u>485,938</u>	<u>1,055,964</u>	<u>570,026</u>
Taxation	<u>393,168</u>	<u>392,210</u>	<u>958</u>
Other Comprehensive Income	<u>-</u>	<u>(92,599)</u>	<u>(92,599)</u>
Increase in profit			<u>625,670</u>
<u>Effect on earnings per share</u>	-----Rupees-----		
Earnings per share - basic	<u>7.62</u>	<u>12.36</u>	<u>4.74</u>

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

Had there been no change in accounting policies, the carrying values as at June 30, 2012 would have been as follows:

	Rupees in '000
Loss after tax	(5,270,987)
Property, plant and equipment	15,768,024
Incomplete voyage	35,684
Deferred liabilities	454,700
Unappropriated profit	11,140,313

- 6.3 As stated in note 4.2, the Group has elected to adopt IAS 1, (Amendments) 'Presentation of Financial Statements' in advance of its effective date of January 1, 2013. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as required by IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. As per the amendment, the balance sheet should be as at the date of the beginning of the preceding period, that is, the opening position. Notes to the consolidated financial statements in support of the balance sheet so presented are therefore not required. Accordingly the notes for the balance sheet as at June 30, 2011 are not required to be disclosed. This change in accounting policy has no impact on the carrying values of consolidated financial statements.

7. PROPERTY, PLANT AND EQUIPMENT

- Operating fixed assets
- Capital work-in-progress

7.1 The following is a statement of operating fixed assets:

Note	2012	2011
	(Rupees in '000)	
		(Re-stated)
7.1	22,326,760	23,215,418
7.8	287,652	260,814
	<u>22,614,412</u>	<u>23,476,232</u>

	Rupees in '000										Total					
	Leasehold land	Buildings on leasehold land	Vessel fleet	Dry docking	Vehicles	Office machines and appliances	Furniture and fixtures	Electrical fittings	Motor launch and jetty	Equipment on board		Container fittings	Beach huts	Workshop machinery and equipment	Computer equipment	
As at June 30, 2010																
Cost or revalued amount	607,325	176,778	14,052,214	1,939,038	15,991,252	65,114	13,843	12,320	7	18	28,952	3,468	13,152	14,501	14,449	16,941,179
Less: Accumulated depreciation	-	62,287	1,662,591	1,514,317	3,176,908	48,568	6,904	5,682	7	18	18,576	3,468	1,315	9,034	10,456	3,343,223
Net book value - restated	607,325	114,491	12,389,623	424,721	12,814,344	16,546	6,939	6,638	-	-	10,376	-	11,837	5,467	3,993	13,597,956
Year ended June 30, 2011																
Opening net book value - restated	607,325	114,491	12,389,623	424,721	12,814,344	16,546	6,939	6,638	-	-	10,376	-	11,837	5,467	3,993	13,597,956
Additions including transfers from CWIP	-	442,275	10,732,656	119,912	10,852,568	-	31,753	19,284	-	-	10,289	-	-	248	18,176	11,374,593
Disposals	-	(609)	(1,197,439)	(931,578)	(2,129,017)	(495)	-	-	-	-	(17,000)	-	-	-	-	(2,147,121)
Cost	-	162	532,354	889,669	1,422,023	495	-	-	-	-	11,059	-	-	-	-	1,433,739
Accumulated depreciation	-	(447)	(665,085)	(41,909)	(706,994)	-	-	-	-	-	(5,941)	-	-	-	-	(713,382)
Write off	-	(94,464)	-	(7,802)	(7,802)	-	-	-	-	-	-	-	-	-	-	(102,266)
Cost or revalued amount	-	53,673	-	7,802	7,802	-	-	-	-	-	-	-	-	-	-	61,475
Accumulated depreciation	-	(40,791)	-	-	-	-	-	-	-	-	-	-	-	-	-	(40,791)
Other adjustments	-	-	(372)	(5,732)	(6,104)	-	-	-	-	-	-	-	-	-	-	(6,104)
Cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year - restated	-	(70,461)	(612,286)	(290,174)	(902,460)	(7,686)	(3,254)	(3,335)	-	-	(3,348)	-	(1,974)	(467)	(3,669)	(996,854)
Closing net book value	607,325	445,067	21,844,536	206,818	22,051,354	8,860	35,438	22,387	-	-	11,376	-	9,863	5,248	18,500	23,215,418
As at June 30, 2011																
Cost or revalued amount	607,325	523,980	23,587,059	1,113,838	24,700,897	64,619	45,596	31,604	7	18	22,241	3,468	13,152	14,749	32,625	26,060,281
Less: Accumulated depreciation	-	78,913	1,742,523	907,020	2,649,543	55,759	10,158	9,217	7	18	10,865	3,468	3,289	9,501	14,125	2,844,863
Net book value - restated	607,325	445,067	21,844,536	206,818	22,051,354	8,860	35,438	22,387	-	-	11,376	-	9,863	5,248	18,500	23,215,418

	Leasehold Buildings on land		Vessel fleet		Vehicles	Office machines and appliances	Furniture and fixtures	Electrical fittings and launch	Motor launch and jetty	Equipment on board	Container fittings	Beach huts	Workshop machinery and equipment	Computer Total
	land	leasehold	Cost	Dry docking										
Year ended June 30, 2012														
Opening net book value	607,325	445,067	21,844,536	206,818	22,051,354	8,860	35,438	22,387	-	11,376	-	9,863	5,248	18,500 23,215,418
Additions including transfers from CWIP	-	34,579	33,122	164,619	197,741	4,082	3,422	116	-	6,402	-	-	134	1,186 247,662
Disposals	-	(609)	(209,510)	(472,591)	(682,101)	(656)	(60)	-	-	(11,381)	-	-	-	(694,807)
Cost	-	315	83,082	422,536	505,618	503	60	-	-	5,199	-	-	-	511,695
Accumulated depreciation	-	(294)	(126,428)	(50,055)	(176,483)	(153)	-	-	-	(6,182)	-	-	-	(183,112)
Surplus on revaluation	41,735	103,789	-	-	-	-	-	-	-	-	-	6,439	-	151,963
Depreciation charge for the year	-	(78,957)	(843,806)	(153,547)	(997,353)	(6,482)	(6,575)	(4,133)	-	(2,333)	-	(1,314)	(454)	(7,570) (1,105,171)
Closing net book value	649,060	504,184	20,907,424	167,835	21,075,259	6,307	32,285	18,370	-	9,263	-	14,988	4,928	12,116 22,326,760
As at June 30, 2012														
Cost or revalued amount	649,060	553,235	23,410,671	805,866	24,216,537	68,045	48,958	31,720	7	18	17,262	3,468	14,883	33,811 25,651,992
Less: Accumulated depreciation	-	49,051	2,503,247	638,031	3,141,278	61,738	16,673	13,350	7	18	7,999	3,468	0	21,695 3,325,232
Net book value	649,060	504,184	20,907,424	167,835	21,075,259	6,307	32,285	18,370	-	9,263	-	14,988	4,928	12,116 22,326,760
Annual rate of depreciation	-	3 to 20	3.33%	Note 7.4	-	20	15	10 to 15	-	10 to 15	15	10	5 to 10	25

- 7.2 The latest revaluation of the 'leasehold land', 'buildings on leasehold land' and 'beach huts' were carried out as of June 30, 2012 by Pee Dee & Associates on the basis of their professional assessment of present market values. The revaluation resulted in a surplus of Rs 151.963 million on the written down values of Rs 1,016.269 million which had been incorporated in the books of the Group as at June 30, 2012. Out of the total revaluation surplus arisen, Rs 825.776 million (2011: Rs 684.003 million) remains undepreciated at June 30, 2012.
- 7.3 Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	2012	2011
	(Rupees in '000)	
Leasehold land and buildings on leasehold land and beach huts	337,528	383,360
Workshop machinery and equipment	4,928	4,331
	<u>342,456</u>	<u>387,691</u>

- 7.4 As stated in note 4.4.1, the management of the Group has revised the estimated useful life of dry docking cost. Had there been no change in estimated useful life, the profit would have been higher by Rs 20.405 million.
- 7.5 Vessel fleet balance includes cost and accumulated depreciation of vessel amounting to Rs 1.440 million relates to M.V Ilyas Bux. This vessel was seized by the Indian authorities during the 1965 war and the Group does not have physical possession or control over the vessel.
- 7.6 The following operating fixed assets with a net book value exceeding Rs 50,000 were disposed off during the year:

Particulars	Mode of Disposal	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain	Particulars of purchaser
----- (Rupees in '000) -----							
Vessels							
MV Sargodha	Tender	337,116	251,179	85,937	222,379	136,442	Messer. Joplin Overseas Investment Limited Wickhams Cay I Road Town Tortala, British Virgin Islands.
MV Multan	--do--	352,218	258,834	93,384	220,859	127,475	M/s Compass Shipping and Trading, Sharjah UAE C/O Mideast Shipping and Trading Dubai, UAE.
		689,334	510,013	179,321	443,238	263,917	
Building on lease hold							
Lifts	Tender	609	315	294	4,472	4,178	M/s Khalil Jibrán, House # 10, Gujrati Mohallah, Near Islamabad Railway gate, Hyderabad
Vehicle							
Suzuki Cultus VXR	Insurance claims	656	503	153	625	472	National Insurance Company Limited, NICL Building, Abbasi Shaheed Road, Karachi
Equipment on board							
Two 1275 KVA Generators	Tender	4,148	804	3,344	7,525	4,181	M/s Asian Salvaging Company, Suit # 2, Ground floor, Plot # 11 - C, Ittehad Commercial Lane 7, Phase 6 DHA, Karachi
Office equipment							
Fax machine	Tender	60	60	-	6	6	Electronic Office Products, 305, Clifton Center, Kehkashan, Clifton, Block 5, Karachi

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

	Note	2012 (Rupees in '000) (Re-stated)	2011 (Rupees in '000) (Re-stated)
Fleet expenses - direct	34	990,089	889,327
- indirect	35	454	466
Real estate expenses	36	67,987	43,062
Administrative and general expenses	37	37,189	48,217
Incomplete voyages	20	9,452	15,782
		<u>1,105,171</u>	<u>996,854</u>
7.8 Capital work-in-progress			
Buildings on leasehold land		287,652	257,703
Vessel fleet		-	3,111
		<u>287,652</u>	<u>260,814</u>

8. INTANGIBLE ASSET

This represents cost of Rs 16.503 million incurred to acquire "Ship Management Expert System" (SES) software. 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.

9. INVESTMENT PROPERTIES

	Leasehold land	Buildings on leasehold land	Total
	----- (Rupees in '000) -----		
Balance as at July 1, 2010	910,700	60,226	970,926
Surplus / (deficit) on revaluation of investment properties	41,800	(16,088)	25,712
Balance as at June 30, 2011	<u>952,500</u>	<u>44,138</u>	<u>996,638</u>
Balance as at July 1, 2011	952,500	44,138	996,638
Addition during the year	-	990	990
Surplus / (deficit) on revaluation of investment properties	91,060	(8,092)	82,968
Balance as at June 30, 2012	<u>1,043,560</u>	<u>37,036</u>	<u>1,080,596</u>

9.1 During the year, revaluation of the Group's investment properties was carried out by Pee Dee & Associates as of June 30, 2012 on the basis of their professional assessment of present market values. As a result, a revaluation gain of Rs 91.060 million was determined in respect of leasehold land whereas a revaluation deficit was determined on buildings on leasehold land amounting to Rs 8.092 million.

10. LONG-TERM INVESTMENTS IN RELATED PARTY (ASSOCIATE)

Equity Method

No. of ordinary share	Name of the company	Country of incorporation	Share of net assets		Latest available audited financial statements for the year ended	Percentage holding	Face value per share	2012	2011
			2012	2011					
			(Rupees in '000)			% (Rupees)	(Rupees '000)		
Associate - unlisted 12,250 12,250	Muhammadi Engineering Works Limited Pakistan	Pakistan	1,600	1,600	December 31, 1982 (unaudited)	49	100	1,600	1,600
	Less: Accumulated impairment losses							1,600	1,600
								-	-

2012
(Rupees in '000)

2011

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

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

Listed companies

6,930 (2011: 6,930) ordinary shares of Rs 10 each fully paid of Siemens (Pakistan) Engineering Company Limited. Market value per share Rs 747.1 (2011: Rs 1,084.21 per share)	5,177	7,514
72,828 (2011: 72,828) ordinary shares of Rs 10 each fully paid of Pakistan State Oil Company Limited. Market value per share Rs 235.84 (2011: Rs 264.58)	17,176	19,269
	22,353	26,783

Available for sale financial assets

Other entity - carried at cost

10,000 (2011: 10,000) ordinary shares of Rs 10 each of Pakistan Tourism Development Corporation Limited	100	100
	22,453	26,883

12. LONG-TERM LOANS

Note

Others - due from employees			
Considered good	12.1 & 12.2 & 12.3	178	423
Considered doubtful		208	224
		386	647
Less: Provision for impairment	12.5	208	224
		178	423
Less: Recoverable within twelve months	17	106	209
		72	214

12.1 It comprises of house building and vehicle loans aggregating Rs 0.145 million (2011: Rs 0.566 million) and Rs 0.033 million (2011: Rs 0.081 million) respectively.

12.2 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% (2011: 11%) per annum.

12.3 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 0.119 million (2011: Rs 0.402 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.

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

	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
12.5 Provision for impairment			
Balance at the beginning of the year		224	-
Provision made during the year		-	224
Amount reversed		16	-
Balance at the end of the year		<u>208</u>	<u>224</u>

		2012 (Rupees in '000)	2011 (Rupees in '000) (Restated)
13. DEFERRED TAXATION - NET			
Deductible temporary differences arising in respect of:			
- short-term provisions and deferred liabilities		108,640	73,639
- Derivative instruments		72,967	-
		181,607	73,639
Taxable temporary differences arising in respect of:			
- surplus on revaluation of fixed assets	27	45,666	16,421
- unamortised transaction cost		-	23,119
- accelerated depreciation		22,253	6,781
		67,919	46,321
Minimum tax on turnover		20,438	-
		<u>134,126</u>	<u>27,318</u>

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

		2012 (Rupees in '000)	2011 (Rupees in '000)
14. STORES AND SPARES			
Stores			
- at depots		13,211	17,074
- at buildings		1,845	1,630
- on board		10,683	13,532
		25,739	32,236
Spares			
- at buildings		1,751	1,795
- in transit		169	-
- on board		81,056	68,957
		82,976	70,752
Less: Provision for slow moving and obsolete spares		1,535	4,251
		81,441	66,501
Bunker on board		364,504	438,511
		<u>471,684</u>	<u>537,248</u>

	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
15. TRADE DEBTS			
Unsecured			
- considered good	15.1	432,070	654,580
- considered doubtful		183,448	183,448
		615,518	838,028
Less: Provision for impairment	15.2	183,448	183,448
		<u>432,070</u>	<u>654,580</u>

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

	Note	2012 (Rupees in '000)	2011
Upto 1 month		118,955	306,860
1 to 6 months		241,635	180,249
More than 6 months		<u>71,480</u>	<u>167,471</u>
		<u>432,070</u>	<u>654,580</u>

15.2 Provision for impairment

Balance at the beginning of the year		183,448	183,418
Provision made during the year	37	-	30
Balance at the end of the year		<u>183,448</u>	<u>183,448</u>

As at June 30, 2012, trade receivables of Rs 183.448 million (2011: Rs 183.448 million) were impaired and provided for. The ageing of these receivables is as follows:

	Note	2012 (Rupees in '000)	2011
One to three years		1,024	39,093
Three years to five years		122,249	84,180
Five years and over		<u>60,175</u>	<u>60,175</u>
		<u>183,448</u>	<u>183,448</u>

16. AGENTS' AND OWNERS' BALANCES

Unsecured

Considered good	16.1	529	6,443
Considered doubtful		<u>4,453</u>	<u>4,453</u>
		4,982	10,896
Less: provision for impairment		<u>4,453</u>	<u>4,453</u>
		529	6,443
		<u>471,684</u>	<u>537,248</u>

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

	Note	2012 (Rupees in '000)	2011
Upto 1 month		398	-
1 to 6 months		129	5,373
More than 6 months		<u>2</u>	<u>1,070</u>
		<u>529</u>	<u>6,443</u>

17. LOANS AND ADVANCES

Considered good

Long term loans to employees recoverable within one year	12	106	209
--	----	-----	-----

Advances to:

- employees		20,274	25,872
- contractors and suppliers		8,282	32,737
- others		<u>4,051</u>	<u>3,800</u>
		<u>32,713</u>	<u>62,618</u>

Note 2012 2011
(Rupees in '000)

18. DEPOSITS AND SHORT TERM PREPAYMENTS

Deposits

Trade:

- considered good
- considered doubtful

2,911	2,422
184	184
3,095	2,606
184	184
2,911	2,422

Less: Provision for impairment - trade

Others:

- considered good
- considered doubtful

3,347	4,253
185	185
3,532	4,438
185	185
3,347	4,253

Less: Provision for impairment - others

Prepayments

Prepaid transaction cost
Other prepayments

28.1	18,502	18,502
	2,738	2,902
	21,240	21,404
	27,498	28,079

19. OTHER RECEIVABLES

Rent receivable

- considered good
- considered doubtful

19.1	6,782	6,184
	4,600	4,600
	11,382	10,784
19.2	4,600	4,600
	6,782	6,184

Less: Provision for impairment of rent receivable

Derivative cross currency interest rate swap

30.3	-	87,960
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Others

- considered good
- considered doubtful

19.3	82,307	146,238
	12,659	12,659
	94,966	158,897
	12,659	12,659
	82,307	146,238
	89,089	240,382

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

Upto 1 month	1,622	3,407
1 to 6 months	3,370	2,277
More than 6 months	1,790	500
	6,782	6,184

19.2 Provision for impairment of rent receivables

Balance at the beginning of the year	4,600	4,359
Provision made during the year	-	241
Balance at the end of the year	4,600	4,600

As at June 30, 2012, rent receivables of Rs 4.600 million (2011: Rs 4.600 million) were impaired and provided for. These receivables have been outstanding for more than three years.

	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
19.3 Provision for impairment of other receivables			
Balance at the beginning of the year		12,659	8,851
Provision made during the year		-	3,808
Balance at the end of the year		<u>12,659</u>	<u>12,659</u>
20. INCOMPLETE VOYAGES			
Port, light and canal and custom dues		-	214
Salaries and allowances		5,995	12,389
Diesel, fuel and lubricants		42,131	72,996
Stores and spares consumed		5,899	5,744
Insurance		1,999	17,486
Charter hire and related expenses		63,536	18,532
Depreciation	7.7	9,452	15,782
Victualling		674	1,147
Other fleet expenses - direct and indirect		-	191
		<u>129,686</u>	<u>144,481</u>
Less: Net freight		<u>9,962</u>	<u>50,540</u>
		<u>119,724</u>	<u>93,941</u>
21. INSURANCE CLAIMS			
- considered good		<u>21,485</u>	<u>36,672</u>

In addition to these, amounts aggregating Rs 64.227 million (2011: Rs 42.300 million) in respect of general average claims are receivable from cargo owners and charterers. These amounts are determined on the basis of adjustment book received by independent adjuster. The group has not recognised the claims as receivable pending acceptance from the counter parties or underwriter.

	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
22. SHORT-TERM INVESTMENTS			
Loans and receivables			
Term deposits with banks having maturity of:			
- six to twelve months		6,000	5,400
- three months or less	44	1,525,475	471,900
		<u>1,531,475</u>	<u>477,300</u>
22.1 The mark-up on term deposits ranges between 11% and 13.80% (2011: 9% and 13.80%) per annum.			
23. CASH AND BANK BALANCES			
Cash at bank:			
- in current accounts			
- local currency		462,825	528,427
- foreign currency		54,478	151,647
		517,303	680,074
- in saving accounts	23.1 & 23.2		
- local currency		1,102,231	1,246,108
- foreign currency		121,864	173,407
		<u>1,224,095</u>	<u>1,419,515</u>
Cash in hand	44	908	1,208
		<u>1,742,306</u>	<u>2,100,797</u>

- 23.1 The mark-up on savings accounts ranges between 5% and 11.25% (2011: 5% and 11 %) per annum.
- 23.2 This includes Rs 2.126 million (2011: Rs 2.126 million) held as security by Habib Bank Limited, P.N.S.C. Branch against guarantees issued on behalf of the Group.

24. SHARE CAPITAL

24.1 Issued, subscribed and fully paid-up capital

2012 (No. of shares)	2011		2012 (Rupees in '000)	2011
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
<u>132,063,380</u>	<u>132,063,380</u>		<u>1,320,634</u>	<u>1,320,634</u>

- 24.2 As at June 30, 2012 Government of Pakistan held 107,128,363 (2011: 106,139,647) ordinary shares of the holding company.

