CHARTING THE FUTURE

ANNUAL REPORT 2013

Contents

Our Vision

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

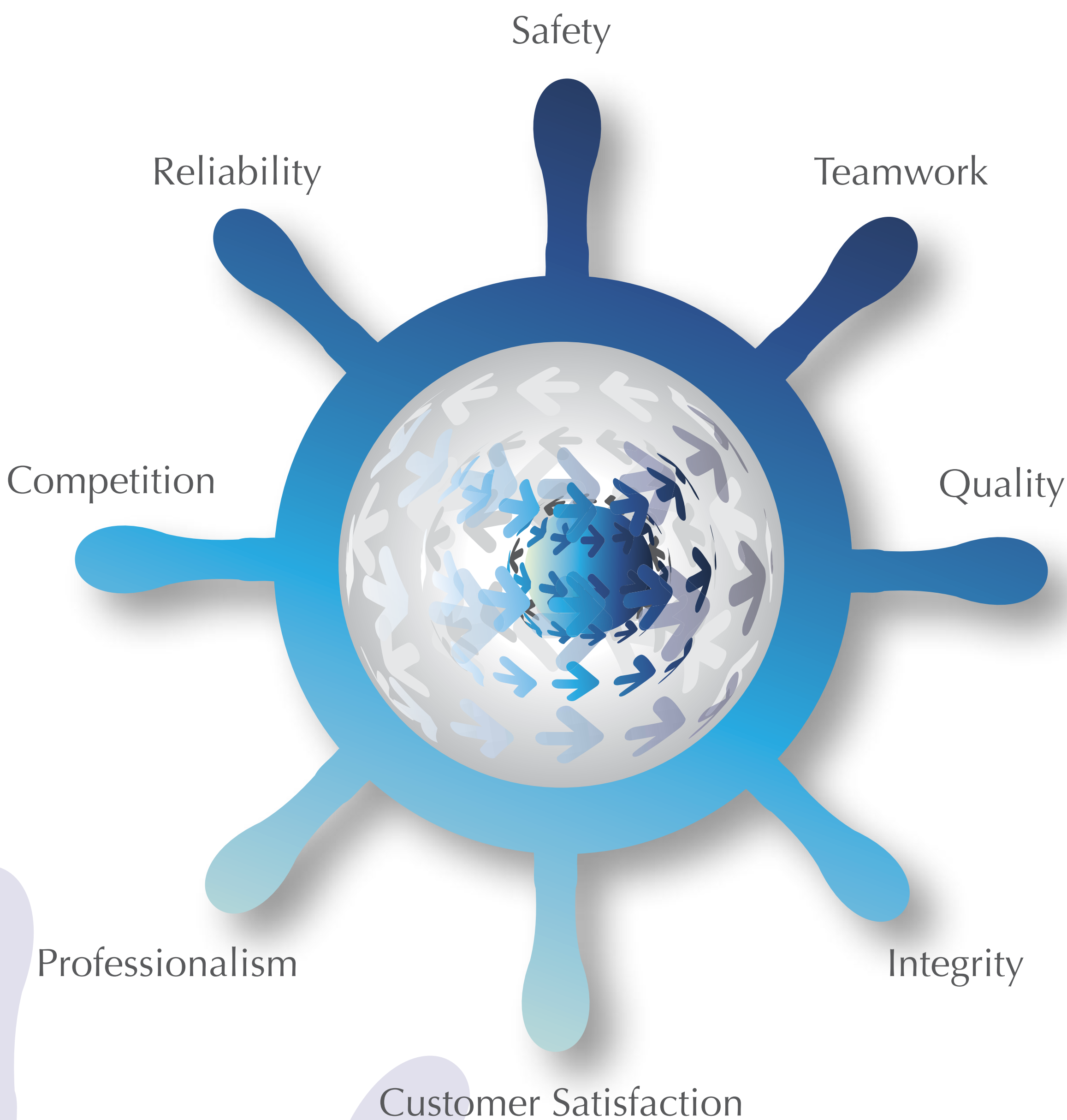
Our Mission

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

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

Our Core Values



Safety

As a global sea-freight operator, PNSC believes in safety as the bedrock of its corporate philosophy. Our commitment to the safety of our people compels us to invoke periodic safety training through fire and hijacking drills on board its ships. PNSC never compromises on crew safety.