	Note	2012 (Rupees in '000)	2011 (Restated)
25. RESERVES			
Capital reserves	25.1	131,344	131,344
Revenue reserves			
- actuarial losses		(154,433)	(89,833)
- unappropriated profit (including general reserves)		17,293,762	16,702,473
		<u>17,270,673</u>	<u>16,743,984</u>

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

	2012 (Rupees in '000)	2011
26. NON-CONTROLLING INTEREST		
Share of non-controlling interest in:		
- share capital	59	59
- general reserve	10	10
- unappropriated profit	1,491	1,271
- profit for the year	263	220
	<u>1,823</u>	<u>1,560</u>

2012 **2011**
(Rupees in '000)

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

As at July 1	684,003	697,117
Surplus arising on revaluation of fixed assets during the current year	151,963	-
Less: Transferred to unappropriated profit:		
Surplus relating to incremental depreciation charged during the current year on related assets - net of tax	7,562	10,056
Related deferred tax liability	2,628	3,058
	10,190	13,114
	825,776	684,003
Less: Related deferred tax liability on :		
- Revaluation as at July 1	16,421	20,424
- Incremental depreciation charged during the current year on related assets transferred to profit and loss account	(2,628)	(3,058)
- deferred tax impact on revaluation of fixed assets during the current year	28,932	-
- Effect of allocation ratio of revenue under presumptive tax regime and normal tax regime	2,941	(945)
	45,666	16,421
As at June 30	780,110	667,582
Less: Surplus on revaluation of fixed assets attributable to non controlling interest	524	1,287
	779,586	666,295

28. LONG - TERM FINANCING

	Note		
Financing under syndicate term finance agreement	28.1	6,080,359	7,009,039
Less: Current portion		943,482	943,482
		5,136,877	6,065,557
Term Finance Certificates	28.1	878,274	1,012,417
Less: Current portion		136,281	136,281
		741,993	876,136
		5,878,870	6,941,693

28.1 During the year ended June 30, 2011, the holding company obtained a financing facility of Rs 10,300 million. The financing was obtained in the form of a syndicated term finance loan of Rs 9,000 million and the remaining amount of Rs 1,300 million in the form of Term Finance Certificates (TFCs) with a face value of Rs 5,000 each by way of private placement.

The holding company can draw down the amount until October 29, 2012. The financing carries mark-up of KIBOR+2.20%. The loan along with the mark-up is repayable on a quarterly basis and the last repayment date is November 23, 2018. The facility is secured by a first mortgage charge over certain vessels owned by its subsidiary companies, all present and future receivables of the holding company from three major customers and its investment properties.

As at June 30, 2012, the holding company has drawn Rs 7,438.806 million (June 30, 2011 : 7,438.806 million) and Rs 1,074.494 million (June 30, 2011: 1,074.494 million) from syndicated term finance and TFCs' respectively. The holding company has also paid loan arrangement fee amounting to Rs 106.662 million out of which Rs 88.160 million (June 30, 2011: 88.160 million) was included in the amortised cost of the long term financing whereas the unamortised portion amounting to Rs 18.502 million (2011: 18.502 million) has been included in deposits and short-term prepayments (note 18).

	Note	2012 (Rupees in '000)	2011 (Restated)
29. DEFERRED LIABILITIES			
Employees' gratuity			
- funded	29.1.4	202,883	101,896
- unfunded	29.1.4	51,122	28,300
		254,005	130,196
Post retirement medical benefits	29.1.4	131,833	143,944
Employees' compensated absences	29.2.3	197,863	159,300
		583,701	433,440

29.1 Retirement benefit schemes

29.1.1 The management has decided to adopt amended IAS 19 in relation to its defined benefit obligations recognised in the consolidated financial statements for the current year. For the purpose of actuarial valuation of the aforementioned obligation of the group, July 1, 2009 has been used as the date of initial application on account of impracticability to determine the cumulative effects of the change in accounting policy for the periods before 2009.

29.1.2 The disclosures made in note 29.1.3 to 29.1.14 are based on the information included in the actuarial valuation report as of June 30, 2012.

29.1.3 As stated in notes 4.15.2 and 4.15.3 of these consolidated financial statements, the Group operates a funded retirement gratuity scheme for permanent employees other than those who joined the holding company after October 16, 1984, an unfunded retirement gratuity scheme for contractual employees and an unfunded post retirement medical benefit scheme for permanent employees. Liability is maintained against these schemes based on the actuarial recommendations. Actuarial valuation of these benefits are carried out at annually and the latest valuations were carried out as at June 30, 2012 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the defined benefit obligation schemes:

	2012		2011	
	Employees' gratuity (funded and unfunded)	Post retirement medical benefits	Employees' gratuity (funded and unfunded)	Post retirement medical benefits
Discount rate	13.50%	13.50%	14.50%	14.50%
Future salary increases - for permanent employees				
For the year 2012-13, 2014-15 and 2016-17	40.00%	N/A	12.50%	N/A
For the year 2013-14, 2015-16 and 2017-18	2.00%	N/A	12.50%	N/A
For the year 2018-19 and onwards	11.50%	N/A	12.50%	N/A
Future salary increases - for contractual employees				
For the year 2012-13 till 2016-17	15.00%	N/A	12.50%	N/A
For the year 2017-18 and onwards	11.50%	N/A	12.50%	N/A
Medical escalation rate	N/A	10.50%	14.50%	N/A
Death rates	based on LIC (1975-79) Ultimate mortality tables.			

	2012			2011		
	Employees' gratuity Funded	Unfunded	Post retirement medical benefits	Employees' gratuity Funded	Unfunded	Post retirement medical benefits
------(Rupees in '000)-----						
-----Restated-----						
29.1.4	Balance sheet reconciliation					
	438,334	51,122	131,833	312,663	28,300	143,944
	(235,451)	-	-	(210,767)	-	-
	<u>202,883</u>	<u>51,122</u>	<u>131,833</u>	<u>101,896</u>	<u>28,300</u>	<u>143,944</u>
29.1.5	Movement in present value of defined benefit obligation					
	312,663	28,300	143,944	261,670	21,845	103,452
	9,990	6,258	3,680	9,750	4,428	2,597
	42,338	4,259	19,857	38,698	2,687	12,590
	(48,490)	(1,242)	(11,571)	(71,520)	(2,453)	(14,213)
	53,762	-	-	-	-	23,280
	68,071	13,547	(24,077)	74,065	1,793	16,238
	<u>438,334</u>	<u>51,122</u>	<u>131,833</u>	<u>312,663</u>	<u>28,300</u>	<u>143,944</u>
29.1.6	Movement in fair value of plan assets					
	210,767	-	-	221,806	-	-
	27,515	-	-	24,733	-	-
	50,000	-	-	40,000	-	-
	(48,490)	-	-	(71,520)	-	-
	(4,341)	-	-	(4,252)	-	-
	<u>235,451</u>	<u>-</u>	<u>-</u>	<u>210,767</u>	<u>-</u>	<u>-</u>
29.1.7	Movement in net liability in the balance sheet					
	101,896	28,300	143,944	39,864	21,845	103,452
	78,575	10,517	23,537	23,715	7,115	38,467
	(50,000)	(1,242)	(11,571)	(40,000)	(2,453)	(14,213)
	72,412	13,547	(24,077)	78,317	1,793	16,238
	<u>202,883</u>	<u>51,122</u>	<u>131,833</u>	<u>101,896</u>	<u>28,300</u>	<u>143,944</u>
29.1.8	The amounts recognised in the income statement					
	9,990	6,258	3,680	9,750	4,428	2,597
	14,823	4,259	19,857	13,965	2,687	12,590
	53,762	-	-	-	-	23,280
	<u>78,575</u>	<u>10,517</u>	<u>23,537</u>	<u>23,715</u>	<u>7,115</u>	<u>38,467</u>
29.1.9	Actual return on plan assets					
	27,515	-	-	24,733	-	-
	(4,341)	-	-	(4,252)	-	-
	<u>23,174</u>	<u>-</u>	<u>-</u>	<u>20,481</u>	<u>-</u>	<u>-</u>
29.1.10	Rupees in '000		%	Rupees in '000		%
	Major categories / composition of plan assets					
	Cash and cash equivalents		33,656	14.29%	7,541	3.58%
	Debt instruments-TDR of private commercial banks (non quoted)		201,795	85.71%	203,226	96.42%
			<u>235,451</u>	<u>100%</u>	<u>210,767</u>	<u>100%</u>
29.1.11	The actual return on plan assets for the year ended June 30, 2012 was Rs 23.17 million (2011: Rs. 20.48 million).					

- 29.1.11 The actual return on plan assets for the year ended June 30, 2012 was Rs 23.17 million (2011: Rs. 20.48 million).
- 29.1.12 Principal actuarial assumptions used are disclosed in note 29.1.3 to these consolidated financial statements.
- 29.1.13 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	2012	2011	2010
	------(Rupees in '000)-----		
Present value of defined benefit obligation	489,456	340,963	283,515
Fair value of plan assets	(235,451)	(210,767)	(221,806)
Deficit	<u>254,005</u>	<u>130,196</u>	<u>61,709</u>
Experience (gain) / loss on defined benefit obligation	<u>(19,666)</u>	<u>75,858</u>	<u>(9,762)</u>
Experience (loss) / gain on plan assets	<u>(4,341)</u>	<u>(4,252)</u>	<u>(13)</u>
Post retirement medical benefits			
Present value of defined benefit obligation	<u>131,833</u>	<u>143,944</u>	<u>103,452</u>
Experience adjustment on defined benefit obligation	<u>(10,898)</u>	<u>16,238</u>	<u>9,515</u>

- 29.1.14 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	617	(585)
Effect on defined benefit obligation	3,340	(3,174)

- 29.2 Employees' compensated absences

- 29.2.1 The disclosures made in notes 29.2.4 to 29.2.5 are based on the information included in the actuarial valuation as of June 30, 2012.

- 29.2.2 As stated in note 4.16, the Corporation operates an employees' compensated absences scheme. Provision is maintained against this scheme based on the actuarial recommendations. Actuarial valuation is carried out annually and the latest valuation was carried out at June 30, 2012 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the scheme:

	2012	2011
Discount rate	13.50%	14.50%
Future salary increases - for permanent employees		
For the year 2012-13, 2014-15 and 2016-17	40.00%	12.50%
For the year 2013-14, 2015-16 and 2017-18	2.00%	12.50%
For the year 2018-19 and onwards	11.50%	12.50%
Future salary increases - for contractual employees		
For the year 2012-13 till 2016-17	15.00%	12.50%
For the year 2017-18 and onwards	11.50%	12.50%

	2012	2011	
	(Rupees in '000)		
29.2.3	Balance sheet reconciliation		
	<u>197,863</u>	<u>159,300</u>	
29.2.4	Movement in present value of defined benefit obligation		
	159,300	125,867	
	37,139	42,835	
	23,496	21,306	
	26,453	25,730	
	<u>(48,525)</u>	<u>(56,438)</u>	
	<u>197,863</u>	<u>159,300</u>	
29.2.5	Expenses		
	37,139	42,835	
	23,496	21,306	
	26,453	25,730	
	<u>87,088</u>	<u>89,871</u>	
29.2.6	Amounts for the current period and previous four annual periods of the present value of defined benefit obligation are as follows:		
	2012	2011	2010
	----- (Rupees in '000) -----		
	<u>197,863</u>	<u>159,300</u>	<u>125,867</u>
	<u>(19,354)</u>	<u>25,730</u>	<u>(175)</u>
29.2.7	Principal actuarial assumptions used are disclosed in note 29.2.2 to these consolidated financial statements.		
29.3	Expected retirement benefits costs for the next year are as follows:		
	Rupees in '000		
		55,296	
		19,987	
		76,568	
29.4	During the year the Group contributed Rs 10.227 million (2011: Rs 10.684 million) to the provident fund.		

	Note	2012 (Rupees in '000)	2011
30. TRADE AND OTHER PAYABLES			
Creditors		133,284	300,195
Agents' and owners' balances		68,338	148,878
Accrued liabilities		420,532	667,512
Deposits	30.1	36,248	30,907
Workers' Profits Participation Fund	30.2	-	11,503
Derivative instruments	30.3	424,801	-
Unclaimed dividends		26,723	25,032
Sales tax payable		1,932	-
Bills payable		138,154	-
Advance from customers		133,743	136,813
Other liabilities			
- amounts retained from contractors		27,145	25,740
- others		122,301	67,703
		149,446	93,443
		<u>1,533,201</u>	<u>1,414,283</u>

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

30.2 Workers' Profits Participation Fund

	2012 (Rupees in '000)	2011
As at July 1	11,503	50,194
Allocation for the year	-	11,503
Interest on fund utilised during the year	168	143
	<u>11,671</u>	<u>61,840</u>
Less: Payments made during the year	10,037	50,337
Reversal of excess provision	1,634	-
As at June 30	<u>-</u>	<u>11,503</u>

30.3 The holding company has entered into a cross currency interest rate swap of Rs 8,513.300 million in respect of its borrowing (note 28). Under the terms of the cross currency swap arrangement, the holding company is required to pay LIBOR plus 3.75% to the arranging bank on the borrowing denominated in USD (USD notional) for the purpose of cross currency swap, and receive KIBOR plus 2.20% from the arranging bank. Further, the holding company shall pay / receive any exchange loss / gain on the USD notional outstanding at each quarter end. Further, during the current year, the holding company has also entered into an interest rate swap. Under the terms of the interest rate swap the holding company receives a fixed interest of 13% per annum, whereas the holding company has to pay 3 months KIBOR for each quarter. The net fair value of cross currency interest rate swap and interest rate swap as determined by the bank were Rs 282.434 million (unfavourable) and Rs 5.679 million (favourable) to the holding company as of the balance sheet date which has been increased by the net interest payable and exchange loss aggregating Rs 148.046 million as at June 30, 2012.

	2012	2011
	(Rupees in '000)	
31. PROVISION AGAINST DAMAGE CLAIMS		
As at July 1	28,327	39,403
Charge during the year	4,771	9,218
Utilised during the year	(3,084)	(743)
Reversed during the year	(9,903)	(19,551)
As at June 30	<u>20,111</u>	<u>28,327</u>

32. CONTINGENCIES AND COMMITMENTS

Contingencies

32.1 Amount in respect of claims not admitted by the Group as at June 30, 2012 aggregate to Rs 302.974 million (2011: Rs 152.815 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo and damages to cargo. These include Rs 5.158 million (2011: Rs 6.695 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 247.952 million (2011: Rs 68.062 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 20.111 million (2011: Rs 28.327 million) against the aforementioned claims in these consolidated financial statements.

32.2 The holding company has not accepted liability in respect of customs duty approximating Rs 2.5 million (2011: Rs 2.5 million) relating to the sale of the vessel M.V. Bhambore during the year ended June 30, 1978. The duty was claimed from the holding company and the matter has been taken up with the appropriate Government agencies.

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

Following the Supreme Court's adjudication of the East & West Steamship Company's matter in favour of the former owners, the Government provisionally assessed additional compensation due to the former owners at approximately Rs 97.012 million (2011: Rs 97.012 million). Although a major portion of this amount has been settled by the Government, the Government holds the holding company liable for this amount by virtue of the net assets of the East & West Steamship Company having become vested in the holding company.

In case of Chittagong Steamship Corporation Limited and Trans Oceanic Steamship Company Limited, the litigations relating to compensation to the former owners and the legal suits are pending in the High Court of Sindh. The amounts claimed are approximately Rs 1.300 million and Rs 66.800 million (2011: 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.

32.4 Certain other claims have been filed against the holding company in respect of employees' matters for an aggregate amount of approximately Rs 102.468 million (2011: Rs 102.987 million). These cases are pending and the management is confident that the outcome of these cases will be in the holding company's favour and accordingly no provision for above claims has been made in these consolidated financial statements.

- 32.5 While framing the tax assessment for the income year ended June 30, 1990, the assessing officer had made an addition to income of Rs 3,974.455 million, being the remission of liabilities due to the Federal government under the scheme of financial restructuring of the holding company. The resultant tax liability including additional taxes for late payment of tax amounted to Rs 1,293.694 million, part of which was paid by the holding company and the remaining amount of Rs 1,233.694 million was directly discharged at source by the Federal Government. The assessing officer while framing the order of income year ended June 30, 1996 has treated the aforementioned payment of tax liability by the Government as the income of holding company. The ITAT has given the decision in favour of the holding company on the appeals filed against the above orders. However, the department has filed an appeal with the honourable High Court against the aforementioned orders of ITAT. The Honourable High Court has decided the appeal against the holding company. The leave to appeal filed by the holding company has been accepted by the Honourable Supreme Court and the decision of the High Court has been suspended. Hearing of the appeal is pending in the Honourable Supreme Court.
- 32.6 During the year ended June 30, 2011, the Officer Inland Revenue (OIR) had issued assessment orders under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax years 2008, 2009 and 2010. According to the orders, the OIR had made certain additions and determined additional tax demand of Rs 293.431 million. OIR has disallowed a portion of administrative expenses by attributing the same to the subsidiary companies and further disallowed a portion of contribution made to approved gratuity fund (only in respect of tax year 2008) on the contention that the same is attributable to the subsidiary companies. The holding company had paid Rs 100 million under protest and filed an appeal with the Commissioner of Income Tax (Appeals). During the year, Commissioner of Income Tax (Appeals) in his order has upheld certain additions and has given decisions in favour of the holding company on certain matters. The management has provided for all the matters that have been decided against the holding company, with the exception of disallowance of allocation of common expenses to profit on debt for tax year 2008 and 2009 which may result in increase of tax liability by Rs 17.848 million. The holding company has filed an appeal with the ITAT in respect of aforementioned disallowances. The management of the holding company is confident that the matters in appeals shall be eventually decided in its favour.
- 32.7 During the year, the Officer Inland Revenue (OIR) has issued assessment orders under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax year 2011. According to the orders, the OIR has made certain additions and determined additional tax demand of Rs 251.092 million. Such addition have been made mainly as the OIR has disallowed a portion of administrative expenses by attributing the same to the subsidiary companies and further disallowed financial expenses incurred by the holding company on the contention that the same is equity specific and hence being capital in nature. The holding company has paid Rs 100 million and adjusted Rs 90 million against refunds relating to tax year 2008, 2009 and 2010 under protest and has filed an appeal with the Commissioner of Income Tax (Appeals) and at present the matter is pending for hearing. The management of the holding company is confident that the subject matter in respect of tax years 2011 will eventually be decided in favour of the holding company.
- 32.8 The Taxation Officer (TO) issued an amended assessment order under section 122(5A) of the Income Tax Ordinance, 2001 in respect of tax year 2003 against Karachi Shipping (Private) Limited (KSPL). According to the amended order, TO made additions to taxable income of the company aggregating to Rs 163.523 million mainly on account of interest income and gain on sale of fixed assets, which have been taxed separately. The company 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, the company filed a petition to Alternate Dispute Resolution Committee (ADRC) in this respect. During the year ended June 30, 2009 the ADRC upheld the decision of TO and decided the matter against the company. As the Company was not satisfied with the order, the company continued to pursue its remedy against CIT(A) which is at present pending for hearing.

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

- 32.9 During the year ended June 30, 2011, the Taxation Officer (TO) has issued an order under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax year 2008 against Karachi Shipping (Private) Limited (KSPL). According to the order, TO has made certain additions to the income of the company and determined tax demand aggregating Rs 11.225 million. The company has obtained stay order against the payment of aforesaid tax demand and filed an appeal with the Commissioner of Income Tax (Appeals). During the year, the Commissioner of Income Tax (Appeals) has maintained certain disallowance and set aside the action of the TO in invoking the provisions of section 108 of the Income Tax Ordinance, 2001. As the company was not satisfied with the order, the company has filed an appeal with the Appellate Tribunal Inland Revenue. The management of the company is confident that the matter in the appeal shall eventually be decided in its favour. Accordingly, no provision has been made in these consolidated financial statements against the aforementioned tax demand.
- 32.10 While framing tax assessment for the income year ended June 30, 2005, against Lalazar Shipping (Private) Limited (LSPL), the Taxation Officer (TO) has issued order under section 122 (5A) of the Income Tax Ordinance, 2001 (the Ordinance) whereby demand of Rs 139.118 million was raised by the tax department. According to the order, the TO is of the view that the income appearing under the head 'other income' in the annual audited financial statements for the said year is taxable under Normal Tax Regime with reference to section 39 of the Ordinance. The holding company had filed appeals with the Commissioner of Income Tax (Appeals) and Income Tax Appellate Tribunal, however, the appeals were decided in favour of the tax department.

During the year ended June 30, 2011, the Honourable High Court had heard the appeal filed by the holding company and reduced the tax demand raised by TO to Rs 68.284 million. The holding company had paid the reduced tax demand under protest and filed an appeal with the Honourable Supreme Court for which leave to appeal was granted to the holding company. Further, the tax department had also filed an appeal with the Honourable Supreme Court against the order and the matter is at present pending for hearing.