Teamwork

The purpose of an organization is to amalgamate the talents and KSAs (Knowledge, Skills and Abilities) of its people and channel them to achieve its objectives which serve the interests of everyone. PNSC believes that business is not done in isolation. It is done through sharing of ideas and resources.

Quality

Today's business is highly competitive. The global shipping market has thousands of shipping lines operating globally. With a plethora of shipping companies to choose from, today's shipper is well informed and tech-savvy. PNSC has re-oriented itself to suit the new market with a commitment to ensure quality at every stage of the value chain.

Integrity

Integrity is not a collective virtue. It is a personal belief system which runs on conviction. PNSC believes in nurturing this virtue by encouraging it in the office environment. By combined effort, individual preference for integrity and fair business shape up PNSC's belief in this virtue.

Customer Satisfaction

PNSC's philosophy revolves around the customer. The customer is the best judge of our performance. Consequently, growth in revenue is a reliable barometer of performance.

Professionalism

PNSC prides itself on ensuring our workforce deal with our customers objectively without any interference of personal views. PNSC encourages an environment of open-communication and professionalism.

Competition

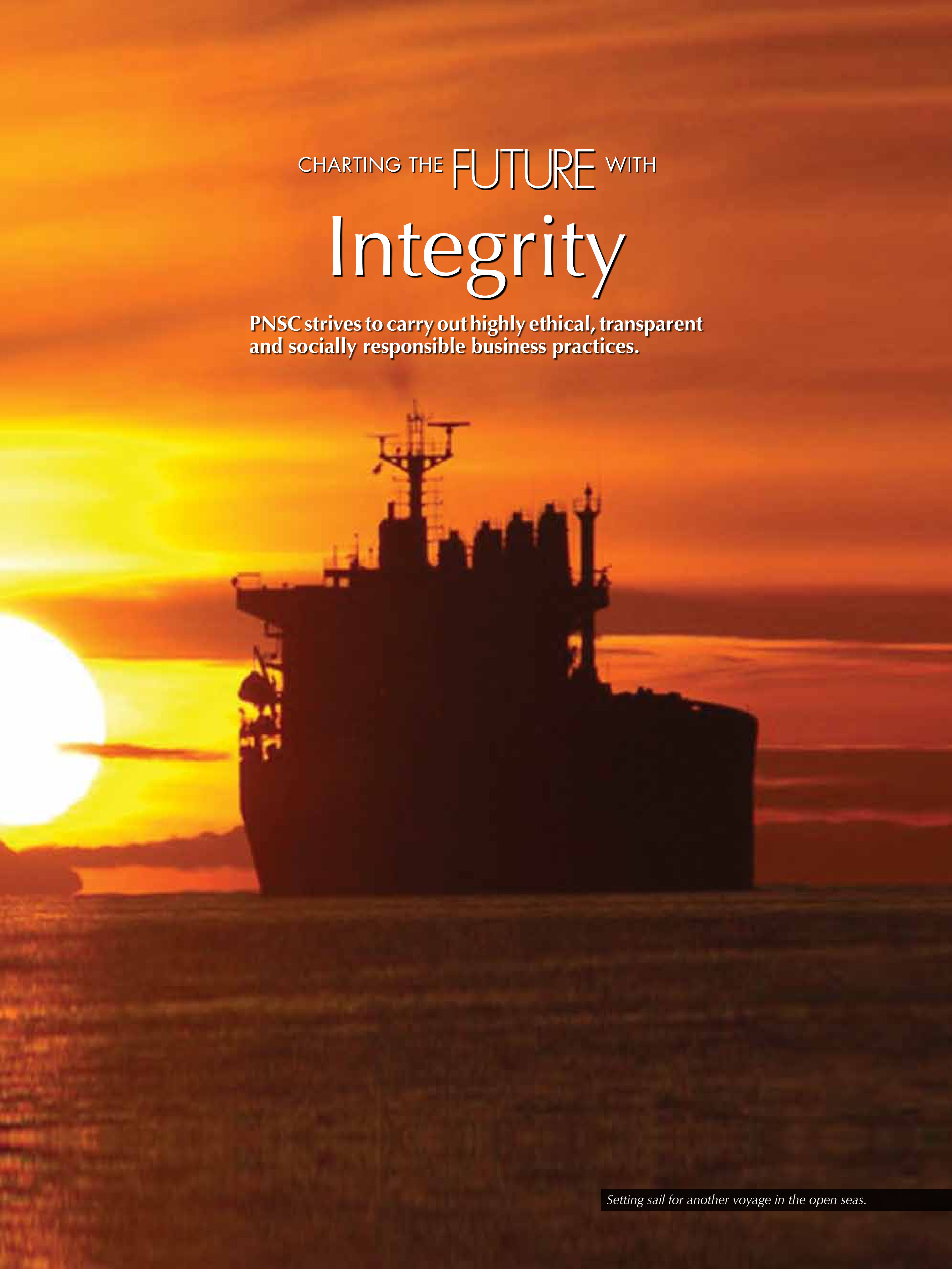
Competition allows for incentives for improvement. At PNSC, we believe competition is not only a way to win contracts from our global competitors, but also to improve ourselves.