The management of the holding company is confident that the matter shall eventually be decided in favour of the holding company. However, the management, without prejudice to its contention in respect of the subject matter, as a matter of prudence, had provided an aggregate amount of Rs 68.284 million in respect of prior years' taxation.

- 32.11 Without prejudice to the holding company's contention on the matters stated in notes 32.5 to 32.7, the management has as a matter of prudence, has provided an aggregate amount of Rs 250 million in respect of aforementioned matters.
- 32.12 Outstanding letters of guarantee amount to Rs 2.126 million (2011: Rs 2.126 million).

Commitments

- 32.13 Commitments in respect of capital expenditure amount to Rs 96 million (2011: Rs 165.029 million).

2012 2011
(Rupees in '000)

33. INCOME FROM SHIPPING BUSINESS

Owned vessels

Combi vessels	560,317	1,467,403
Bulk carriers	1,816,886	1,007,233
Oil tankers	4,219,004	4,445,327
	<u>6,596,207</u>	<u>6,919,963</u>

Chartered vessels

Slot charter	1,493,380	1,308,690
Oil tankers	704,156	964,593
	<u>2,197,536</u>	<u>2,273,283</u>
	<u>8,793,743</u>	<u>9,193,246</u>

Note 2012 2011
(Rupees in '000)
(Restated)

34. FLEET EXPENSES - DIRECT

Stevedoring and transhipment expenses	11,598	32,165
Diesel, fuel and lubricants consumed	2,393,941	2,425,797
Ocean loss	52,313	137,126
Port, light, canal and customs dues	505,322	610,614
Salaries and allowances	546,898	550,570
Charter hire and related expenses	34.1 1,227,771	1,317,694
Fleet communication expenses	19,705	20,413
Agency commission and brokerage	161,294	166,806
Victualling expenses	57,820	54,278
Insurance	275,628	305,714
Claim charges	17,747	21,864
Stores and spares consumed	182,195	190,852
Repairs, maintenance and special surveys	117,286	260,959
Overage premium	-	49,307
Depreciation on opening incomplete voyage	20 15,782	28,864
Depreciation	7.7 990,089	889,327
	<u>1,005,871</u>	<u>918,191</u>
Exchange loss	19,585	12,266
Sales tax expense	3,033	-
Sundry expenses	50,393	51,883
	<u>6,648,400</u>	<u>7,126,499</u>

2012 2011
(Rupees in '000)

34.1 Charter hire and related expenses

- Oil tanker	558,412	517,661
- Slot Charter	669,359	800,033
	<u>1,227,771</u>	<u>1,317,694</u>

35. FLEET EXPENSES - INDIRECT

Conference establishment expenses	295	277
Salaries and allowances	35.1 15,413	5,534
Agents' and other general expenses	35.2 8,420	10,036
Legal and professional	1,338	-
Depreciation	7.7 454	466
General establishment expenses – regional offices	692	725
	<u>26,612</u>	<u>17,038</u>

35.1 This includes Rs 1.019 million (2011: Rs 0.107 million) in respect of provident fund contribution.

	Note	2012 (Rupees in '000)	2011
35.2 Agents' and other general expenses			
Legal fees and charges		283	-
Printing and stationery		99	18
Advertisement and publicity		2,408	2,844
Telephone, telex and postage		4,006	6,634
Air freight		1,206	-
Bank charges and commission		409	500
Other miscellaneous expenses		9	40
		<u>8,420</u>	<u>10,036</u>

36. REAL ESTATE EXPENSES

Salaries and allowances	36.1	11,638	9,807
General establishment expenses	36.2	14,234	25,527
Rent, rates and taxes		6,831	9,180
Insurance		3,811	344
Depreciation	7.7	67,987	43,062
Legal and professional charges		163	140
		<u>104,664</u>	<u>88,060</u>

36.1 This includes Rs 0.357 million (2011: Rs 0.321 million) in respect of provident fund contribution.

	Note	2012 (Rupees in '000)	2011
36.2 General establishment expenses			
Repairs and maintenance		3,803	5,975
Medical expenses		112	46
Security charges		3,830	3,485
Entertainment and canteen subsidy		-	26
Books, periodicals and subscriptions		-	16
Telephone, telex and postage		-	47
Light, power and water		6,263	15,912
Vehicle running, repairs and maintenance		226	20
		<u>14,234</u>	<u>25,527</u>

37. ADMINISTRATIVE AND GENERAL EXPENSES

Workshop management expense		41,886	49,131
Salaries and allowances	37.1	365,494	374,279
General establishment expenses	37.2	135,064	126,053
Rent, rates and taxes		8,103	6,635
Scholarship and training expenses		1,041	1,238
Insurance		3,629	6,924
Depreciation	7.7	37,189	48,217
Directors' fee	45.2	530	390
Legal and professional charges		15,558	14,319
Provision for doubtful debts against:			
- trade	15.2	-	30
- others		-	4,273
Others		-	157
		<u>608,494</u>	<u>631,646</u>

37.1 This includes Rs 8.851 million (2011: Rs 9.935 million) in respect of provident fund contribution.

	2012	2011
	(Rupees in '000)	
37.2 General establishment expenses		
Repairs and maintenance	5,168	2,754
Medical expenses	40,317	41,150
Contribution to employees welfare fund	7	8
Contribution to group term insurance	1,734	1,805
Security charges	1,156	1,483
Travelling and conveyance	28,717	20,797
Entertainment and canteen subsidy	2,204	2,275
Books, periodicals and subscription	3,045	4,482
Uniform and liveries	913	644
Hajj expenses	1,285	1,050
Printing and stationery	4,208	4,128
Telephone, telex and postage	7,444	8,424
Light, power and water	5,226	1,540
Computer expenses	6,951	7,803
Advertisement and publicity	2,893	3,992
Vehicle running, repairs and maintenance	14,569	11,811
Ship inspection expenses	1,100	4,410
Sundries	8,127	7,497
	<u>135,064</u>	<u>126,053</u>

	Note	2012	2011
		(Rupees in '000)	
		(Restated)	
38. OTHER OPERATING EXPENSES			
(Reversal) / charge for Workers' Profits Participation Fund	30.2	(1,634)	11,503
Donations	38.1	500	2,000
Auditors' remuneration	38.2	12,210	11,860
Employees' gratuity			
- funded	29.1.8	78,575	23,715
- unfunded	29.1.8	10,517	7,115
		89,092	30,830
Post retirement medical benefits	29.1.8	23,537	38,467
Employees' compensated absences	29.2.5	87,088	89,871
Loss on revaluation of derivative instruments		282,885	-
Loss on revaluation of long-term investments in listed companies		4,430	-
Advances written off		1,510	-
Loss on fixed assets due to fire - net		-	2,554
Provision in respect of damage claims	31	4,771	9,218
Others		9,744	-
		<u>514,133</u>	<u>196,303</u>

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

38.2 Auditors' remuneration

	2012			2011		
	A. F. Ferguson & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total	A. F. Ferguson & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total
	(Rupees '000)					
Audit fee - the holding company	900	900	1,800	703	703	1,406
Audit fee - subsidiaries	1,366	1,366	2,732	1,345	1,345	2,690
Review of half yearly financial statements	300	300	600	295	295	590
Review of compliance with the best practices of the code of Corporate Governance	80	80	160	72	72	144
Fee for audit of the consolidated financial statements	110	110	220	89	89	178
Tax advisory services	5,693	-	5,693	5,438	-	5,438
Fee for special review	225	-	225	650	-	650
CDC share holding verification	-	15	15	-	-	-
Out of pocket expenses	495	270	765	352	412	764
	<u>9,169</u>	<u>3,041</u>	<u>12,210</u>	<u>8,944</u>	<u>2,916</u>	<u>11,860</u>
			Note	2012	2011	
				(Rupees in '000)		

39. FINANCE COSTS

Interest on long-term financing		1,137,801	570,741
Gain on cross currency interest rate swap derivative	39.1	(69,726)	(310,734)
Interest on Workers' Profits Participation Fund		168	143
Bank charges and commission		3,162	4,285
		<u>1,071,405</u>	<u>264,435</u>

39.1 This relates to the amount received during the year on account of interim exchanges under the swap arrangement as explained in note 30.3 amounting to Rs 69.726 million.

Note **2012** **2011**
(Rupees in '000)
(Restated)

40. OTHER OPERATING INCOME

Income from financial assets / liabilities

Interest / mark-up on loans and advances to employees		20	150
Income from savings and term deposits		203,969	197,295
Dividend income		420	1,363
Agency fee		4,260	6,155
Gain on revaluation of swap derivative		-	6,130
Liabilities no longer payable written back		38,945	46
Gain on revaluation of long-term investments		-	629
Gain on revaluation of investment properties - net	9	82,968	25,712
Exchange gain	40.2	60,124	14,432

	Note	2012 (Rupees in '000)	2011 (Restated)
Income from non-financial assets			
Profit on disposal of fixed assets		272,754	735,278
Provisions no longer required written back	31	9,903	19,551
Provision for doubtful loans and advances reversed	12.5	16	-
Insurance claims	40.1	25,812	1,740
Cargo claims		168	-
Amount recovered in respect of claims		77,596	-
Sundries		46,389	47,483
		<u>823,344</u>	<u>1,055,964</u>

- 40.1 This represents recoveries from hull, cargo and other claims according to the insurance policies.
- 40.2 This represents exchange gain on foreign currency bank deposits maintained outside Pakistan.

41. TAXATION

Tax charge for:

	2012 (Rupees in '000)	2011 (Restated)
- current year	226,292	200,784
- prior years	(120,378)	168,387
	105,914	369,171
Deferred	(141,399)	17,171
	(35,485)	386,342
Taxes paid abroad relating to current year	7,288	5,868
	(28,197)	392,210

41.1 Relationship between tax expense and accounting profit

Accounting profit before tax	724,958	2,025,152
Tax rate	35%	35%
Tax on accounting profit	253,735	708,803
Tax effect in respect of income / expenses not admissible for calculation of taxable profit	151,551	(150,128)
Tax effect of lower tax rates on certain incomes:		
- Tax saving due to lower tax rates	(27,020)	(42,605)
- Tax saving due to lower tax rates - subsidiaries profit	(296,706)	(327,256)
- Tax on dividend income	-	43,179
- Tax liability under final tax regime	(10,328)	(20,333)
	(334,054)	(347,015)
Effect of charging deferred tax on different ratio than current tax	-	945
Tax effect of flood surcharge	-	8,399
Others (including the impact arising as a consequence of change in allocation ratio of revenue chargeable under FTR and non-FTR tax regime)	13,661	(3,049)
	(168,842)	(490,848)
Taxes paid abroad	84,893	217,955
Prior years taxation	7,288	5,868
	(120,378)	168,387
Tax expense for the year	(28,197)	392,210

	2012 (Rupees in '000)	2011 (Restated)
42. EARNINGS PER SHARE		
Profit after taxation attributable to equity holders of the Group	<u>752,892</u>	<u>1,632,620</u>
	(Number of shares)	
Weighted average number of ordinary shares in issue during the year	<u>132,063,380</u>	<u>132,063,380</u>
	(Rupees) (Restated)	
Earnings per share - basic	<u>5.70</u>	<u>12.36</u>
There are no dilutive potential ordinary shares outstanding as at June 30, 2012 and 2011.		
	Note	2012 (Rupees in '000) (Restated)
43. CASH GENERATED FROM OPERATIONS		
Profit before taxation	724,958	2,025,152
Adjustments for non-cash charges and other items:		
Depreciation	1,111,501	1,009,936
Loss on fixed assets due to fire - net	-	2,554
Provision in respect of damage claims	4,771	9,218
Provision for employees' gratuity	89,092	30,830
Provision for employees' compensated absences	87,088	89,871
Provision for post retirement medical benefits	23,537	38,467
Dividend income	(420)	(1,363)
Provision no longer required written back	(9,903)	(19,551)
Liabilities no longer required written back	(38,945)	(46)
Interest / mark-up income	(203,989)	(197,445)
Interest / mark-up expense	1,137,801	575,169
Loss / (gain) on revaluation of investments	4,430	(629)
Gain on revaluation of investment properties	(82,968)	(25,712)
Gain on disposal of fixed assets	(272,754)	(735,278)
Loss / (gain) on cross currency interest rate swap derivative	213,159	(316,864)
Working capital changes	43.1 <u>101,652</u>	<u>(1,586)</u>
	<u>2,889,010</u>	<u>2,482,723</u>
43.1 Working capital changes		
(Increase) / decrease in current assets:		
Stores and spares	65,564	(799)
Trade debts - net	222,510	(192,308)
Agents' and owners' balances - net	5,914	(5,373)
Loans and advances	29,905	(23,755)
Deposits and short term prepayments	581	(2,445)
Other receivables	63,333	(79,830)
Incomplete voyages	(32,113)	(22,747)
Insurance claims	15,187	9,979
Short term investment	(600)	(5,400)
	<u>370,281</u>	<u>(322,678)</u>
(Decrease) / increase in current liabilities:		
Trade and other payables	<u>(268,629)</u>	<u>321,092</u>
	<u>101,652</u>	<u>(1,586)</u>

	Note	2012 (Rupees in '000)	2011 (Restated)
44. CASH AND CASH EQUIVALENTS			
Short-term investments	22	1,525,475	471,900
Cash and bank balances	23	1,742,306	2,100,797
		<u>3,267,781</u>	<u>2,572,697</u>
45. REMUNERATION OF CHAIRMAN, EXECUTIVE DIRECTORS AND OTHER EXECUTIVES			

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

	Chairman & Chief Executive		Executive Directors		Other Executives	
	2012	2011	2012	2011	2012	2011
	----- (Rupees in '000) -----					
Managerial remuneration and allowances	2,855	1,885	17,260	13,168	178,506	165,973
Retirement benefits	-	-	-	167	4,674	5,403
House rent	1,067	333	2,387	1,953	56,921	53,317
Conveyance	-	-	-	-	3,685	3,744
Entertainment	111	142	436	216	1,094	1,237
Medical	96	435	1,009	1,043	4,574	4,381
Utilities	168	163	1,696	1,264	25,416	23,727
Personal staff subsidy	-	7	-	9	137	172
Club membership fee and expenses	21	33	90	103	64	-
Bonus	-	-	1,355	1,502	15,256	17,184
Other allowances	-	285	-	898	143,227	68,577
	<u>4,318</u>	<u>3,283</u>	<u>24,233</u>	<u>20,323</u>	<u>433,554</u>	<u>343,715</u>
Number of persons	<u>1</u>	<u>2</u>	<u>5</u>	<u>5</u>	<u>197</u>	<u>185</u>

45.1 Retirement benefits represent amount contributed towards various retirement benefit plans. The executives of the Group are entitled to retirement benefits as outlined in note 4.15 to these consolidated financial statements. The Chairman and Chief Executive, Executive Directors and certain Executives are provided with Group owned and maintained cars.

45.2 The aggregate amount charged in the consolidated financial statements for fee to 5 (2011: 4) non-executive directors was Rs 0.530 million (2011: Rs 0.390 million).

46. FINANCIAL INSTRUMENTS BY CATEGORY

	2012	2011
	(Rupees in '000)	
FINANCIAL ASSETS		
Financial assets at fair value through profit or loss		
Long-term investments - listed companies	22,353	26,783
Derivative cross currency interest rate swap	-	87,960
Loans and receivables		
Long-term loans - employees	72	214
Trade debts	432,070	654,580
Agents' and owners' balances	529	6,443
Deposits	3,347	4,253
Interest / mark-up accrued	9,453	2,582
Other receivables	89,089	152,422
Insurance claims	21,485	36,672
Short-term investments	1,531,475	477,300
Cash and bank balances	1,742,306	2,100,797
	<u>3,829,826</u>	<u>3,435,263</u>
Available-for-sale financial assets		
Long-term investments - other entity	100	100
	<u>3,852,279</u>	<u>3,550,106</u>
FINANCIAL LIABILITIES		
Financial liabilities at fair value through profit and loss		
Derivative instrument	424,801	-
Financial liabilities at amortised cost		
Long term financing	6,958,633	8,021,456
Trade and other payables	947,934	1,265,967
Accrued mark-up on long-term financing	105,963	134,898
	<u>8,012,530</u>	<u>9,422,321</u>

47. FINANCIAL RISK MANAGEMENT

47.1 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.

47.1.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter-parties failed completely to perform as contracted. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including trade debts and committed transactions. Out of the total financial assets, the financial assets that are subject to credit risk amounted to Rs 3,851.371 million (2011: Rs 3,548.898 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 counterparties 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.

47.1.2 Market Risk

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group faces foreign currency risk on receivable, payable transactions at foreign ports and the derivative cross currency interest rate swap.

As at June 30, 2012, 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 13.524 million (2011: Rs 386.541 million) lower / higher, mainly as a result of foreign exchange gains / losses on translation of US dollar denominated assets and liabilities.

As at June 30, 2012, the affect of fluctuations in other foreign currency denominated assets or liabilities balances would not be material, therefore, not disclosed.

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Group has a high exposure to interest rate risk due to the long term financing obtained during the year (note 28). In order to manage its exposure to such risks the management of the holding company has entered into a derivative cross currency interest rate swap (note 30) under which the holding company receives KIBOR on the PKR notional in exchange for payment of LIBOR on the USD notional.

The Group has interest bearing liabilities and have floating interest rates. At June 30, 2012, if interest rates on borrowings had been 250 basis points higher / lower with all other variables held constant, profit after taxation for the year would have been lower / higher by Rs 30.192 million (2011: Rs 21.981 million).

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.

47.1.3 Liquidity risk

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

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

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

	Contractual cash flows	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years
	----- (Rupees in thousand) -----				
Long term financing	10,366,492	2,012,486	1,862,156	4,758,121	1,733,729
Trade and other payables	947,934	947,934	-	-	-
Derivative instruments	424,801	424,801	-	-	-
Accrued mark-up on long-term financing	105,963	105,963	-	-	-
	<u>11,845,190</u>	<u>3,491,184</u>	<u>1,862,156</u>	<u>4,758,121</u>	<u>1,733,729</u>

47.1.4 Fair value of financial instruments

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

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

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

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

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

The Group's financial assets measured at fair value comprise of level 1 financial assets amounting to Rs 22.353 million (2011: Rs 26.783 million) and level 3 amounting to Nil (2011: 87.960 million)

47.1.5 Capital risk management

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

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

The Group is subject to external restrictions in respect of long term financing against which it need to comply with certain covenants; debt equity ratio shall not exceed 60:40 and debt service ratio of 1.25 times. The Group is in compliance with the requirements of such covenants and maintains a debt equity ratio of 37:63 and debt service coverage ratio of 1.34 times.

48. ENTITY WIDE INFORMATION

48.1 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.

48.2 Information about services

The Group's principal classes of services accounted for as disclosed in note 33 of these consolidated financial statements.

48.3 Information about geographical areas

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

48.4 Information about major customers

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

	-----2012-----	
	Revenue	
	Amount	% of Total
Client 1	2,128,093	2.4
Client 2	1,243,419	1.4
	<u>3,371,512</u>	<u>3.8</u>
	-----2011-----	
	Revenue	
	Amount	% of Total
Client 1	2,055,533	2.3
Client 2	1,119,273	1.2
	<u>3,174,806</u>	<u>3.5</u>

49. 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. Particulars of remuneration to key personnel are disclosed in note 45 of these consolidated financial statements.

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

	Note	2012 (Rupees '000)	2011
Contribution to Provident Fund		10,227	10,684
Key management personnel compensation	45	28,551	23,606
Directors' fee		530	390

50. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

- 50.1 The Board of Directors at the meeting held on October 31, 2012 have proposed cash dividend of Rs 0.50 per share (2011: Re 1.00 per share) for the year ended June 30, 2012, amounting to Rs 66.032 million (2011: Rs 132.063 million) subject to the approval of the members at the annual general meeting to be held on November 29, 2012. The consolidated financial statements for the year ended June 30, 2012 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

51. GENERAL

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

52. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on October 31, 2012 by the Board of Directors of the holding company.