Reliability

When we enter into a contract with our customers, we become an integral part of their supply chain. Our delivery schedules have direct consequences on their business. Consequently, predictable schedules and lesser lead times give reliability to our business. Our customers depend on us for getting their cargo on time and we take pride in acknowledging this responsibility. Reliability is one of the most important tools for building our customer relationships.

CHARTING THE FUTURE WITH Integrity

PNSC strives to carry out highly ethical, transparent and socially responsible business practices.



Setting sail for another voyage in the open seas.

The PNSC building in Karachi City, where the PNSC is headquartered.

Corporate Information

Board of Directors
Mr. Muhammad Siddique Memon
Chairman/CEO

Capt. S. Akhlaq Hussain Abidi
Member

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

Capt. S. Kamal A. Mahmoodi
Member

Capt. Anwar Shah
Member

Mr. Khowaja Obaid Imran Ilyas
Member

Mr. Shabbir Ahmed
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

Company Secretary
Ms. Zainab Suleman

Acting Chief Internal Auditor
Mr. Baber Jamal Zubairi

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

Code of Conduct

In Pakistan National Shipping Corporation the Board, senior management and employees are committed to professionalism and understanding of themselves and others regarding accepted standards of the discipline.

The work related conduct requires a personal commitment to act in accordance with the accepted and especially professional standards of conduct and also to encourage such behaviour by employees and colleagues.

Corporation has always emphasized on the Business Ethics as a matter of policy. The Business Ethics include the principles of honesty, integrity, trustworthiness, loyalty, fairness and justice. The business ethics are rules for conduct which raise awareness of acceptable and unacceptable behaviour. Furthermore, the ethical minds of individual employees significantly contribute to ethical business practices of the Corporation.

It is the duty and responsibilities of directors, senior management and all employees to faithfully follow the Business Ethics and comply with the policies and practices stated in this Code of Conduct. The Corporation's ultimate goal is to achieve its business objectives for the benefit of all stakeholders including the shareholders and the community at large.

Policy Statement

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

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

The Corporation shall constantly endeavour to formulate policies to ensure business growth, optimize operational efficiencies and profitability, and develop a corporate culture to reward merit and eliminate discrimination in all forms. It is the policy of the Corporation that professionalism is maintained in all recruiting, interviewing and hiring of individuals without regard to race, gender or religion.

There is no direct or indirect discrimination on grounds including, but not limited to race, gender, sex or marital status or religion or language and there is no harassment or victimization based on any of the aforesaid grounds.

Development of Internal Control Systems

It is the policy of the Corporation to maintain and update internal control systems, accounting/financial procedure, rules and regulations, in keeping with modern management practices, and ensure due compliance with regulatory requirements.

Maintenance of Proper Books of Account and Records.

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

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

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

Use and Safeguarding of Confidential Information

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

Employees shall 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.