REPORT AND ACCOUNTS

OF

**PAKISTAN NATIONAL
SHIPPING CORPORATION
(HOLDING COMPANY)**

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

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

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan National Shipping Corporation as at June 30, 2012 and the related profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Corporation as required by the Companies Ordinance, 1984;
- (b) in our opinion-
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 4.2 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, 2012 and of the loss, its changes in equity and cash flows for the year then ended; and
- (d) in our opinion zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the Corporation and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A. F. FERGUSON & CO.
Chartered Accountants
Karachi: October 31, 2012
Engagement partner: Saad Kaliya

ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Karachi: October 31, 2012
Engagement partner: Pervez Muslim

PAKISTAN NATIONAL SHIPPING CORPORATION

BALANCE SHEET

AS AT JUNE 30, 2012

	Note	2012	2011 (Rupees in '000) (Re-stated)	2010 (Re-stated)
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	7	1,527,195	1,408,252	1,436,371
Intangible asset	8	-	-	-
Investment properties	9	1,080,596	996,638	970,926
Long-term investments in:				
- Related parties (subsidiaries and an associate)	10	23,852,949	19,197,791	1,558,416
- Listed companies and an other entity	11	22,453	26,883	26,254
		23,875,402	19,224,674	1,584,670
Long-term loans and advances				
- Related parties (subsidiaries)		-	4,655,158	11,665,738
- Others - due from employees	12	72	214	668
		72	4,655,372	11,666,406
Deferred taxation-net	13	134,127	27,318	39,795
		26,617,392	26,312,254	15,698,168
CURRENT ASSETS				
Stores and spares	14	16,807	20,499	22,788
Trade debts	15	189,732	272,125	193,195
Agents' and owners' balances	16	529	6,443	1,070
Loans and advances	17	32,647	62,384	38,863
Deposits and short-term prepayments	18	26,648	27,550	7,085
Interest / mark-up accrued on bank deposits and investments		9,390	2,505	1,780
Other receivables	19	12,234	328,364	22,315
Incomplete voyages	20	63,536	18,532	24,019
Insurance claims	21	47	30	572
Taxation-net		242,769	-	-
Short-term investments	22	1,525,475	471,900	1,207,224
Cash and bank balances	23	1,740,027	2,098,976	1,307,961
		3,859,841	3,309,308	2,826,872
		30,477,233	29,621,562	18,525,040
TOTAL ASSETS				
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital				
Authorised (200,000,000 Ordinary shares of 10 each)		2,000,000	2,000,000	2,000,000
Issued, subscribed and paid-up capital	24	1,320,634	1,320,634	1,320,634
Reserves	25	5,107,078	5,460,726	5,144,962
		6,427,712	6,781,360	6,465,596
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX	26	777,285	662,817	671,928
NON-CURRENT LIABILITIES				
Long-term financing	27	5,878,870	6,941,694	-
Deferred liabilities	28	583,701	433,440	291,028
Advance Rent		11,349	-	-
		6,473,920	7,375,134	291,028
CURRENT LIABILITIES				
Trade and other payables	29	15,592,479	13,531,891	10,904,729
Provision against damage claims	30	20,111	28,327	39,403
Current portion of long-term financing		1,079,763	1,079,763	-
Accrued-markup on long-term financing		105,963	134,898	-
Taxation-net		-	27,372	152,356
		16,798,316	14,802,251	11,096,488
		30,477,233	29,621,562	18,525,040
TOTAL EQUITY AND LIABILITIES				
CONTINGENCIES AND COMMITMENTS				
	31			

The annexed notes 1 to 53 form an integral part of these financial statements.

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

Khawaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 (Rupees in '000)	2011 (Re-stated)
REVENUES			
Chartering revenues	32	2,197,536	2,273,283
Service fees	33	263,848	276,470
Rental income		81,079	99,468
Dividend income from subsidiaries		235,469	435,140
		<u>2,777,932</u>	<u>3,084,361</u>
EXPENDITURE			
Fleet expenses - direct	34	1,254,781	1,359,511
- indirect	35	23,989	14,434
Vessel management expenses	36	462,251	483,827
Real estate expenses	37	104,664	88,062
		<u>1,845,685</u>	<u>1,945,834</u>
GROSS PROFIT		<u>932,247</u>	<u>1,138,527</u>
Administrative and general expenses	38	116,749	126,118
Other operating expenses	39	492,924	183,924
Finance costs	40	1,069,279	261,994
		<u>1,678,952</u>	<u>572,036</u>
Other operating income	41	505,073	317,110
(LOSS) / PROFIT BEFORE TAXATION		<u>(241,632)</u>	<u>883,601</u>
Taxation	42	(77,085)	287,199
(LOSS) / PROFIT AFTER TAXATION		<u>(164,547)</u>	<u>596,402</u>
OTHER COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR			
Recognition of actuarial losses		(61,882)	(96,348)
Income tax on actuarial losses		(2,718)	3,749
		<u>(64,600)</u>	<u>(92,599)</u>
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		<u>(229,147)</u>	<u>503,803</u>
		(Rupees)	
(LOSS) / EARNINGS PER SHARE	43	<u>(1.25)</u>	<u>4.52</u>

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

The annexed notes 1 to 53 form an integral part of these financial statements.

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

Khawaja Obaid Imran Ilyas
 Director

PAKISTAN NATIONAL SHIPPING CORPORATION

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2012

	Issued, subscribed and paid-up share capital	Capital reserve	Revenue Reserves Actuarial losses	Unappropriated profit	Total
	(Rupees in '000)				
Balance as at July 1, 2010	1,320,634	126,843	-	5,014,138	6,461,615
Effect of retrospective application of change in accounting policy referred in note - 6	-	-	2,766	1,215	3,981
Balance as at July 1, 2010 - as restated	1,320,634	126,843	2,766	5,015,353	6,465,596
Final cash dividend for the year ended June 30, 2010 (Rs 1.5 per ordinary share)	-	-	-	(198,095)	(198,095)
Net profit after tax for the year ended June 30, 2011 - restated	-	-	-	596,402	596,402
Other comprehensive loss for the year ended June 30, 2011 - restated	-	-	(92,599)	-	(92,599)
Surplus on revaluation of fixed assets realised through incremental depreciation charged during the current year on related assets - net of tax recognised directly in equity (note 26)	-	-	-	10,056	10,056
Balance as at June 30, 2011 - as restated	1,320,634	126,843	(89,833)	5,423,716	6,781,360
Final cash dividend for the year ended June 30, 2011 (Re 1 per ordinary share)	-	-	-	(132,063)	(132,063)
Net loss after tax for the year ended June 30, 2012	-	-	-	(164,547)	(164,547)
Other comprehensive loss for the year ended June 30, 2012	-	-	(64,600)	-	(64,600)
Surplus on revaluation of fixed assets realised through incremental depreciation charged during the current year on related assets - net of tax recognised directly in equity (note 26)	-	-	-	7,562	7,562
Balance as at June 30, 2012	1,320,634	126,843	(154,433)	5,134,668	6,427,712

The annexed notes 1 to 53 form an integral part of these financial statements.

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

Khawaja Obaid Imran Ilyas
Director

PAKISTAN NATIONAL SHIPPING CORPORATION
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 (Rupees in '000)	2011 (Re-stated)
Cash flows from operating activities			
Cash generated from operations	44	2,593,446	3,254,959
Employees' gratuity paid		(51,242)	(42,453)
Employees' compensated absences paid		(48,525)	(56,438)
Post retirement medical benefits paid		(11,571)	(14,213)
Long-term loans and advances		158	230
Finance costs paid		(1,166,738)	(426,431)
Receipts under cross currency interest rate swap		299,602	228,904
Rent received		11,349	-
Arrangement fee paid		-	(106,662)
Damage claims paid		(3,084)	(743)
Taxes paid		(334,454)	(395,012)
Net cash generated from operating activities		<u>1,288,941</u>	<u>2,442,141</u>
Cash flows from investing activities			
Capital expenditure		(74,420)	(104,822)
Expenditure on 'Investment Properties'		(990)	-
Proceeds from disposal of property, plant and equipment		12,628	41,168
Long-term loans and advances - related parties		4,655,158	7,010,580
Long-term investments in - related parties		(4,655,158)	(17,639,375)
Interest / mark-up received		196,422	196,073
Dividends received from others		420	1,363
Dividends received from subsidiary companies		464,821	205,788
Net cash generated from / (used in) investing activities		<u>598,881</u>	<u>(10,289,225)</u>
Cash flows from financing activities			
Long-term financing (repaid) / obtained- net		(1,062,824)	8,098,218
Dividend paid		(130,372)	(195,443)
Net cash (used in) / generated from financing activities		<u>(1,193,196)</u>	<u>7,902,775</u>
Net increase in cash and cash equivalents		<u>694,626</u>	<u>55,691</u>
Cash and cash equivalents at the beginning of the year		<u>2,570,876</u>	<u>2,515,185</u>
Cash and cash equivalents at the end of the year	45	<u><u>3,265,502</u></u>	<u><u>2,570,876</u></u>

The annexed notes 1 to 53 form an integral part of these financial statements.

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

Khawaja Obaid Imran Ilyas
 Director

PAKISTAN NATIONAL SHIPPING CORPORATION

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

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 at 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. STATEMENT OF COMPLIANCE

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

3. 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 4.3.1 have been stated at revalued amounts;
- certain investment properties and financial instruments as referred to in notes 4.5, 4.6.1 and 4.6.4 respectively have been carried at fair value to comply with the requirements of IAS-40 'Investment Property' and IAS-39 'Financial Instruments: Recognition and Measurement' respectively; and
- accounting for staff benefits as referred to in notes 4.14 and 4.15.

4. 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.

4.1 Standards, amendments to published approved accounting standards and interpretations becoming effective for the year ended June 30, 2012:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2011 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. However, during the year ended June 30, 2012, the Corporation has opted for early adoption of the following approved accounting standards as more fully explained in note 4.2:

- IAS 19, 'Employee benefits' (effective for annual periods beginning on or after January 1, 2013)
- IAS 1, (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after January 1, 2013)

Standards, amendments to published approved accounting standards and interpretations becoming effective for the year ended June 30, 2012 but not relevant:

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

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

There are certain amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 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.

4.2 New standards early adopted by the Corporation during the year

The Corporation has elected to adopt IAS 19, (Revised) 'Employee Benefits' and IAS 1, (Amendments) 'Presentation of Financial Statements' in advance of their effective date of January 1, 2013.

4.2.1 IAS 19, 'Employee benefits'

Upon adoption of this International Accounting Standard the impact on the Corporation is the recognition of all actuarial gains and losses in other comprehensive income as they occur and the immediate recognition of all past service costs in profit and loss account. Further, the recognition and disclosure of interest cost and expected return on plan assets has been replaced with a net interest amount calculated by applying the discount rate to the net defined liability / (asset).

4.2.2 IAS 1, (Amendments) 'Presentation of Financial Statements'

The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet as required by IAS 8, 'Accounting policies, changes in accounting estimates and errors'. In accordance with the amendment, the balance sheet should be as at the date of the beginning of the preceding period, that is, the opening position. Notes to the financial statements in support of the balance sheet so presented are therefore not required.

4.3 Fixed assets

4.3.1 Property, plant and equipment

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

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

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

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

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 can not 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 off-setting 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.

4.3.2 Capital work-in-progress

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

4.3.3 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.

4.4 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.

4.5 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.

4.6 Financial instruments

4.6.1 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 or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term (note 47).

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 47.

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 47).

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 47).

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 or 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 or 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.

4.6.2 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.

4.6.3 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.

4.6.4 Derivative financial instruments

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

4.6.5 Interest - bearing loans and borrowings

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

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

4.6.6 Off-setting of financial assets and financial liabilities

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

4.7 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.

4.8 Trade debts and other receivables

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

4.9 Taxation

4.9.1 Current

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

4.9.2 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.

4.10 Insurance claims

Hull claims and other claimable expenses relating to hull are charged to income currently and claims filed there-against are taken to income when such claims are accepted by the underwriters.

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

4.11 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.

4.12 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.

4.13 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.

4.14 Staff retirement benefits

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

4.14.2 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. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuation carried out annually under the Projected Unit Credit method. Previously, actuarial gains / losses arising at each valuation date were being recognised as income or expense in the following year. However, the Corporation has changed its accounting policy in this regard due to early adoption of amendments in IAS-19 (Revised) "Employee benefits", whereby actuarial gains / losses are now being recognised directly to equity through statement of other comprehensive income. The description and the impacts of the change in accounting policy have been detailed in note 6.

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

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.

4.14.3 Post-retirement medical benefits

The Corporation provides lump sum medical allowance to its retired permanent employees in accordance with the service regulations. Previously, the actuarial gains or losses arising at each valuation date were recognised as income or expense in the following year. With effect from the current year, the Corporation has changed its accounting policy in this regard due to early adoption of amendments in IAS-19 (Revised) "Employee benefits", whereby actuarial gains / losses are now being recognised directly to equity through statement of other comprehensive income.

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

4.15 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 profit and loss account currently. The actuarial gains or losses arising at each valuation date are recognised immediately.

4.16 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.

4.17 Foreign currency translation

These financial statements are presented in Pakistan Rupee (functional and presentation currency). Transactions in foreign currencies are recorded in Pakistan Rupee at the exchange rates approximating those prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are reported in Pakistan Rupee 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.

4.18 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. Freight revenue, direct and indirect operating expenses associated with the incomplete voyages are deferred until completion of voyage and are classified in the balance sheet as 'Incomplete voyages'. With respect to time charter voyages, chartering revenue is accounted for on the basis of number of days to the balance sheet date.
- Fee for technical, commercial, administrative and financial services are recognised as revenue when the services are rendered.
- Rental income is recognised as revenue on a straight line basis over the term of the respective lease arrangements.
- Dividend income is recognised when the Corporation's right to receive the dividend is established.
- Profit from bank accounts and return on investments is recognised on a time proportion basis.

4.19 Borrowing costs

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

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

4.20 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.

4.21 Benazir Employees' Stock Option Scheme

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

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

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

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

Had the exemption not been granted, the impact based on the independent actuarial valuations conducted as on June 30, 2012, for the years ended June 30, 2012 and 2011 would have been as follows:

Year ended June 30, 2012	Year ended June 30, 2011
(Rupees in '000)	

Staff costs of the Corporation for the year would have been higher by	122,490	162,588
Loss / profit after taxation would have been higher / lower by	122,490	162,588
Retained earnings would have been lower by	458,357	335,867
Reserves would have been higher by	458,357	335,867

(Rupees)

Loss / earnings per share would have been higher / lower by	0.93	1.23
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5. CRITICAL ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

- (a) Valuation of certain property, plant and equipment and investment properties (notes 7 and 9);
- (b) Determination of the residual values and useful lives of property, plant and equipment (note 7);
- (c) Recognition of taxation and deferred taxation (notes 42 and 13);
- (d) Accounting for provision for impairment against loans and advances, trade debts, agents and owners balances, deposits and other receivables (notes 12, 15, 16, 18 and 19);
- (e) Accounting for provision against damage claims (note 30);
- (f) Accounting for defined benefit plans (note 28);
- (g) Measuring fair value of cross currency swap and interest rate swap (note 29.3);
- (h) Recoverable amount of investment in related parties (note 10); and
- (i) Determination of contingent assets and liabilities (note 31).

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

6. CHANGE IN ACCOUNTING POLICY RESULTING FROM ADOPTION OF STANDARDS, AMENDMENTS AND INTERPRETATIONS DURING THE YEAR

Early adoption of amendments in IAS 19, (Revised) 'Employee Benefits'

IAS 19, (Revised) 'Employee Benefits' has been adopted early by the Corporation. The effective date of this amendment is from annual periods beginning on or after January 2013, however the Corporation has decided to apply this amendment from the current year. The amendment requires an entity to recognise actuarial gains or losses immediately in 'other comprehensive income'. Actuarial gains or losses were previously amortised over the expected future service of the employees.

This change in accounting policy has been accounted for retrospectively as required under International Accounting Standard - 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been re-stated.

Effects of the retrospective application of the change in accounting policy are as follows:

	As at 30 June, 2011			As at 30 June, 2010		
	As previously reported	As re-stated	Re-statement	As previously reported	As re-stated	Re-statement
-----Rupees in '000-----						
Effect on Balance Sheet						
Deferred tax	18,890	27,318	8,428	36,074	39,795	3,721
Deferred liabilities	320,395	433,440	(113,045)	291,288	291,028	260
Reserves	5,565,343	5,460,726	104,617	5,140,981	5,144,962	3,981
Increase in retained earnings - unappropriated profit						1,215
- actuarial losses						2,766

	As at 30 June, 2011		
	As previously reported	As re-stated	Re-statement
-----Rupees in '000-----			
Effect on profit and loss account			
Other operating expenses			
Employees' gratuity			
- funded	7,257	23,549	16,292
- unfunded	11,884	5,367	(6,517)
	19,141	28,916	9,775
Post retirement medical benefits	30,308	37,490	7,182
	49,449	66,406	16,957
Taxation	288,157	287,199	(958)
Other Comprehensive Income	-	(92,599)	(92,599)
Decrease in profit			(76,600)
Effect on earnings per share	-----Rupees-----		
Earnings per share - basic	4.64	4.52	(0.12)

There was no cash flow impact as a result of the retrospective application of change in accounting policy.

Had there been no change in accounting policy, the carrying values as at June 30, 2012 would have been as follows:

	Rupees in '000
Deferred liabilities	454,700
Unappropriated profit	5,062,469
Actuarial losses	-

7. PROPERTY, PLANT AND EQUIPMENT

- Operating fixed assets	7.1	1,239,543	1,150,549
- Capital work-in-progress	7.7	287,652	257,703
		<u>1,527,195</u>	<u>1,408,252</u>

7.1 The following is a statement of operating fixed assets:

	Leasehold land (notes 7.2 & 7.3)	Buildings on leasehold land (notes 7.2 & 7.3)	Vessel (note 7.4)	Vehicles	Office equipment	Furniture and fittings	Motor launch and jetty	Equipment on board	Container fittings	Beach huts (notes 7.2 & 7.3)	Workshop machinery and equipment (note 7.3)	Computer equipment	Total
(Rupees in '000)													
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	<u>607,325</u>	<u>108,864</u>	-	<u>16,546</u>	<u>6,937</u>	<u>6,639</u>	-	-	-	<u>11,837</u>	<u>5,468</u>	<u>3,993</u>	<u>767,609</u>
Year ended June 30, 2011													
Opening net book value	607,325	108,864	-	16,546	6,937	6,639	-	-	-	11,837	5,468	3,993	767,609
Additions	-	442,275	-	-	31,753	19,284	-	4,145	-	-	248	18,176	515,881
Disposals													
Cost	-	(609)	-	(495)	-	-	-	-	-	-	-	-	(1,104)
Accumulated depreciation	-	162	-	495	-	-	-	-	-	-	-	-	657
	-	(447)	-	-	-	-	-	-	-	-	-	-	(447)
Write off													
Cost	-	(94,464)	-	-	-	-	-	-	-	-	-	-	(94,464)
Accumulated depreciation	-	53,673	-	-	-	-	-	-	-	-	-	-	53,673
	-	(40,791)	-	-	-	-	-	-	-	-	-	-	(40,791)
Depreciation charge for the year	-	(70,418)	-	(7,686)	(3,254)	(3,535)	-	(700)	-	(1,974)	(467)	(3,669)	(91,703)
Closing net book value	<u>607,325</u>	<u>439,483</u>	-	<u>8,860</u>	<u>35,436</u>	<u>22,388</u>	-	<u>3,445</u>	-	<u>9,863</u>	<u>5,249</u>	<u>18,500</u>	<u>1,150,549</u>
As at June 30, 2011													
Cost or revalued amount	607,325	517,856	1,440	64,351	45,563	31,593	18	4,932	3,468	13,152	14,752	32,625	1,337,075
Less: Accumulated depreciation	-	78,373	1,440	55,491	10,127	9,205	18	1,487	3,468	3,289	9,503	14,125	186,526
Net book value	<u>607,325</u>	<u>439,483</u>	-	<u>8,860</u>	<u>35,436</u>	<u>22,388</u>	-	<u>3,445</u>	-	<u>9,863</u>	<u>5,249</u>	<u>18,500</u>	<u>1,150,549</u>
Year ended June 30, 2012													
Opening net book value	607,325	439,483	-	8,860	35,436	22,388	-	3,445	-	9,863	5,249	18,500	1,150,549
Additions	-	34,579	-	4,082	3,422	116	-	952	-	-	134	1,186	44,471
Disposals													
Cost	-	(609)	-	(656)	(60)	-	-	(4,148)	-	-	-	(60)	(5,473)
Accumulated depreciation	-	315	-	503	60	-	-	804	-	-	-	60	1,682
	-	(294)	-	(153)	-	-	-	(3,344)	-	-	-	-	(3,791)
Surplus on revaluation	41,735	105,729	-	-	-	-	-	-	-	6,439	-	-	153,903
Depreciation charge for the year	-	(78,957)	-	(6,482)	(6,575)	(4,133)	-	(104)	-	(1,314)	(454)	(7,570)	(105,589)
Closing net book value	<u>649,060</u>	<u>500,540</u>	-	<u>6,307</u>	<u>32,283</u>	<u>18,371</u>	-	<u>949</u>	-	<u>14,988</u>	<u>4,929</u>	<u>12,116</u>	<u>1,239,543</u>
As at June 30, 2012													
Cost or revalued amount	649,060	549,049	1,440	67,777	48,985	31,709	18	1,736	3,468	14,988	14,886	33,811	1,416,867
Less: Accumulated depreciation	-	48,509	1,440	61,470	16,642	13,338	18	787	3,468	-	9,957	21,635	177,324
Net book value	<u>649,060</u>	<u>500,540</u>	-	<u>6,307</u>	<u>32,283</u>	<u>18,371</u>	-	<u>949</u>	-	<u>14,988</u>	<u>4,929</u>	<u>12,116</u>	<u>1,239,543</u>
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	

7.2 The revaluation of the 'leasehold land', 'buildings on leasehold land' and 'beach huts' were carried out as of June 30, 2012 by Pee Dee & Associates on the basis of their professional assessment of present market values. The revaluation resulted in a surplus of Rs 153.903 million on the written down values of Rs 1,010.686 million which had been incorporated in the books of the Corporation as at June 30, 2012. Out of the total revaluation surplus arisen, Rs 822.951 million (2011: Rs 679.238 million) remains undepreciated at June 30, 2012.