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

It is the policy of the Corporation to ensure confidentiality of all inside information and do not leak any inside information out of the Corporation and no employee shall drive any personal benefit from such inside information not yet disclosed to the public and to maintain harmony among all co-workers and staff in the Corporation.

The Corporation has set up an important policy concerning the use of information of the Corporation in compliance with Good Corporate Governance and relevant regulations. The Corporation has advised its directors, senior management and employees to focus on confidential information especially internal information not yet disclosed to public or any data or information that may effect the business of the Corporation or its share price. They must not use information they receive from their directorships or employment for personal benefit or for conducting business or other activities in competition with the Corporation .

Policy Towards Stakeholders

The Corporation recognizes the rights of all stakeholders and therefore encourages cooperation between the Corporation and all the stakeholders including employees, creditors, government agencies, community and society at large.

Policy on Safety, Occupational Health and Environment

The Corporation is committed to conducting business with the highest standards of safety, occupational health and environment conditions fully complying with all legislation and regulations relating to safety, occupational health and environmental requirements at all locations in which the Corporation operates.

The Corporation shall follow practices that constantly ensure that its working environment is safe for the protection of property of the Corporation and life of its employees.

The Corporation shall encourage health and safety awareness at all levels and promote procedures and practices that ensure environmental protection taking into account the current legislation and industry codes and practices.

The Corporation shall fully disclose all information regarding its operations and standards in relation to safety, occupational health and environment.

It is the policy of the Corporation to take all necessary measures to protect the health and safety of its employees.

Conflict of Interest

The Corporation has set up an important policy on conflict of interest. No directors, officer or employee shall have any financial interest in or be involved in the business activities of a competitor of the Corporation.

Acceptance or Giving of Bribes

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

Discipline and General Conduct

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

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

It is expected of all to practice good / ethical behaviour and to pay attention to emerging questions, challenges and stress points positively in their respective capacities.

The purpose of this Code of Conduct is to maintain and promote dignity and reputation of the Corporation and achieve excellence. Each employee is required to conduct himself/herself in a proper way, behave lawfully adhering to all laws, rules and regulations which are applicable. Failure to comply with this code or guidance may result in disciplinary action depending on the severity of the misconduct and the Corporation’s disciplinary record.

CHARTING THE FUTURE WITH

Teamwork

We try to ensure that every employee feels proud of being part of the PNSC team.

Oil tankers are a critical component of the global petroleum supply chain.

Board of Directors' Profile

Mr. Muhammad Siddique Memon

Mr. Muhammad Siddique Memon is the Chairman / CEO of Pakistan National Shipping Corporation. He is a BS-21 grade officer and started his career in Civil Services of Pakistan on 16-10-1984. He has varied experience and has held various appointments in General Administration, Planning Social Development, Revenue, Public Administration, Financial Management and Magistery.

During his service spanning over 29 years, he served as Secretary Sports, Education, Finance, Population Welfare, Land Utilization (Board of Revenue), Livestock & Fisheries, Local Government etc. Moreover, he also served as Director Survey, District Coordination Officer, Cane Commissioner, Deputy Commissioner, Assistant Commissioner, Managing Director Sindh Small Corporation, Secretary Sindh Public Service Commission & Secretary Sindh Text Book Board.

He assumed the charge of the Chairman / CEO of PNSC on 17th July, 2013.

Captain S. Akhlaq Hussain Abidi

Captain S. Akhlaq Hussain Abidi is a businessman, ex-Master Mariner, who has commanded PNSC vessels up to 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.