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

	2012 (Rupees in '000)	2011 (Rupees in '000)
Leasehold land and buildings on leasehold land and beach huts	336,708	378,351
Workshop machinery and equipment	4,929	4,331
	<u>341,637</u>	<u>382,682</u>

7.4 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.

7.5 The following operating fixed assets were disposed off during the year:

Particulars	Mode of disposal	Cost Accumulated Nebook depreciation value proceeds					Gain	Particulars Purchaser
		Rupees in '000						
Buildings on leasehold land								
Lifts	Tender	609	315	294	4,472	4,178	M/s Khalil Jibrán, House # 10, Gujrati Mohallah, Near Islamabad Railway gate, Hyderabad.	
Vehicle Suzuki Cultus VXR	Insurance	656	503	153	625	472	National Insurance Company Limited, NICL Building, Abbasi Shaheed Road, Karachi	
Equipment on board Two 1275 KVA Generators	Tender	4,148	804	3,344	7,525	4,181	M/s Asian Salvaging Company, Suit # 2, Ground floor, Plot # 11 - C, Ittehad Commercial Lane 7, Phase 6 DHA, Karachi	
Office equipment Fax machine	Tender	60	60	-	6	6	Electronic Office Products 305, Clifton Center, Kehkashan, Clifton, Block-5, Karachi.	
		<u>5,473</u>	<u>1,682</u>	<u>3,791</u>	<u>12,628</u>	<u>8,837</u>		

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

	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
Fleet expenses - indirect	35	454	467
Vessel management expenses	36	34,052	44,962
Real estate expenses	37	67,987	43,062
Administrative and general expenses	38	3,096	3,212
		<u>105,589</u>	<u>91,703</u>

7.7 Capital work-in-progress

Buildings on leasehold land	<u>287,652</u>	<u>257,703</u>
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8. INTANGIBLE ASSET

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

9. INVESTMENT PROPERTIES

	Note	Leasehold land	Buildings on leasehold land	Total
------(Rupees in "000)-----				
Balance as at July 1, 2010		910,700	60,226	970,926
Surplus / (deficit) on revaluation		41,800	(16,088)	25,712
Balance as at June 30, 2011		<u>952,500</u>	<u>44,138</u>	<u>996,638</u>
Balance as at July 1, 2011		952,500	44,138	996,638
Additions during the year		-	990	990
Surplus / (deficit) on revaluation	9.1	91,060	(8,092)	82,968
Balance as at June 30, 2012		<u>1,043,560</u>	<u>37,036</u>	<u>1,080,596</u>

- 9.1 During the current year, revaluation of the Corporation's investment properties was carried out by Pee Dee & Associates as of June 30, 2012 on the basis of their professional assessment of present market value. As a result, a revaluation gain of Rs 91.060 million (2011: Rs 41.800 million) was determined in respect of leasehold land whereas a revaluation loss was determined on buildings on leasehold land amounting to Rs 8.092 million (2011: Rs 16.088 million).

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

No. of shares - ordinary	Name of the company	Country of incorporation	Latest available audited financial statements for the year ended	Percentage holding		Face value per share	2012	2011	
				2012	2011		(Rupees)	(Rupees '000)	
(i) Subsidiary companies - unlisted									
10,000,000	10,000,000	Bolan Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	100,000	100,000
275,344,100	275,344,100	Chitral Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	2,753,442	2,753,442
226,825,500	5,686,000	Hyderabad Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	2,268,255	56,860
15,686,000	15,686,000	Islamabad Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	156,860	156,860
36,000	36,000	Johar Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	360	360
7,286,000	7,286,000	Kaghan Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	72,860	72,860
330,000,000	330,000,000	Karachi Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	3,451,994	3,451,994
16,736,000	16,736,000	Khairpur Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	167,360	167,360
340,000,000	340,000,000	Lahore Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	3,400,000	3,400,000
14,686,000	14,686,000	Lalazar Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	146,860	146,860
9,486,000	9,486,000	Makran Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	94,860	94,860
336,016,700	336,016,700	Malakand Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	3,360,167	3,360,167
6,936,000	6,936,000	Multan Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	69,360	69,360
1,600	1,600	Pakistan Co-operative Ship Stores (Private) Limited	Pakistan	June 30, 2012	73	73	100	868	868
500,000,000	500,000,000	Quetta Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	5,000,000	5,000,000
6,936,000	6,936,000	Sargodha Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	69,360	69,360
6,786,000	6,786,000	Shalamar Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	67,860	67,860
254,012,300	9,636,000	Sibi Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	2,540,123	96,360
13,236,000	13,236,000	Swat Shipping (Private) Limited	Pakistan	June 30, 2012	100	100	10	132,360	132,360
							<u>23,852,949</u>	<u>19,197,791</u>	
(ii) Associate - unlisted									
12,250	12,250	Muhammadi Engineering Works Limited	Pakistan	December 31, 1982	49	49	100	1,600	1,600
		Less: Accumulated impairment losses		(unaudited)				1,600	1,600
							<u>23,852,949</u>	<u>19,197,791</u>	

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

2012 2011
(Rupees in '000)

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

Listed companies

6,930 (2011: 6,930) ordinary shares of Rs 10 each fully paid of Siemens (Pakistan) Engineering Limited. Market value per share Rs 747.1 (2011: Rs 1,084.21 per share)

5,177 7,514

72,828 (2011: 72,828) ordinary shares of Rs 10 each fully paid of Pakistan State Oil Company Limited. Market value per share Rs 235.84 (2011: Rs 264.58)

17,176 19,269
22,353 26,783

Available for sale financial asset

Other entity - carried at cost

10,000 (2011: 10,000) ordinary shares of Rs 10 each of Pakistan Tourism Development Corporation Limited

100 100
22,453 26,883

Note 2012 2011
(Rupees in '000)

12. LONG-TERM LOANS AND ADVANCES

Related parties (subsidiaries) 12.1 - 4,655,158

Others - due from employees

Considered good 12.2 & 12.3 & 12.4 178 423

Considered doubtful 208 224

386 647

Less: Provision for impairment 12.6 208 224

178 423

Less: Recoverable within one year 17 106 209

72 214

12.1 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.

2012 2011
(Rupees in '000)

Hyderabad Shipping (Private) Limited - 2,211,395

Sibi Shipping (Private) Limited - 2,443,763

- 4,655,158

- 12.2 It comprises of house building and vehicle loans amounting to Rs 0.145 million (2011: 0.342) and Rs 0.033 million (2011: Rs 0.081 million) respectively.
- 12.3 Vehicle loans represent loans to employees for purchase of vehicles and are secured against employees' personal guarantees and charge on vehicles. Such loans are recoverable over 36 or 48 monthly installments on which interest is being charged at the rate of 11% (2011: 11%) per annum.
- 12.4 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 0.119 million (2011: Rs 0.316 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.
- 12.5 Long-term loans are being carried at cost because the effect of carrying these balances at amortised cost would not have been material.

	2012 (Rupees in '000)	2011
12.6 Provision for impairment		
Balance at the beginning of the year	224	-
Provision made during the year	-	224
Amounts reversed	16	-
Balance at the end of the year	<u>208</u>	<u>224</u>

13. DEFERRED TAXATION - NET

Note

Deductible temporary differences arising in respect of:

- short-term provisions and deferred liabilities	108,640	73,639
- Derivative instruments	72,967	-
	<u>181,607</u>	<u>73,639</u>

Taxable temporary differences arising in respect of:

- surplus on revaluation of fixed assets	45,666	16,421
- unamortised transaction cost	-	23,119
- accelerated depreciation	22,252	6,781
	<u>67,918</u>	<u>46,321</u>

Minimum tax on turnover	20,438	-
	<u>134,127</u>	<u>27,318</u>

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

14. STORES AND SPARES

2012
(Rupees in '000)

Stores		
- at depot	13,211	17,074
- at buildings	1,845	1,630
	<u>15,056</u>	<u>18,704</u>
Spares		
- at buildings	1,751	1,795
	<u>16,807</u>	<u>20,499</u>

	Note	2012 (Rupees in '000)	2011
15. TRADE DEBTS			
Unsecured			
- considered good	15.1	189,732	272,125
- considered doubtful		<u>17,625</u>	<u>17,625</u>
		207,357	289,750
Less: Provision for impairment	15.2	<u>17,625</u>	<u>17,625</u>
		<u>189,732</u>	<u>272,125</u>

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

	2012 (Rupees in '000)	2011
Upto 1 month	12,218	172,099
1 to 6 months	151,090	45,141
More than 6 months	<u>26,424</u>	<u>54,885</u>
	<u>189,732</u>	<u>272,125</u>

15.2 Provision for impairment

Balance at the beginning of the year	17,625	17,596
Provision made during the year	-	29
Balance at the end of the year	<u>17,625</u>	<u>17,625</u>

As at June 30, 2012, trade receivables of Rs 17.625 million (2011: Rs 17.625 million) were impaired and provided for. These receivable balances have been outstanding for more than three years.

	Note	2012 (Rupees in '000)	2011
16. AGENTS' AND OWNERS' BALANCES			
- unsecured			
Considered good	16.1	529	6,443
Considered doubtful		<u>4,453</u>	<u>4,453</u>
		4,982	10,896
Less: Provision for impairment		<u>4,453</u>	<u>4,453</u>
		<u>529</u>	<u>6,443</u>

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

	2012 (Rupees in '000)	2011
Upto 1 month	398	-
1 to 6 months	129	5,373
More than 6 months	<u>2</u>	<u>1,070</u>
	<u>529</u>	<u>6,443</u>

	Note	2012 (Rupees in '000)	2011
17. LOANS AND ADVANCES			
Considered good			
Long term loan recoverable within one year:			
Due from employees	12	106	209
Advances to:			
- employees		20,208	25,638
- contractors and suppliers		8,282	32,737
- others		4,051	3,800
		<u>32,647</u>	<u>62,384</u>
18. DEPOSITS AND SHORT-TERM PREPAYMENTS			
Deposits			
Trade:			
- considered good		2,696	2,375
- considered doubtful		184	184
		2,880	2,559
Less: Provision for impairment		184	184
		2,696	2,375
Others:			
- considered good		3,347	4,252
- considered doubtful		185	185
		3,532	4,437
Less: Provision for impairment		185	185
		3,347	4,252
Prepayments			
- Prepaid transaction cost	27.1	18,502	18,502
- Other prepayments		2,103	2,421
		20,605	20,923
		<u>26,648</u>	<u>27,550</u>
19. OTHER RECEIVABLES			
Rent receivable:			
- considered good	19.1	6,782	6,184
- considered doubtful		4,600	4,600
		11,382	10,784
Less: Provision for impairment of rent receivable	19.2	4,600	4,600
		6,782	6,184
Derivative cross currency interest rate swap	29.3	-	87,960
Others:			
- considered good	19.3	5,452	234,220
- considered doubtful		12,659	12,659
		18,111	246,879
Less: Provision for impairment of other receivables	19.4	12,659	12,659
		5,452	234,220
		<u>12,234</u>	<u>328,364</u>

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

	2012 (Rupees in '000)	2011
Upto 1 month	1,622	3,407
1 to 6 months	3,370	2,277
More than 6 months	1,790	500
	<u>6,782</u>	<u>6,184</u>

19.2 Provision for impairment of rent receivables

Balance at the beginning of the year	4,600	4,359
Provision made during the year	-	241
Balance at the end of the year	<u>4,600</u>	<u>4,600</u>

As at June 30, 2012, rent receivables of Rs 4.600 million (2011: Rs 4.600 million) were impaired and provided for. These receivables have been outstanding for more than three years.

19.3 This includes dividend receivable from subsidiaries, listed companies and an other entity, receivable from sundry debtors, General Sales Tax refund claims and insurance claims receivables amounting to Rs 0.219 million (June 30, 2011: Rs 229.352 million), Rs 1.507 million (2011: Rs 4.455 million), Rs 14.395 million (2011: Rs 12.197 million) and Rs 0.026 million (2011: nil) respectively.

	2012 (Rupees in '000)	2011
19.4 Provision for impairment of other receivables		
Balance at the beginning of the year	12,659	8,851
Provision made during the year	-	3,808
Balance at the end of the year	<u>12,659</u>	<u>12,659</u>

20. INCOMPLETE VOYAGES

Charter hire and related expenses	<u>63,536</u>	<u>18,532</u>
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	2012 (Rupees in '000)	2011
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21. INSURANCE CLAIMS

- Considered good	<u>47</u>	<u>30</u>
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22. SHORT-TERM INVESTMENTS

Loans and receivables		
Term deposits with banks having maturity of three months or less	<u>1,525,475</u>	<u>471,900</u>

22.1 The mark-up on term deposits ranges between 11% and 13.80% (2011: 9% and 13.80%) per annum.

	Note	2012 (Rupees in '000)	2011
23. CASH AND BANK BALANCES			
Cash at bank:			
- in current accounts		460,546	526,606
- local currency		54,478	151,647
- foreign currency		515,024	678,253
- in savings accounts	23.1 & 23.2	1,102,231	1,246,108
- local currency		121,864	173,407
- foreign currency		1,224,095	1,419,515
Cash in hand		908	1,208
		<u>1,740,027</u>	<u>2,098,976</u>

23.1 The mark-up on savings accounts ranges between 5% and 11.25% (2011: 5% and 11%) per annum.

23.2 This includes Rs 2.126 million (2011: Rs 2.126 million) held as security by Habib Bank Limited, P.N.S.C. Branch against guarantees issued on behalf of the Corporation.

24. SHARE CAPITAL

24.1 Issued, subscribed and paid-up capital

	2012 (No. of shares)	2011	2012 (Rupees in '000)	2011
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
<u>132,063,380</u>	<u>132,063,380</u>		<u>1,320,634</u>	<u>1,320,634</u>

24.2 As at June 30, 2012 Government of Pakistan held 107,128,363 (2011: 106,139,647) ordinary shares of the Corporation.

25. RESERVES

	Note	2012 (Rupees in '000)	2011 (Re-stated)
Capital reserves	25.1	126,843	126,843
Revenue reserves			
- actuarial losses		(154,433)	(89,833)
- unappropriated profit		5,134,668	5,423,716
		<u>5,107,078</u>	<u>5,460,726</u>

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

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

	2012 (Rupees in '000)	2011
As at July 1	679,238	692,352
Surplus arising on revaluation of fixed assets during the current year	153,903	-
Less: Transferred to unappropriated profit:		
Surplus relating to incremental depreciation charged during the current year on related assets - net of tax	7,562	10,056
Related deferred tax liability	2,628	3,058
	<u>10,190</u>	<u>13,114</u>
	822,951	679,238
Less: Related deferred tax liability on:		
- Revaluation as at July 1	16,421	20,424
- Incremental depreciation charged during the current year on related assets transferred to profit and loss account	(2,628)	(3,058)
- Surplus arising on revaluation of fixed assets during the current year	28,932	-
- Effect of allocation of revenue between presumptive tax regime and normal tax regime	2,941	(945)
	<u>45,666</u>	<u>16,421</u>
As at June 30	<u>777,285</u>	<u>662,817</u>

27. LONG-TERM FINANCING

	Note	2012	2011
Financing under syndicate term finance agreement	27.1	6,080,359	7,009,040
Less: Current portion		943,482	943,482
		<u>5,136,877</u>	<u>6,065,558</u>
Term Finance Certificates	27.1	878,274	1,012,417
Less: Current portion		136,281	136,281
		<u>741,993</u>	<u>876,136</u>
		<u>5,878,870</u>	<u>6,941,694</u>

- 27.1 During the year ended June 30, 2011, the Corporation obtained a financing facility of Rs 10,300 million. The financing was obtained in the form of a syndicated term finance loan of Rs 9,000 million and the remaining amount of Rs 1,300 million in the form of Term Finance Certificates (TFCs) with a face value of Rs 5,000 each by way of private placement.

The Corporation can draw down the amount until October 29, 2012. The financing carries mark-up of KIBOR+2.20%. The loan along with the mark-up is repayable on a quarterly basis and the last repayment date is November 23, 2018. The facility is secured by a first mortgage charge over certain vessels owned by its subsidiary companies, all present and future receivables of the Corporation from three major customers and its investment properties.

As at June 30, 2012, the Corporation has drawn Rs 7,438.806 million (June 30, 2011: 7,438.806 million) and Rs 1,074.494 million (June 30, 2011: 1,074.494 million) from syndicated term finance and TFCs' respectively. The Corporation has also paid loan arrangement fee amounting to Rs 106.662 million out of which Rs 88.160 million (June 30, 2011: 88.160 million) was included in the amortised cost of the long term financing whereas the unamortised portion amounting to Rs 18.502 million (2011: 18.502 million) has been included in deposits and short-term prepayments (note 18).

	Note	2012 (Rupees in '000)	2011 (Re-stated)
28. DEFERRED LIABILITIES			
Employees' gratuity			
- funded	28.1.4	202,883	101,896
- unfunded	28.1.4	51,122	28,300
		<u>254,005</u>	<u>130,196</u>
Post retirement medical benefits	28.1.4	131,833	143,944
Employees' compensated absences	28.2.3	197,863	159,300
		<u>583,701</u>	<u>433,440</u>
28.1 Retirement benefit schemes			
28.1.1 The management has decided to adopt amended IAS 19 in relation to its defined benefit obligations recognised in the financial statements for the current year. For the purpose of actuarial valuation of the aforementioned obligation of the Corporation, July 1, 2009 has been used as the date of initial application on account of impracticability to determine the cumulative effects of the change in accounting policy for the periods before 2009.			
28.1.2 The disclosures made in notes 28.1.3 to 28.1.15 are based on the information included in the actuarial valuation report as of June 30, 2012.			

28.1.3 As stated in notes 4.14.2 and 4.14.3 of these financial statements, the Corporation operates a funded retirement gratuity scheme for permanent employees other than those who joined the Corporation after October 16, 1984, an unfunded retirement gratuity scheme for contractual employees and an unfunded post retirement medical benefit scheme for permanent employees. Liability is maintained against these schemes based on the actuarial recommendations. Actuarial valuation of these benefits are carried out annually and the latest valuations were carried out at June 30, 2012 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the defined benefit obligation schemes:

	2012	2012	2011	2011
	Employees' gratuity (funded and unfunded)	Post retirement medical benefits	Employees' gratuity (funded and unfunded)	Post retirement medical benefits
Discount rate	13.50%	13.50%	14.50%	14.50%
Future salary increases - for permanent employees				
For the year 2012-13, 2014-15 and 2016-17	40.00%	N/A	12.50%	N/A
For the year 2013-14, 2015-16 and 2017-18	2.00%	N/A	12.50%	N/A
For the year 2018-19 and onwards	11.50%	N/A	12.50%	N/A
Future salary increases - for contractual employees				
For the year 2012-13 till 2016-17	15.00%	N/A	12.50%	N/A
For the year 2017-18 and onwards	11.50%	N/A	12.50%	N/A
Medical escalation rate	N/A	10.50%	14.50%	N/A
Death rates	based on LIC (1975-79) Ultimate mortality tables.			

	2012			2011			
	Employees' gratuity Funded	Unfunded	Post retirement medical benefits	Employees' gratuity Funded	Unfunded	Post retirement medical benefits	
28.1.4	Balance sheet reconciliation						
	----- (Rupees in '000) -----			----- (Re-stated) -----			
	Present value of defined benefit obligation	438,334	51,122	131,833	312,663	28,300	143,944
	Fair value of plan assets	(235,451)	-	-	(210,767)	-	-
	Net liability in the balance sheet	<u>202,883</u>	<u>51,122</u>	<u>131,833</u>	<u>101,896</u>	<u>28,300</u>	<u>143,944</u>
28.1.5	Movement in present value of defined benefit obligation						
	As at July 1	312,663	28,300	143,944	261,670	21,845	103,452
	Current service cost	9,990	6,258	3,680	9,750	4,428	2,597
	Interest cost	42,338	4,259	19,857	38,698	2,687	12,590
	Benefits paid	(48,490)	(1,242)	(11,571)	(71,520)	(2,453)	(14,213)
	Recognised prior service cost	53,762	-	-	-	-	23,280
	Remeasurements on obligation	68,071	13,547	(24,077)	74,065	1,793	16,238
	As at June 30	<u>438,334</u>	<u>51,122</u>	<u>131,833</u>	<u>312,663</u>	<u>28,300</u>	<u>143,944</u>
28.1.6	Movement in fair value of plan assets						
	As at July 1	210,767	-	-	221,806	-	-
	Expected return on plan assets	27,515	-	-	24,733	-	-
	Contribution	50,000	-	-	40,000	-	-
	Benefits paid	(48,490)	-	-	(71,520)	-	-
	Remeasurements: Difference between actual return and expected return on assets	(4,341)	-	-	(4,252)	-	-
	As at June 30	<u>235,451</u>	<u>-</u>	<u>-</u>	<u>210,767</u>	<u>-</u>	<u>-</u>
28.1.7	Movement in net liability in the balance sheet						
	As at July 1	101,896	28,300	143,944	39,864	21,845	103,452
	Expense recognised for the year	78,575	10,517	23,537	23,715	7,115	38,467
	Contributions made by the Corporation / payments	(50,000)	(1,242)	11,571	(40,000)	(2,453)	(14,213)
	Net actuarial gains / (losses) for the year	72,412	13,547	(24,077)	78,317	1,793	16,238
		<u>202,883</u>	<u>51,122</u>	<u>131,833</u>	<u>101,896</u>	<u>28,300</u>	<u>143,944</u>
28.1.8	The amounts recognised in the income statement						
	Current service cost	9,990	6,258	3,680	9,750	4,428	2,597
	Net interest amount	14,823	4,259	19,857	13,965	2,687	12,590
	Prior service cost	53,762	-	-	-	-	23,280
		78,575	10,517	23,537	23,715	7,115	38,467
	Less: Charged to subsidiaries	872	2,083	763	166	1,748	977
	Expenses	<u>77,703</u>	<u>8,434</u>	<u>22,774</u>	<u>23,549</u>	<u>5,367</u>	<u>37,490</u>
28.1.9	Actual return on plan assets						
	Expected return on plan assets	27,515	-	-	24,733	-	-
	Actuarial (loss) / gain on plan assets	(4,341)	-	-	(4,252)	-	-
	Actual return on plan assets	<u>23,174</u>	<u>-</u>	<u>-</u>	<u>20,481</u>	<u>-</u>	<u>-</u>
		Rupees in '000	%		Rupees in '000	%	
28.1.10	Major categories / composition of plan assets						
	Cash and cash equivalents	33,656	14.29%		7,541	3.58%	
	TDR of private commercial banks (non quoted)	201,795	85.71%		203,226	96.42%	
		<u>235,451</u>	<u>100%</u>		<u>210,767</u>	<u>100%</u>	
28.1.11	The actual return on plan assets for the year ended June 30, 2012 was Rs 23.17 million (2011: Rs 20.48 million)						

28.1.12 The expenses in respect of employees' gratuity and post retirement medical benefits have been charged on the basis of actuarial recommendations and are in accordance with the Administrative and Financial Services Agreement with the subsidiary companies.

28.1.13 Principal actuarial assumptions used are disclosed in note 28.1.3 to these financial statements.

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

Employee gratuity	2012	2011	2010
	----- (Rupees in '000) -----		
Present value of defined benefit obligation	489,456	340,963	283,515
Fair value of plan assets	(235,451)	(210,767)	(221,806)
Deficit	<u>254,005</u>	<u>130,196</u>	<u>61,709</u>
Experience (gain) / loss on defined benefit obligation	<u>(19,666)</u>	<u>75,858</u>	<u>(9,762)</u>
Experience loss on plan assets	<u>(4,341)</u>	<u>(4,252)</u>	<u>(13)</u>
Post retirement medical benefits			
Present value of defined benefit obligation	<u>131,833</u>	<u>143,944</u>	<u>103,452</u>
Experience adjustment on defined benefit obligation	<u>(10,898)</u>	<u>16,238</u>	<u>9,515</u>

28.1.15 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	617	(585)
Effect on defined benefit obligation	3,340	(3,174)

28.2 Employees' compensated absences

28.2.1 The disclosures made in notes 28.2.2 to 28.3 are based on the information included in the actuarial valuation as of June 30, 2012.

28.2.2 As stated in note 4.15, 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 annually and the latest valuation was carried out at June 30, 2012 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the scheme:

	2012	2011
Discount rate	13.50%	14.50%
Future salary increases - for permanent employees		
For the year 2012-13, 2014-15 and 2016-17	40.00%	12.50%
For the year 2013-14, 2015-16 and 2017-18	2.00%	12.50%
For the year 2018-19 and onwards	11.50%	12.50%
Future salary increases - for contractual employees		
For the year 2012-13 till 2016-17	15.00%	12.50%
For the year 2017-18 and onwards	11.50%	12.50%

		2012	2011
		(Rupees in '000)	
28.2.3	Balance sheet reconciliation		
	Present value of defined benefit obligation (recognised)	<u>197,863</u>	<u>159,300</u>
28.2.4	Movement in present value of defined benefit obligation		
	As at July 1	159,300	125,867
	Current service cost	37,139	42,835
	Interest cost	23,496	21,306
	Remeasurements on obligation	26,453	25,730
	Benefits paid	<u>(48,525)</u>	<u>(56,438)</u>
	As at June 30	<u>197,863</u>	<u>159,300</u>
28.2.5	Expenses		
	Current service cost	37,139	42,835
	Interest cost	23,496	21,306
	Remeasurements on obligation	<u>26,453</u>	<u>25,730</u>
		87,088	89,871
	Less: Charged to subsidiaries	<u>1,101</u>	<u>2,074</u>
	Expense	<u>85,987</u>	<u>87,797</u>

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

		2012	2011	2010
		----- (Rupees in '000)-----		
	Present value of defined benefit obligation	<u>197,863</u>	<u>159,300</u>	<u>125,867</u>
	Experience (gain) / loss on defined benefit obligation	<u>(19,354)</u>	<u>25,730</u>	<u>(175)</u>

28.2.7 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.

28.2.8 Principal actuarial assumptions used are disclosed in note 28.2.2 to these financial statements.

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

		(Rupees in '000)
	Gratuity	55,296
	Post retirement medical benefits	19,987
	Compensated absences	12,865

28.4 During the year the Corporation contributed Rs 10.227 million (2011: 10.684 million) to the provident fund.

29. TRADE AND OTHER PAYABLES	Note	2012 (Rupees in '000)	2011
Creditors		71,125	115,012
Current account balances with subsidiary companies	29.1	14,525,523	12,874,760
Agents' and owners' balances		68,338	148,878
Accrued liabilities		156,892	95,543
Deposits	29.2	36,248	30,907
Derivative instruments	29.3	424,801	-
Workers' Profits Participation Fund	29.4	-	11,503
Unclaimed dividends		26,723	25,032
Advance from customers		133,743	136,813
Other liabilities			
- amounts retained from contractors		27,145	25,740
- others		121,941	67,703
		149,086	93,443
		15,592,479	13,531,891

29.1 The break-up of current account balances with subsidiary companies are as follows:

	2012 (Rupees in '000)	2011
Bolan Shipping (Private) Limited	822,830	772,441
Chitral Shipping (Private) Limited	874,484	703,466
Hyderabad Shipping (Private) Limited	949,674	868,240
Islamabad Shipping (Private) Limited	381,162	339,928
Kaghan Shipping (Private) Limited	876,609	1,028,899
Khairpur Shipping (Private) Limited	449,724	449,944
Makran Shipping (Private) Limited	317,897	318,367
Malakand Shipping (Private) Limited	535,163	611,282
Multan Shipping (Private) Limited	806,768	581,125
Sargodha Shipping (Private) Limited	187,248	34,125
Sibi Shipping (Private) Limited	401,421	361,260
Shalamar Shipping (Private) Limited	1,497,285	1,497,515
Swat Shipping (Private) Limited	1,177,149	1,152,820
Lalazar Shipping (Private) Limited	746,850	736,950
Johar Shipping (Private) Limited	1,214,728	1,215,606
Lahore Shipping (Private) Limited	845,656	521,061
Karachi Shipping (Private) Limited	821,185	559,382
Quetta Shipping (Private) Limited	1,619,690	1,122,349
	14,525,523	12,874,760

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

29.3 The Corporation has entered into a cross currency interest rate swap of Rs 8,513.300 million in respect of its borrowing (note 27). Under the terms of the cross currency swap arrangement, the Corporation is required to pay LIBOR plus 3.75% to the arranging bank on the borrowing denominated in USD (USD notional) for the purpose of cross currency swap, and receive KIBOR plus 2.20% from the arranging bank. Further, the Corporation shall pay / receive any exchange loss / gain on the USD notional outstanding at each quarter end. Further, during the current year, the Corporation has also entered into an interest rate swap. Under the terms of the interest rate swap the Corporation receives a fixed interest of 13% per annum, whereas the Corporation has to pay 3 months KIBOR for each quarter. The net fair value of cross currency interest rate swap and interest rate swap as determined by the bank were Rs 282.434 million (unfavourable) and Rs 5.679 million (favourable) to the Corporation as of the balance sheet date which has been increased by the net interest payable and exchange loss aggregating Rs 148.046 million as at June 30, 2012.

	Note	2012 (Rupees in '000)	2011
29.4 Workers' Profits Participation Fund			
As at July 1		11,503	50,194
Allocation for the year	39	-	11,503
Interest on funds utilised during the year		168	143
		<u>11,671</u>	<u>61,840</u>
Less:			
Payments made during the year		10,037	50,337
Reversal of excess provision	39	1,634	-
As at June 30		<u>-</u>	<u>11,503</u>

30. PROVISION AGAINST DAMAGE CLAIMS

As at July 1		28,327	39,403
Charge during the year	39	4,771	9,218
Utilised during the year		(3,084)	(743)
Reversed during the year	41	(9,903)	(19,551)
As at June 30		<u>20,111</u>	<u>28,327</u>

31. CONTINGENCIES AND COMMITMENTS

Contingencies

31.1 Amount in respect of claims not admitted by the Corporation as at June 30, 2012 aggregates to Rs 293.756 million (2011: Rs 152.815 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo and damages to cargo. These include Rs 5.158 million (2011: Rs 6.695 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 247.952 million (2011: Rs 68.062 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. Being prudent, the management has made a total provision of Rs 20.206 million (2011: Rs 28.327 million) against the aforementioned claims in these financial statements.

31.2 The Corporation has not accepted liability in respect of customs duty approximating Rs 2.5 million (2011: Rs 2.5 million) relating to the sale of the vessel M.V. Bhambore during the year ended June 30, 1978. The duty was claimed from the Corporation and the matter has been taken up with the appropriate Government agencies.

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

Following the Supreme Court's adjudication of the East & West Steamship Company's matter in favour of the former owners, the Government provisionally assessed additional compensation due to the former owners at approximately Rs 97.012 million (2011: 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 (2011: Rs 1.300 million and Rs 66.800 million) respectively.

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

- 31.4 Certain other claims have been filed against the Corporation in respect of employees' matters for an aggregate amount of approximately Rs 102.468 million (2011: Rs 102.987 million). These cases are pending and the management is confident that the outcome of these cases will be in the Corporation's favour and accordingly no provision for above claims has been made in these financial statements.

- 31.5 While framing the tax assessment for the income year ended June 30, 1990, the assessing officer had made an addition to income of Rs 3,974.455 million, being the remission of liabilities due to the Federal government under the scheme of financial restructuring of the Corporation. The resultant tax liability including additional taxes for late payment of tax amounted to Rs 1,293.694 million, part of which was paid by the Corporation and the remaining amount of Rs 1,233.694 million was directly discharged at source by the Federal Government. The assessing officer while framing the order of income year ended June 30, 1996 had treated the aforementioned payment of tax liability by the Government as the income of Corporation. The ITAT has given the decision in favour of the Corporation on the appeals filed against the above orders. However, the department has filed an appeal with the honourable High Court against the aforementioned orders of ITAT. The Honourable High Court has decided the appeal against the Corporation. The leave to appeal filed by the Corporation has been accepted by the Honourable Supreme Court and the decision of the High Court has been suspended. Hearing of the appeal is pending in the Honourable Supreme Court.

- 31.6 During the year ended June 30, 2011, the Officer Inland Revenue (OIR) had issued assessment orders under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax years 2008, 2009 and 2010. According to the orders, the OIR had made certain additions and determined additional tax demand of Rs 293.431 million. OIR has disallowed a portion of administrative expenses by attributing the same to the subsidiary companies and further disallowed a portion of contribution made to approved gratuity fund (only in respect of tax year 2008) on the contention that the same is attributable to the subsidiary companies. The Corporation had paid Rs 100 million under protest and filed an appeal with the Commissioner of Income Tax (Appeals). During the year, Commissioner of Income Tax (Appeals) in his order has upheld certain additions and has given decisions in favour of the Corporation on certain matters. The management has

provided for all the matters that have been decided against the Corporation, with the exception of disallowance of allocation of common expenses to profit on debt for tax year 2008 and 2009 which may result in increase of tax liability by Rs 17.848 million. The Corporation has filed an appeal with the ITAT in respect of aforementioned disallowances. The management of the Corporation is confident that the matters in appeals shall be eventually decided in its favour.

- 31.7 During the year, the Officer Inland Revenue (OIR) has issued assessment orders under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax years 2011. According to the orders, the OIR has made certain additions and determined additional tax demand of Rs 251.092 million. OIR has disallowed a portion of administrative expenses by attributing the same to the subsidiary companies and further disallowed financial expenses incurred by the Corporation on the contention that the same is equity specific and hence being capital in nature. The Corporation has paid Rs 100 million and adjusted Rs 90 million against refunds relating to tax year 2008, 2009 and 2010 under protest and has filed an appeal with the Commissioner of Income Tax (Appeals) and at present the matter is pending for hearing. The management of the Corporation is confident that the subject matter in respect of tax year 2011 will eventually be decided in favour of the Corporation.
- 31.8 Without prejudice to the Corporation's contention on the matters stated in notes 31.5 to 31.7, the management has, as a matter of prudence, provided an aggregate amount of Rs 250 million in respect of aforementioned matters.
- 31.9 Outstanding letters of guarantee amount to Rs 2.126 million (2011: Rs 2.126 million).

Commitments

- 31.10 Commitments in respect of capital expenditure amount to Rs 96 million (2011: Rs 165.029 million).

	Note	2012 (Rupees in '000)	2011
32. CHARTERING REVENUES			
Foreign flag vessels:			
Voyage charter revenue		704,156	964,593
Slot charter revenue		1,493,380	1,308,690
		<u>2,197,536</u>	<u>2,273,283</u>
33. SERVICE FEES			
Technical and commercial services fee		200,919	207,351
Administrative and financial services fee		65,962	69,119
Sales tax		(3,033)	-
		<u>263,848</u>	<u>276,470</u>
34. FLEET EXPENSES - DIRECT			
Charter hire and related expenses	34.1	1,227,771	1,317,694
Claims		-	350
Ocean loss		-	34,827
Exchange loss		27,010	6,640
		<u>1,254,781</u>	<u>1,359,511</u>

	Note	2012 (Rupees in '000)	2011
34.1 Charter, hire and related expenses			
Foreign flag vessels:			
- Voyage charter expenses		558,412	800,033
- Slot charter expenses		669,359	517,661
		<u>1,227,771</u>	<u>1,317,694</u>

35. FLEET EXPENSES - INDIRECT

Conference establishment expenses		295	277
Salaries and allowances	35.1	15,413	5,534
Agents' and other general expenses	35.2	7,135	7,431
Depreciation	7.6	454	467
General establishment expenses- regional offices		692	725
		<u>23,989</u>	<u>14,434</u>

35.1 This includes Rs 1.019 million (2011: Rs 0.107 million) in respect of provident fund contribution.

	Note	2012 (Rupees in '000)	2011
35.2 Agents' and other general expenses			
Printing and stationery		99	18
Advertisement and publicity		2,408	2,844
Telephone, telex and postage		2,721	4,029
Bank charges and commission		409	500
Legal and professional charges		283	-
Air freight		1,206	-
Other miscellaneous expenses		9	40
		<u>7,135</u>	<u>7,431</u>

36. VESSEL MANAGEMENT EXPENSES

Workshop management expenses		41,886	49,130
Salaries and allowances	36.1	298,482	305,513
General establishment expenses	36.2	76,806	71,341
Rent, rates and taxes		7,698	6,418
Insurance		3,327	6,463
Depreciation	7.6	34,052	44,962
		<u>462,251</u>	<u>483,827</u>

36.1 This includes Rs 7.232 million (2011: Rs 7.692 million) in respect of provident fund contribution.

	Note	2012 (Rupees in '000)	2011
36.2 General establishment expenses			
Repairs and maintenance		4,222	2,248
Medical expenses		32,935	33,596
Security charges		944	1,211
Travelling and conveyance		5,454	5,555
Entertainment and canteen subsidy		1,711	1,575
Uniform and liveries		837	601
Printing and stationery		3,436	3,363
Telephone, telex and postage		5,673	6,415
Light, power and water		4,269	1,257
Computer expenses		5,424	5,877
Vehicle running, repairs and maintenance		11,901	9,643
		<u>76,806</u>	<u>71,341</u>

37. REAL ESTATE EXPENSES

Salaries and allowances	37.1	11,638	9,807
General establishment expenses	37.2	14,234	25,528
Rent, rates and taxes		6,831	9,180
Insurance		3,811	345
Depreciation	7.6	67,987	43,062
Legal and professional charges		163	140
		<u>104,664</u>	<u>88,062</u>

37.1 This includes Rs 0.357 million (2011: Rs 0.321 million) in respect of provident fund contribution.

	Note	2012 (Rupees in '000)	2011
37.2 General establishment expenses			
Repairs and maintenance		3,803	5,975
Medical expenses		112	47
Security charges		3,830	3,485
Entertainment and canteen subsidy		-	26
Books, periodicals and subscriptions		-	16
Telephone, telex and postage		-	47
Light, power and water		6,263	15,912
Vehicle running, repairs and maintenance		226	20
		<u>14,234</u>	<u>25,528</u>

38. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries and allowances	38.1	66,902	68,698
General establishment expenses	38.2	33,201	35,879
Rent, rates and taxes		700	458
Scholarship and training expenses		1,040	1,238
Insurance		302	461
Depreciation	7.6	3,096	3,212
Directors' fee	46.2	530	390
Legal and professional charges		10,978	11,480
Provision for doubtful debts		-	4,302
		<u>116,749</u>	<u>126,118</u>

38.1 This includes Rs 1.619 million (2011: Rs 2.564 million) in respect of provident fund contribution.

38.2 General establishment expenses	2012	2011
	(Rupees in '000)	
Repairs and maintenance	946	506
Medical expenses	7,382	7,554
Contribution to employees welfare fund	7	8
Contribution to group term insurance	1,734	1,805
Hajj expenses	1,285	1,050
Security charges	212	272
Travelling and conveyance	1,222	1,249
Entertainment and canteen subsidy	383	354
Books, periodicals and subscription	2,907	4,379
Uniform and liveries	76	43
Printing and stationery	770	756
Telephone, telex and postage	1,271	1,443
Light, power and water	957	283
Computer expenses	1,216	1,321
Advertisement and publicity	2,810	3,984
Vehicle running, repairs and maintenance	2,668	2,168
Ship inspection expenses	1,100	4,410
Sundries	6,255	4,294
	<u>33,201</u>	<u>35,879</u>

39. OTHER OPERATING EXPENSES	Note	2012	2011
		(Rupees in '000)	
		(Re-stated)	
(Reversal) / charge for Workers' Profits Participation Fund	29.4	(1,634)	11,503
Donations	39.1	500	2,000
Auditors' remuneration	39.2	5,564	4,446
Employees' gratuity			
- funded	28.1.8	77,703	23,549
- unfunded	28.1.8	8,434	5,367
		86,137	28,916
Post retirement medical benefits	28.1.8	22,774	37,490
Employees' compensated absences	28.2.5	85,987	87,797
Loss on revaluation of long-term investments in listed companies		4,430	-
Loss on revaluation of derivative instruments		282,885	-
Advances written off		1,510	-
Loss on fixed assets due to fire - net		-	2,554
Provision in respect of damage claims	30	4,771	9,218
		<u>492,924</u>	<u>183,924</u>

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

39.2 Auditors' remuneration

	-----2012-----			-----2011-----		
	A. F. Ferguson & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total	A. F. Ferguson & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total
	(Rupees '000)					
Audit fee	900	900	1,800	703	703	1,406
Fee for review of half yearly financial statements	300	300	600	295	295	590
Fee for review of statement of compliance with best practices of the code of corporate governance	80	80	160	72	72	144
Fee for audit of consolidated financial statements	110	110	220	89	89	178
Tax advisory services fee	2,280	-	2,280	1,003	-	1,003
Fee for special review	-	-	-	650	-	650
CDC share holding verification	-	15	15	-	-	-
Out of pocket expenses	279	210	489	222	253	475
	<u>3,949</u>	<u>1,615</u>	<u>5,564</u>	<u>3,034</u>	<u>1,412</u>	<u>4,446</u>

	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
40. FINANCE COSTS			
Interest on long-term financing		1,137,801	570,741
Gain on cross currency interest rate swap derivative	40.1	(69,726)	(310,734)
Interest on Workers' Profits Participation Fund		168	143
Bank charges		1,036	1,844
		<u>1,069,279</u>	<u>261,994</u>
40.1 This relates to the amount received during the year on account of interim exchanges under the swap arrangement as explained in note 29.3 amounting to Rs 69.726 million (2011: Rs 310.734 million).			
	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
41. OTHER OPERATING INCOME			
Income from financial assets / liabilities			
Interest / mark-up on loans and advances to employees		20	150
Income from savings and term deposits		203,307	196,798
Agency fee		4,260	6,155
Dividend income		420	1,363
Exchange gain	41.2	60,108	14,432
Gain on revaluation of long-term investments		-	629
Gain on revaluation of investment properties - net	9	82,968	25,712
Gain on revaluation of swap derivative - net		-	6,130
Liabilities no longer payable written back		12,074	46
Income from non-financial assets			
Profit on disposal of fixed assets		8,837	2,484
Provisions no longer required written back	30	9,903	19,551
Provision adjusted against loans and advance	12.6	16	-
Insurance claims	41.1	676	1,574
Amount recovered in respect of claims		77,596	-
Sundries		44,888	42,088
		<u>505,073</u>	<u>317,110</u>

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

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

2012 **2011**
(Rupees in '000)
(Re-stated)

42. TAXATION

Tax charge for:

- current year	184,691	169,921
- prior years	(120,378)	100,103
	64,313	270,024
Deferred	(141,399)	17,171
	(77,086)	287,195
Taxes paid abroad relating to current year	1	4
	(77,085)	287,199

42.1 Relationship between tax expense and accounting profit

Accounting (loss) / profit before tax	(241,632)	883,601
Tax rate	35%	35%
Tax on accounting (loss) / profit	(84,571)	309,260
Tax effect in respect of income / expenses not admissible for calculation of taxable profit	151,551	2,429
Effect of charging deferred tax on different ratio than current tax	-	945
Tax effect of lower tax rates on certain incomes:		
- Tax saving due to lower tax rates	(27,020)	(113,726)
- Tax liability under final tax regime	(10,328)	(20,333)
	(37,348)	(134,059)
Tax effects of flood surcharge	-	7,122
Others (including the impact arising as a consequence of change in allocation ratio of revenue chargeable under FTR and non-FTR tax regime)	13,661	1,401
	127,864	(122,162)
	43,293	187,098
Tax effects of adjustments in respect of taxes paid abroad	-	(2)
Tax effects of adjustments in respect of prior years	(120,378)	100,103
Tax expense for the year	(77,085)	287,199

	2012 (Rupees in '000)	2011 (Re-stated)
43. (LOSS) / EARNINGS PER SHARE		
(Loss) / profit after taxation attributable to ordinary shareholders	<u>(164,547)</u>	<u>596,402</u>
	(Number of shares)	
Weighted average ordinary shares in issue during the year	<u>132,063,380</u>	<u>132,063,380</u>
	(Rupees) (Re-stated)	
(Loss) / earnings per share - basic	<u>(1.25)</u>	<u>4.52</u>

There are no dilutive potential ordinary shares outstanding as at June 30, 2012 and 2011.

	Note	2012 (Rupees in '000)	2011 (Rupees in '000)
44. CASH GENERATED FROM OPERATIONS			
(Loss) / profit before taxation		<u>(241,632)</u>	<u>883,601</u>
Adjustments for non-cash charges and other items:			
Depreciation	7.6	105,589	91,703
Profit on disposal of fixed assets		(8,837)	(2,484)
Loss on fixed assets due to fire		-	2,554
Provision in respect of damage claims		4,771	9,218
Provision for employees' gratuity	28.1.8	86,137	28,916
Provision for post retirement medical benefits	28.1.8	22,774	37,490
Provision for employees' compensated absences	28.2.5	85,987	87,797
Dividend income		(235,889)	(436,503)
Provision for impairment on doubtful receivables		-	4,302
Provision reversed in respect of doubtful receivables		(16)	-
Provisions no longer required written back		(9,903)	(19,551)
Liabilities no longer payable written back		(12,074)	(46)
Interest / mark-up income		(203,307)	(196,798)
Interest / mark-up expense		1,137,801	572,728
Loss / (Gain) on revaluation of long-term investments		4,430	(629)
Loss / (Gain) on cross currency interest rate swap derivative		213,159	(316,864)
Gain on revaluation of investment properties		(82,968)	(25,712)
Working capital changes	44.1	<u>1,727,424</u>	<u>2,535,237</u>
		<u>2,593,446</u>	<u>3,254,959</u>

44.1 Working capital changes

Decrease / (increase) in current assets			
Stores and spares		3,692	2,289
Trade debts		82,393	(78,959)
Agents' and owners' balances		5,914	(5,373)
Loans and advances		29,737	(23,521)
Deposits and short-term prepayments		902	(1,963)
Other receivables		(1,182)	7,214
Incomplete voyages		(45,004)	5,487
Insurance claims		(17)	542
		<u>76,435</u>	<u>(94,284)</u>
Increase in current liabilities			
Trade and other payables		1,650,989	2,629,521
		<u>1,727,424</u>	<u>2,535,237</u>

	Note	2012 (Rupees in '000)	2011
45. CASH AND CASH EQUIVALENTS			
Short-term investments	22	1,525,475	471,900
Cash and bank balances	23	1,740,027	2,098,976
		<u>3,265,502</u>	<u>2,570,876</u>

46. REMUNERATION OF CHAIRMAN, EXECUTIVE 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		Other executives	
	2012	2011	2012	2011	2012	2011
	----- (Rupees in '000) -----					
Managerial remuneration and allowances	2,855	1,885	17,260	13,168	178,506	165,973
Retirement benefits	-	-	-	167	4,674	5,403
House rent	1,067	333	2,387	1,953	56,921	53,317
Conveyance	-	-	-	-	3,685	3,744
Entertainment	111	142	436	216	1,094	1,237
Medical	96	435	1,009	1,043	4,574	4,381
Utilities	168	163	1,696	1,264	25,416	23,727
Personal staff subsidy	-	7	-	9	137	172
Club membership fee and expenses	21	33	90	103	64	-
Bonus	-	-	1,355	1,502	15,256	17,184
Other allowances	-	285	-	898	143,227	68,577
	<u>4,318</u>	<u>3,283</u>	<u>24,233</u>	<u>20,323</u>	<u>433,554</u>	<u>343,715</u>
Number of persons	<u>1</u>	<u>2</u>	<u>5</u>	<u>5</u>	<u>197</u>	<u>117</u>

46.1 Retirement benefits represent amount contributed towards various retirement benefit plans. The executives of the Corporation are entitled to retirement benefits as outlined in note 4.14 and 4.15 to these financial statements. The Chairman and Chief Executive, Executive Directors and certain Executives are provided with Corporation owned and maintained cars.

46.2 The aggregate amount charged in the financial statements for fee to 5 (2011: 4) non-executive directors was Rs 0.530 million (2011: Rs 0.390 million).

47. FINANCIAL INSTRUMENTS BY CATEGORY

	2012	2011
	(Rupees in '000)	
FINANCIAL ASSETS		
Financial assets at fair value through profit or loss		
Long term investments - listed companies	22,353	26,783
Derivative instruments	-	87,960
Loans and receivables		
Loans - employees	178	423
Trade debts	189,732	272,125
Agents' and owners' balances	529	6,443
Deposits	6,043	6,627
Interest / mark-up accrued	9,390	2,505
Other receivables	12,234	240,404
Insurance claims	47	30
Short-term investments	1,525,475	471,900
Cash and bank balances	1,740,027	2,098,976
	<u>3,483,655</u>	<u>3,099,433</u>
Available-for-sale financial assets		
Long-term investments - other entity	100	100
	<u>3,506,108</u>	<u>3,214,276</u>
FINANCIAL LIABILITIES		
Financial liabilities at fair value through profit or loss		
Derivative instruments	424,801	-
Financial liabilities at amortised cost		
Trade and other payables	15,033,935	13,383,575
Long-term financing	6,958,633	8,021,457
Accrued mark-up on long-term financing	105,963	134,898
	<u>22,523,332</u>	<u>21,539,930</u>

48. FINANCIAL RISK MANAGEMENT

48.1 Financial risk factors

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

48.1.1 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, 2012, out of the total financial assets of Rs 3,506.108 million (2011: Rs 3,214.264 million) the financial assets which are subject to credit risk amounted to Rs 3,505.200 million (2011: Rs 3,213.056 million). The management of the Corporation believes that it is not exposed to major concentration of credit risk.

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

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

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

	2012	2011
	(Rupees '000)	
Public Sector	207,176	286,034
Private Sector	27,376	37,709
	<u>234,552</u>	<u>323,743</u>

Out of Rs 234.552 million (2011: 323.743 million), the Corporation has provided Rs 22.447 million (2011: 22.447 million) as the amounts being doubtful to be recovered from them.

48.1.2 Market risk

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The corporation faces foreign currency risk on receivable, payable transactions at foreign ports and the derivative cross currency interest rate swap.

As at June 30, 2012, if the currency had weakened by 5% against the US dollar with all other variables held constant, pre-tax loss for the year would have been Rs 8.380 million (2011: Rs 362.242 million) higher, mainly as a result of foreign exchange gains / losses on translation of US dollar denominated assets and liabilities.

If at the same date the currency had strengthened by 5% against US dollar with all other variables held constant, pre-tax loss for the year would have been Rs 8.380 million (2011: Rs 454.341 million) lower, mainly as a result of foreign exchange gains / losses on translation of US dollar denominated assets and liabilities.

As at June 30, 2012, the affect of fluctuations in other foreign currency denominated assets or liabilities balances would not be material, therefore, not disclosed.

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The Corporation has a high exposure to interest rate risk due to the financing obtained during last year (note 27). In order to manage its exposure to such risks the management of the Corporation has entered into a derivative cross currency interest rate swap (note 29) under which the Corporation receives KIBOR on the PKR notional in exchange for payment of LIBOR on the USD notional. During the year, to further manage the exposure to such risk, the management has obtained interest rate swap under which the Corporation receives a fixed interest rate of 13% in exchange for payment of KIBOR.

The Corporation has interest bearing liabilities and have floating interest rates. At June 30, 2012, if interest rates on borrowings had been 250 basis points higher / lower with all other variables held constant, loss after taxation for the year would have been higher / lower by Rs 30.192 million (2011: Rs 21.981 million).

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.

48.1.3 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 cash flow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios and maintaining debt financing plans.

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

	Contractual cash flows	Less than 1 year	Between 1to2 years	Between 2to 5 years	More than 5 years
----- (Rupees in thousand) -----					
Long term financing	10,366,492	2,012,486	1,862,156	4,758,121	1,733,729
Trade and other payables	15,033,935	15,033,935	-	-	-
Derivative instruments	424,801	424,801	-	-	-
Accrued mark-up on long-term financing	105,963	105,963	-	-	-
	<u>25,931,191</u>	<u>17,577,185</u>	<u>1,862,156</u>	<u>4,758,121</u>	<u>1,733,729</u>

48.1.4 Fair value of financial instruments

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

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

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

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

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

The Corporation's financial assets measured at fair value comprise only of level 1 financial assets amounting to Rs 22.353 million (2011: Rs 26.783 million) and level 3 financial liabilities amounting to Rs 424.801 million (2011: 87.960).

48.2 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 subject to externally imposed capital requirements, which are applicable at consolidated financial statements level.

During the year, the Corporation's strategy was to maintain the debt equity ratio below 60:40. The debt equity ratios as at June 30, 2012 and 2011 were as follows:

	2012	2011
	(Rupees in '000)	
Long-term financing (note 27)	6,958,633	8,021,457
Total equity	6,427,712	6,781,360
Total	<u>13,386,345</u>	<u>14,802,817</u>
	53:47	54:46

49. ENTITY WIDE INFORMATION

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

49.2 Information about services

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

	2012	2011
	(Rupees in '000)	
Transportation of dry cargo	1,493,380	1,308,690
Transportation of liquid cargo	704,156	964,593
Rental income	81,079	99,468
Services fee	263,848	276,470
	<u>2,542,463</u>	<u>2,649,221</u>

49.3 Information about geographical areas

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

49.4 Information about major customers

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

	-----2012-----	
	Revenue	
	Amount (Rupees in '000)	% of Total
Client 1	484,219	22%
Client 2	333,006	15%
Client 3	309,896	14%
Client 4	264,001	12%
Client 5	247,650	11%
	<u>1,638,772</u>	<u>74%</u>
	-----2011-----	
	Revenue	
	Amount (Rupees in '000)	% of Total
Client 1	612,216	27%
Client 2	415,481	19%
Client 3	277,596	12%
	<u>1,305,293</u>	<u>58%</u>

50. RELATED PARTY DISCLOSURES

The Corporation has related party relationships with its subsidiaries, associate, employee benefit plans and its directors and executive officers (including their associates). Transactions with related parties essentially entail investments made in subsidiary companies, dividend income received from related investee companies, freight income and chartering revenue recovered, services fee charged on account of rendering of technical, commercial, administrative and financial services, expenses charged to subsidiary companies on actual cost basis etc. Service fee charges on account of rendering of technical, commercial, administrative and financial services is charged to subsidiary companies and related parties on the basis of mutually agreed terms. Balances with related parties have been disclosed in note 29.1 to these financial statements. Particulars of remuneration to key management personnel are disclosed in note 46 of these financial statements. Investments in related parties and long-term loans and advances to related parties are disclosed in note 10 and 12 of these financial statements.

Related party	Relationship with the Corporation	2012 (Rupees in '000)	2011
Service fee charged			
Bolan Shipping (Private) Limited	Subsidiary	-	7,406
Chitral Shipping (Private) Limited	Subsidiary	15,691	12,814
Hyderabad Shipping (Private) Limited	Subsidiary	17,916	3,451
Islamabad Shipping (Private) Limited	Subsidiary	12,736	20,053
Johar Shipping (Private) Limited	Subsidiary	-	9,085
Kaghan Shipping (Private) Limited	Subsidiary	9,318	16,335
Karachi Shipping (Private) Limited	Subsidiary	53,755	51,434
Lahore Shipping (Private) Limited	Subsidiary	57,358	52,998
Malakand Shipping (Private) Limited	Subsidiary	15,625	5,957
Multan Shipping (Private) Limited	Subsidiary	6,932	10,328
Quetta Shipping (Private) Limited	Subsidiary	57,647	48,111
Sargodha Shipping (Private) Limited	Subsidiary	2,745	20,910
Sibi Shipping (Private) Limited	Subsidiary	14,125	1,732
Swat Shipping (Private) Limited	Subsidiary	-	15,856
		<u>263,848</u>	<u>276,470</u>
Rental expense			
Pakistan Co-operative Ship Stores (Private) Limited	Subsidiary	<u>539</u>	<u>488</u>
Transfer of stores and spares			
Bolan Shipping (Private) Limited	Subsidiary	-	1,313
Chitral Shipping (Private) Limited	Subsidiary	101	220
Hyderabad Shipping (Private) Limited	Subsidiary	1,281	93
Islamabad Shipping (Private) Limited	Subsidiary	2,087	2,381
Johar Shipping (Private) Limited	Subsidiary	-	516
Kaghan Shipping (Private) Limited	Subsidiary	147	124
Karachi Shipping (Private) Limited	Subsidiary	3,204	2,017
Khairpur Shipping (Private) Limited	Subsidiary	-	1,509
Lahore Shipping (Private) Limited	Subsidiary	2,968	2,378
Makran Shipping (Private) Limited	Subsidiary		
Malakand Shipping (Private) Limited	Subsidiary	128	119
Multan Shipping (Private) Limited	Subsidiary	14	1,494
Quetta Shipping (Private) Limited	Subsidiary	4,077	2,675
Sargodha Shipping (Private) Limited	Subsidiary	1,238	1,520
Sibi Shipping (Private) Limited	Subsidiary	81	108
Swat Shipping (Private) Limited	Subsidiary	-	677
		<u>15,326</u>	<u>17,144</u>

Related party	Relationship with the Corporation	Note	2012 (Rupees in '000)	2011
Retirement benefit costs charged				
Bolan Shipping (Private) Limited	Subsidiary		-	313
Chitral Shipping (Private) Limited	Subsidiary		303	-
Hyderabad Shipping (Private) Limited	Subsidiary		127	-
Islamabad Shipping (Private) Limited	Subsidiary		718	895
Johar Shipping (Private) Limited	Subsidiary		-	205
Kaghan Shipping (Private) Limited	Subsidiary		736	659
Karachi Shipping (Private) Limited	Subsidiary		152	78
Lahore Shipping (Private) Limited	Subsidiary		122	66
Malakand Shipping (Private) Limited	Subsidiary		173	-
Multan Shipping (Private) Limited	Subsidiary		660	873
Quetta Shipping (Private) Limited	Subsidiary		658	561
Sargodha Shipping (Private) Limited	Subsidiary		987	1,108
Sibi Shipping (Private) Limited	Subsidiary		183	-
Swat Shipping (Private) Limited	Subsidiary		-	207
			<u>4,819</u>	<u>4,965</u>
Dividend income				
Sibi Shipping (Private) Limited	Subsidiary		67,452	115,632
Malakand Shipping (Private) Limited	Subsidiary		50,402	101,992
Hyderabad Shipping (Private) Limited	Subsidiary		62,546	113,720
Chitral Shipping (Private) Limited	Subsidiary		55,069	103,796
			<u>235,469</u>	<u>435,140</u>
Contribution to provident fund			<u>10,227</u>	<u>10,684</u>
Key management personnel compensation		46	<u>28,551</u>	<u>23,606</u>
Investment in subsidiary companies	Subsidiary		<u>4,655,158</u>	<u>11,665,738</u>
Advance extended against purchase of vessel to related parties	Subsidiary	12.1	<u>-</u>	<u>4,655,158</u>

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

50.2 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.

51. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors at their meeting held on October 31, 2012 have proposed for the year ended June 30, 2012 cash dividend of Rs 0.50 per share (2011: Re 1.0 per share), amounting to Rs 66.032 million (2011: Rs 132.063 million) subject to the approval of the members at the annual general meeting to be held on November 29, 2012. The financial statements for the year ended June 30, 2012 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

52. GENERAL

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

53. DATE OF AUTHORISATION

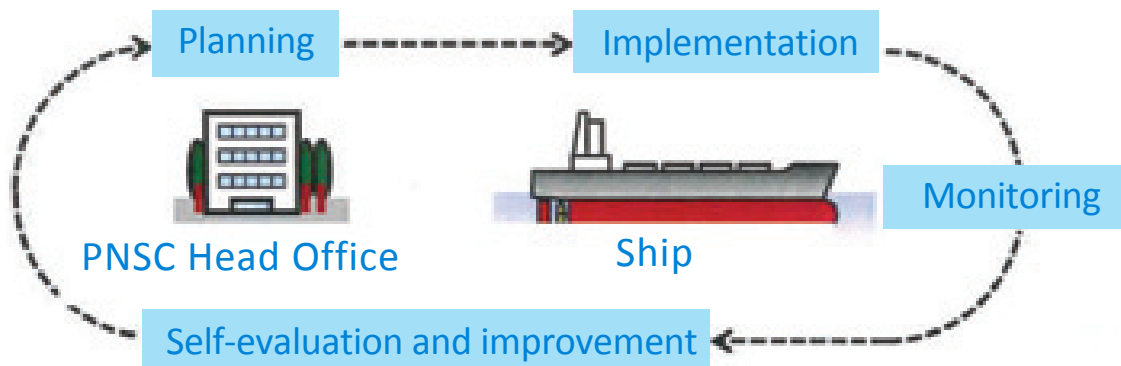
These financial statements were authorised for issue on October 31, 2012 by the Board of Directors of the Corporation.

Energy Efficient Ship Management System



1. PNSC is operating its vessels in most efficient, safe and profitable manner in accordance to the International Rules / Regulations as implemented by the International Maritime Organization which is a specialized Agency of United Nations on shipping.
2. One of the most important concerns of ship owners and Regulatory bodies today is to ensure optimum consumption of fuel which would not only save the major cost but also conserve energy and minimize pollution due to reduction in CO₂, SO₂ & NO_x emissions.
3. In this regard, IMO has now taken a further step to implement a "Ship Energy Efficiency Management Plan" (SEEMP) for all vessels w.e.f. 1st January, 2013 in order to monitor and optimize the fuel consumption.
4. PNSC has been following this system since last over 10 years by closely monitoring the vessels operating parameters through a computerized Ship Expert System whereby vessels consumption, speed, weather, course and other indicators / log abstracts are received in Head Office every day. These parameters are then checked against the set values and necessary actions are taken to ensure most efficient operation of the vessel and its machinery.
5. The specific measures for the Ship Energy Efficiency Management System (SEEMP) adopted by PNSC are as under :-

Energy Efficiency Improvement Cycle using SEEMP



SEEMP incorporates the measurable goals with procedure for fuel efficient operation, implementation methods and responsible persons, monitoring tool, and procedures for self-evaluation.

i. Machinery Performance

All main and auxiliary machineries are maintained according to the planned maintenance system. The spares provided are from the makers and overhauling is done well in time. All machinery and its operation is monitored by the ship staff, head office, and also by the classification society surveyors like Lloyd's Register, American Bureau of Shipping, Bureau Veritas & Class NKK on regular basis. This ensures best of the performance.

ii. Hull / Propeller Condition

The speed of the vessel and fuel consumption is directly affected by the condition of ship's Hull, and propeller. It is therefore most essential that vessel's hull is kept clean and propeller polished. PNSC besides carrying out dry dockings as per statutory and class requirements, also applies most modern environment friendly anticorrosive and antifouling paints to ensure vessel's hull remains clean. This ensures higher speed and less fuel consumption. Furthermore, underwater hull cleaning and propeller polishing is also carried out based on the performance of the vessel in order to maintain optimum speed / consumption.

iii. Fuel Analysis

Our vessels are operating all over the world and are supplied with different grades of fuel at various ports for the running of ship's main engine and auxiliary engines. PNSC has taken the services of one of the most reputable fuel oil testing company Lloyd's Register - FOBAS to carry out analysis of the supplied fuel. This procedure provides detailed information about the quality of fuel prior use assuring that fuel has met the required standards. Environmental and legislative requirements are also ensured through analysis of fuel supplied.

iv. Weather Routing / Tracking

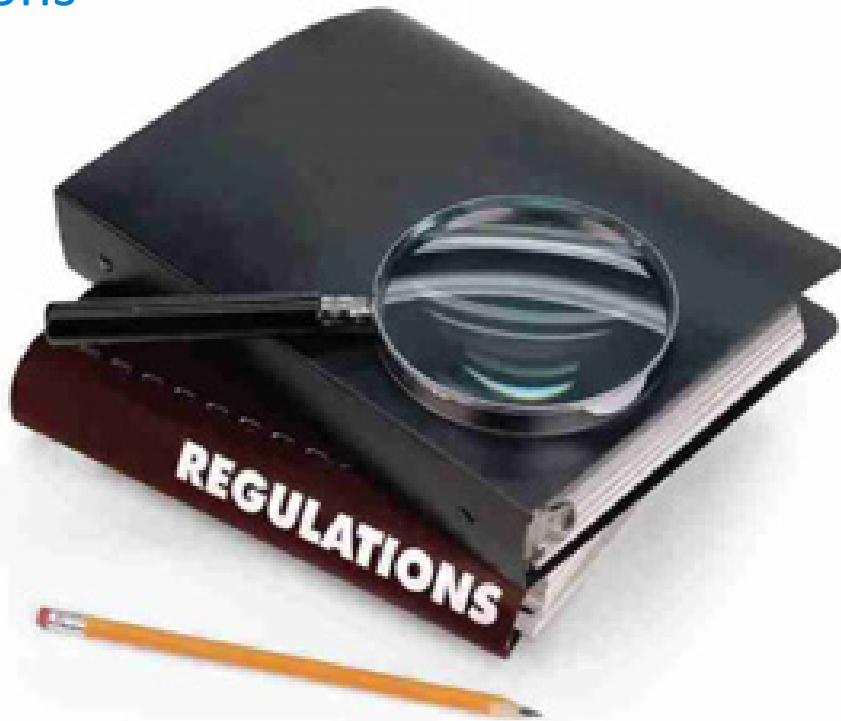
PNSC has taken the services of leading satellite enabled fleet management company M/s Polestar Space Application Ltd. Which provides continuous tracking of the vessel and weather reporting which includes speed, position, course, wind speed, wind direction & distance etc. Due to this system PNSC ships are able to plan and take advantage of favourable weather and avoid adverse conditions to obtain best performance in speed and fuel consumption. The fleet map showing PNSC vessels positions worldwide is given below :-



v. Accommodation

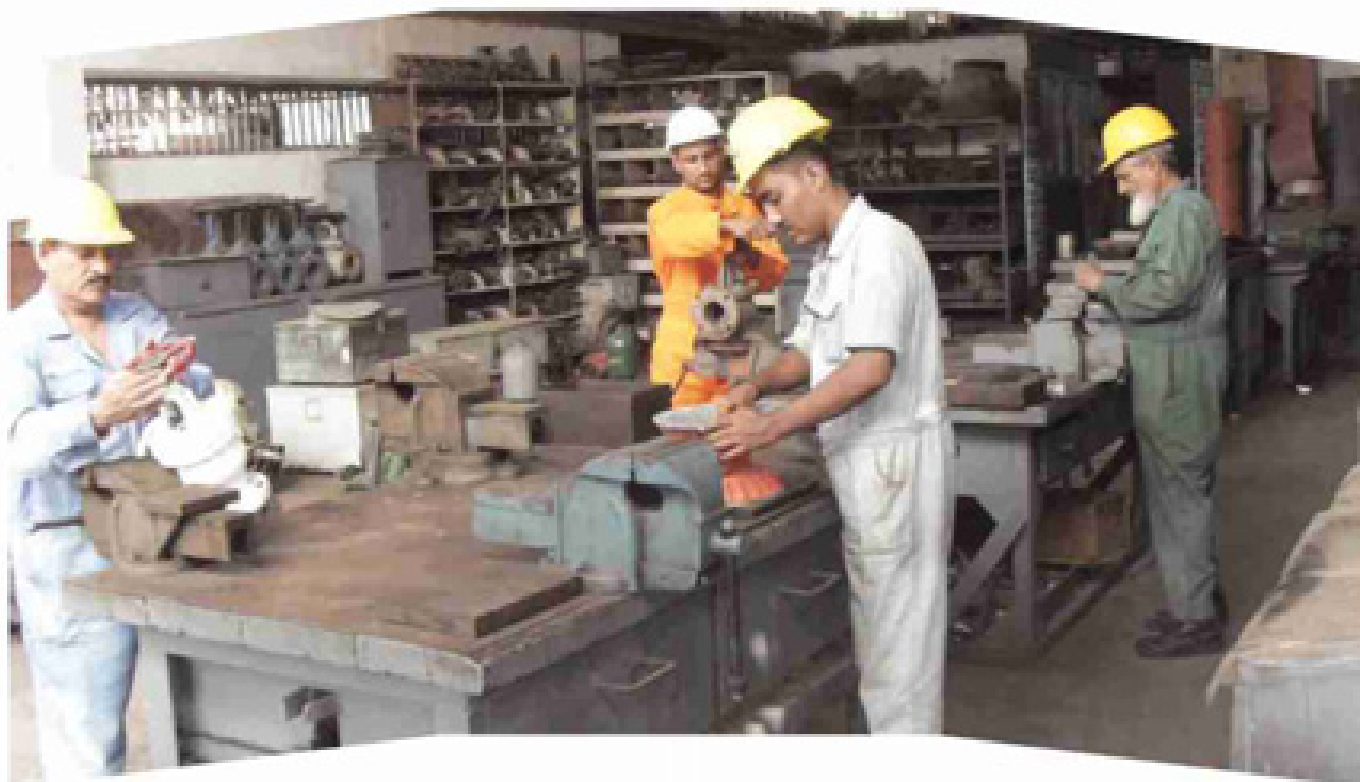
The accommodation can offer a number of energy saving opportunities. Air conditioning is one of the major energy consumers. Ships officers have been advised to turn off the lighting, air conditioning, galley power and other equipment when not in use.

Commitment to Comply with Latest International Regulations



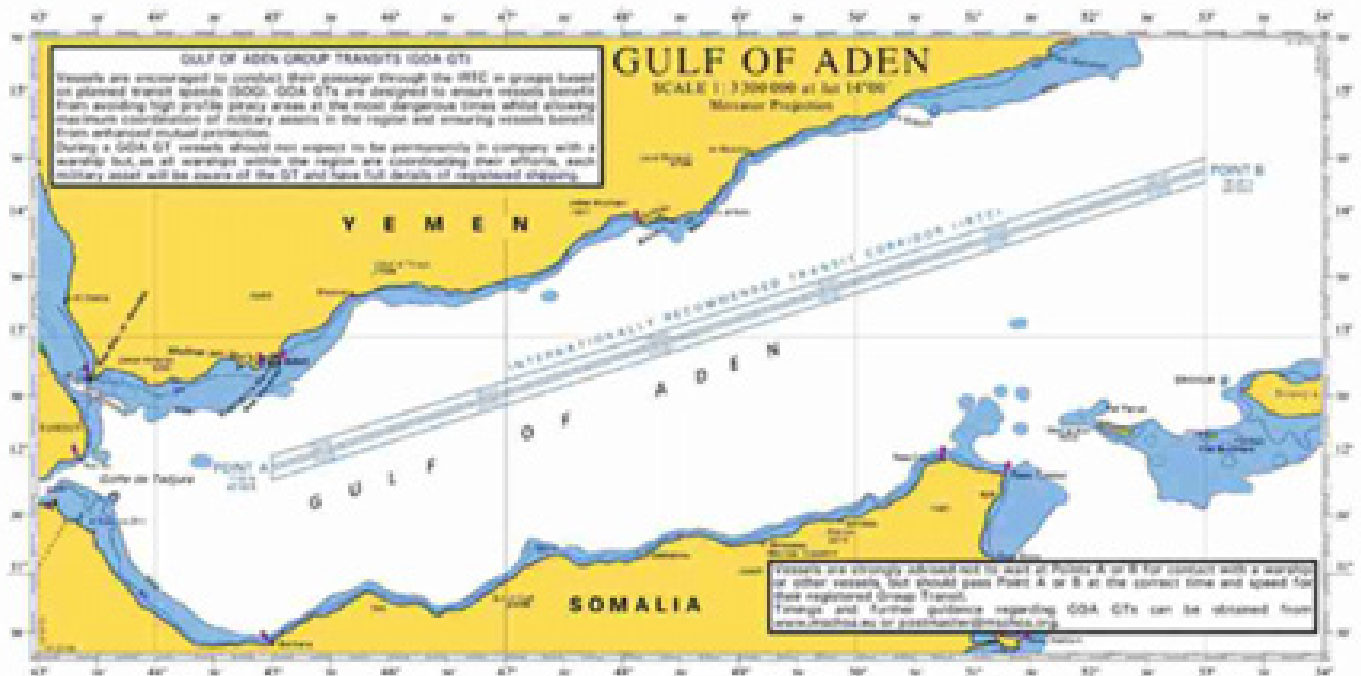
1. The Maritime Labour Convention (MLC) is an International Labour Organization convention established in 2006 as the Fourth pillar of international maritime law and embodies "all up-to-date standards of existing international maritime labour Conventions and Recommendations, as well as the fundamental principles to be found in other international labour Conventions".
2. The MLC, 2006 Regulations and the Code are organized into general areas under five Titles:
Title 1: Minimum requirements for seafarers to work on a ship
Title 2: Conditions of employment
Title 3: Accommodation, recreational facilities, food and catering
Title 4: Health protection, medical care, welfare and social security protection
Title 5: Compliance and enforcement
3. In accordance with the code the working and living conditions of seafarers that must be inspected and approved by the flag State before certifying a ship in accordance with Standard of the code are:
 - Minimum age
 - Medical certification
 - Qualifications of seafarers
 - Seafarers' employment agreements
 - Use of any licensed or certified or regulated private recruitment and placement service
 - Hours of work or rest
 - Manning levels for the ship
4. The effective date for implementation of Maritime Labour Convention is 20th August 2013. PNSC has now 12 months to comply with the requirements of the MLC, 2006. We are therefore in the process of carrying out the gap analysis and preparing for certification.

PNSC Workshop and its Facilities



1. PNSC has a fully equipped marine workshop located in the vicinity of Karachi Port and is capable of carrying out almost all kinds of ship repairs and maintenance to the required classification societies standards / rules. It provides repair and maintenance services to its own fleet and foreign ships calling at Karachi Port, Port Qasim and Gawadar Port.
2. Besides marine repairs, PNSC workshop undertakes shore based Industrial work which includes :-
 - i. Steel work
 - ii. Electro hydraulic machineries and equipment
 - iii. Electric power generation sets A/C, D/C and electrical panels.
 - iv. All type of electric motors, accessories and components.
 - v. Boilers and auxiliaries.
 - vi. Internal combustion engines employed in power houses and industrial plants.
 - vii. Heat exchangers and coolers.
 - viii. Refrigerating plants suitable for large cold storage.
 - ix. Air compressors, centrifuges and all kinds of pumps.
 - x. All kind of pipe lines.
3. Workshop also provides training to Marine Engineering and Trade Apprentices for necessary up-gradation of their practical skills.
 - i. PNSC workshop is providing training to 35 marine engineering cadets of Pakistan Marine Academy every year. These cadets on completion of one year mandatory training become eligible to appear in examination and join ships as Trainee Engineers.
 - ii. Workshop also provides 03 years training to around 20 trade apprentices.
 - iii. Apart from the above, workshop also provides internship to graduate engineers and diploma holders in mechanical and electrical fields.
 - iv. Informatively, all trainings are provided free of cost and apprentices are also paid a monthly stipend.

Counter Piracy Regime



There has been a significant and rapid rise in the level of piracy activities over the past few years as the pirate groups have become better resourced, better equipped and capable of attacking vessels further away from the Somali coastline.

The threat to merchant shipping and seafarers posed by the activities of SOMALI pirates unfortunately show no sign of being eliminated and the piracy problem has now reached a critical threshold, one that presents many challenges.

Whilst the naval deterrent that exists within the Gulf of Aden (GOA) has resulted in a significant reduction in the number of attacks there, vessels continue to be at risk of attacks far off shore where naval resources are thinly spread.

In response to the growing menace of piracy, Pakistan National Shipping Corporation has enforced a comprehensive counter piracy regime as under :-

1. Standard Operating Procedures (SOPs) to prevent piracy have been developed and implemented.
2. Communication Plan when in High Risk Area and when under attack is being followed.
3. High Risk Area route planning and its implementation after being concurred by Director Naval Operations Naval Headquarters Islamabad.
4. Mandatory compliance with requirements of Best Management Practices (BMP-4):
 - a. Ship Security Plan has been prepared by PNSC for each vessel and approved by Bureau Veritas.
 - b. PNSC Piracy Anti Attack Plan.

- c. Use of dummies.
 - d. Ship Security Alert System installed.
 - e. Automatic Identification System fitted.
 - f. Barbed Razor Wire all around Vessel's Perimeter.
 - g. Fire Hoses rigged (Pressurized).
 - h. Enhanced Vigilance.
 - i. Maneuvering practice.
 - j. Enhanced illumination once pirates identified.
 - k. Port hole grills fitted and accommodation doors strengthened.
 - l. Ship alarms exercise.
 - m. Anti-piracy drill/Citadel Drill (prior entering piracy high risk areas).
 - n. Monitoring and supporting by Pakistan Navy Ships deployed at strategic points.
5. Standing NOC to Pakistan Navy for carrying out kinetic operation onboard.
 6. Extensive briefing and training of ship staff with particular emphasis on adherence to BMP-4.
 7. Citadel established on all vessels with dedicated independent satellite phone.
 8. Ships directed to transit Gulf of Aden (GOA) only under escort (National Convoy) or International Recommended Transit Corridor IRTC group transit.
 9. Post Piracy emergency Response committee constituted to handle post piracy contingencies (including issues pertaining to Rehabilitation and Welfare).

Pattern of Shareholding

No. of Shareholders	Shareholdings	Total Shares Held	
11232	Shareholding From 1	To 100	367,755
3116	Shareholding From 101	To 500	711,414
855	Shareholding From 501	To 1000	617,240
679	Shareholding From 1001	To 5000	1,436,746
87	Shareholding From 5001	To 10000	628,202
19	Shareholding From 10001	To 15000	223,013
13	Shareholding From 15001	To 20000	239,654
9	Shareholding From 20001	To 25000	198,993
8	Shareholding From 25001	To 30000	229,069
5	Shareholding From 30001	To 35000	164,391
3	Shareholding From 35001	To 40000	117,327
5	Shareholding From 40001	To 45000	208,774
2	Shareholding From 45001	To 50000	100,000
2	Shareholding From 50001	To 55000	106,896
2	Shareholding From 55001	To 60000	119,865
2	Shareholding From 70001	To 75000	146,071
2	Shareholding From 75001	To 80000	159,500
1	Shareholding From 85001	To 90000	90,000
2	Shareholding From 95001	To 100000	200,000
2	Shareholding From 100001	To 105000	207,095
1	Shareholding From 105001	To 110000	105,488
1	Shareholding From 110001	To 115000	112,570
1	Shareholding From 115001	To 120000	119,100
1	Shareholding From 120001	To 125000	123,844
1	Shareholding From 135001	To 140000	137,026
1	Shareholding From 140001	To 145000	141,252
1	Shareholding From 150001	To 155000	155,000
2	Shareholding From 155001	To 160000	317,642
1	Shareholding From 190001	To 195000	194,623
1	Shareholding From 215001	To 220000	219,161
1	Shareholding From 235001	To 240000	236,156
1	Shareholding From 240001	To 245000	240,470
1	Shareholding From 295001	To 300000	298,808
1	Shareholding From 435001	To 440000	436,564
1	Shareholding From 745001	To 750000	746,603
1	Shareholding From 995001	To 1000000	1,000,000
1	Shareholding From 1015001	To 1020000	1,016,708
1	Shareholding From 1230001	To 1235000	1,230,173
1	Shareholding From 1250001	To 1255000	1,253,462
1	Shareholding From 10575001	To 10580000	10,578,361
1	Shareholding From 107000001	To 107500000	107,128,363
16,068			132,063,379

Categories of Shareholders

	No.	Shares Held	Percentage %
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.	74	1,497,076	1.14
INSURANCE COMPANIES	12	1,246,254	0.94
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN			
KHOWAJA OBAID IMRAN ILYAS	1	2,299	
MR. ANWAR SHAH	1	100	
KHOWAJA OBAID IMRAN ILYAS	1	115	
Sub-Totals :		2,514	0.00
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.			
M/S PNSC EMPLOYEES EMPOWERMENT TRUST	1	10,578,361	
MOHAMMADI ENGG. WORKS LTD	1	4,766	
Sub-Totals :		10,583,127	8.01
MODARABAS AND MUTUAL FUNDS.	10	793,048	0.60
NIT AND ICP	15	527,681	0.40
FOREIGN INVESTORS	10	186,409	0.14
DIRECTOR GENERAL PORT & SHIPPING	1	107,128,363	81.12
OTHERS	84	1,939,018	1.47
Individuals*			
	15857	8,159,889	6.18
G-Totals :	<u>16068</u>	<u>132,063,379</u>	<u>100.00</u>

*Including 3656 shareholders whose current domicile is not known
N.B.- The above two statements include 1566 shareholders holding 11,463,305 Shares through Central Depository Company of Pakistan Limited.

Notice of Annual General Meeting

Notice is hereby given that the 34th 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 November 29, 2012 at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To confirm the Minutes of 33rd Annual General Meeting of the shareholders held on 29th October, 2011.
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 2012.
3. To consider and approve Board's recommendation to pay 5% Cash Dividend (i.e. Rs.0.50 per share) to the shareholders.
4. To consider Board's recommendation to re-appoint the retiring auditors A.F. Ferguson & Co., Chartered Accountants, and Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as joint auditors of the Corporation for the year 2012-2013 and to fix their remuneration.
5. To transact any other business that may be placed before the meeting with the permission of the chair.

By Order of the Board
ZAINAB SULEMAN
COMPANY SECRETARY

Dated: October 31, 2012

Note:

1. The Share Transfer Books of the Corporation will remain closed from 22nd November, 2012 to 29th November, 2012 (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

Proxy form

Please quote your
Folio No./ CDC Account No.

I/We _____

of _____

being shareholder of Pakistan National Shipping Corporation holding _____

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

S/o. D/o. W/o. _____

of _____

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

S/o. D/o. W/o. _____

of _____

as my/ our proxy to vote for me/ us and on my/ our behalf at the meeting of the shareholders of the Corporation to be held at Karachi on the 29th day of November 2012 at 11:00 a.m. and at any adjournment thereof.

Dated this _____ day of _____ 2012. _____

Revenue Stamp
of
Rs 5

Signature of the Shareholder _____

Address _____

Folio No./CDC Account No. _____

Transfer Receipt No. _____



P.N.S.C Building Moulvi Tamizuddin Khan Road,P.O.Box No.5350,Karachi-Pakistan.
Phone : (92-21) 99203980-99 (20 Lines) Fax: (92-21) 99203974, 35636658
Email: communication@pnscc.com.pk URL: <http://www.pnscc.com.pk>