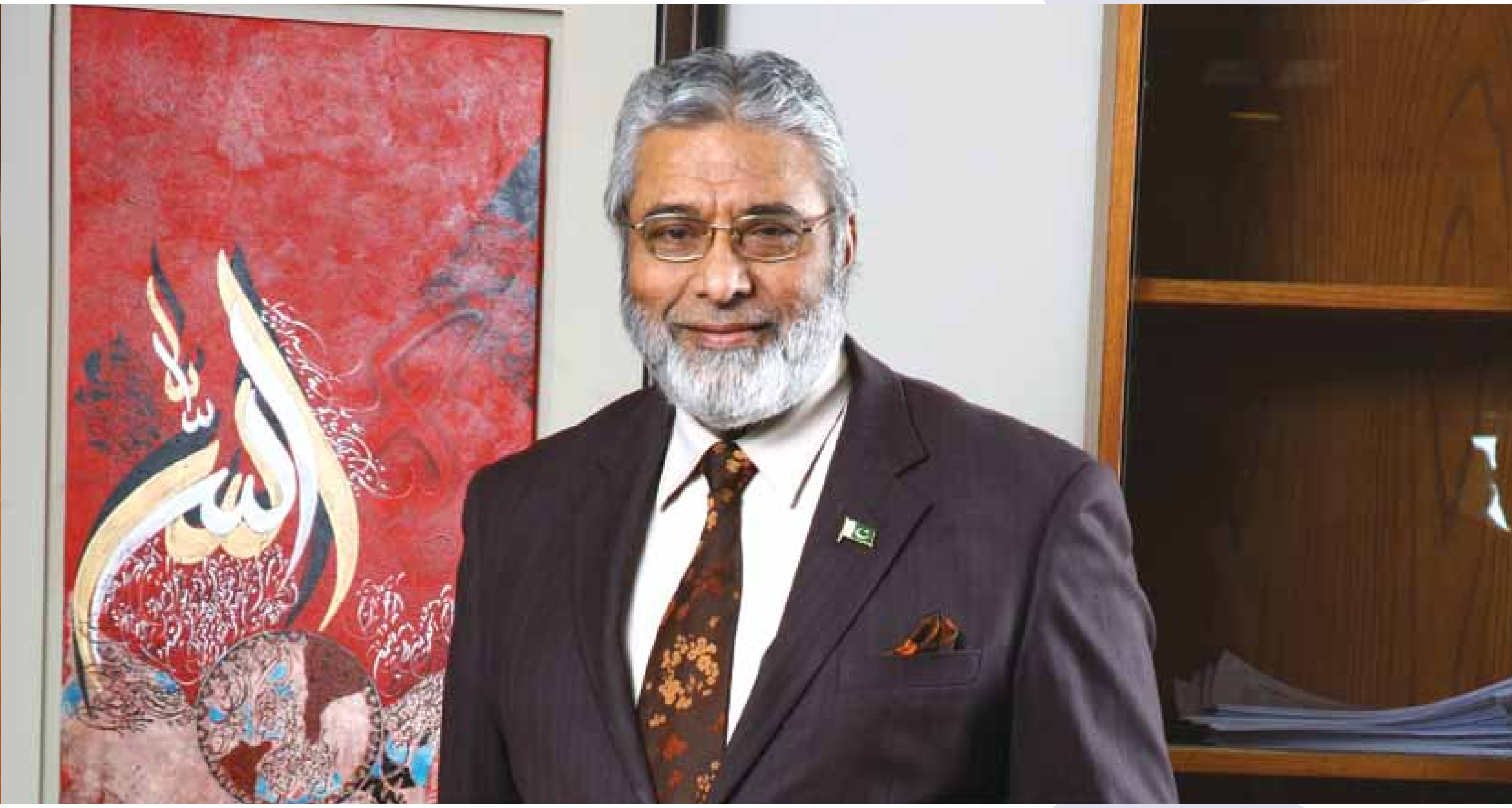
He was elected as Member National Assembly and remained MNA till 2007. He has been on the board of directors of Fishermen Coop Society, Karachi Fish Harbor Authority and KESC and is now a senior member of PNSC's Board of Directors and Audit Committee. He was nominated as the member on PNSC Board by the 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 attend various certification for adhering to requisite quality controls in development projects and port operations. He was nominated as the member on PNSC Board by the Federal Government on 31st 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 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 is awarded with various Trophies & Certificates from the International and National Forums.

He was nominated as the member on PNSC Board by the Federal Government on 31st January 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 Chartered Institute of Ship Brokers London and Fellow Chartered Institute of Logistics & Transport London and a law graduate. He also served as Director General Ports and Shipping/Additional Secretary Ministry of Ports and Shipping in 2003 – 2007.

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

Captain Anwar Shah 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.

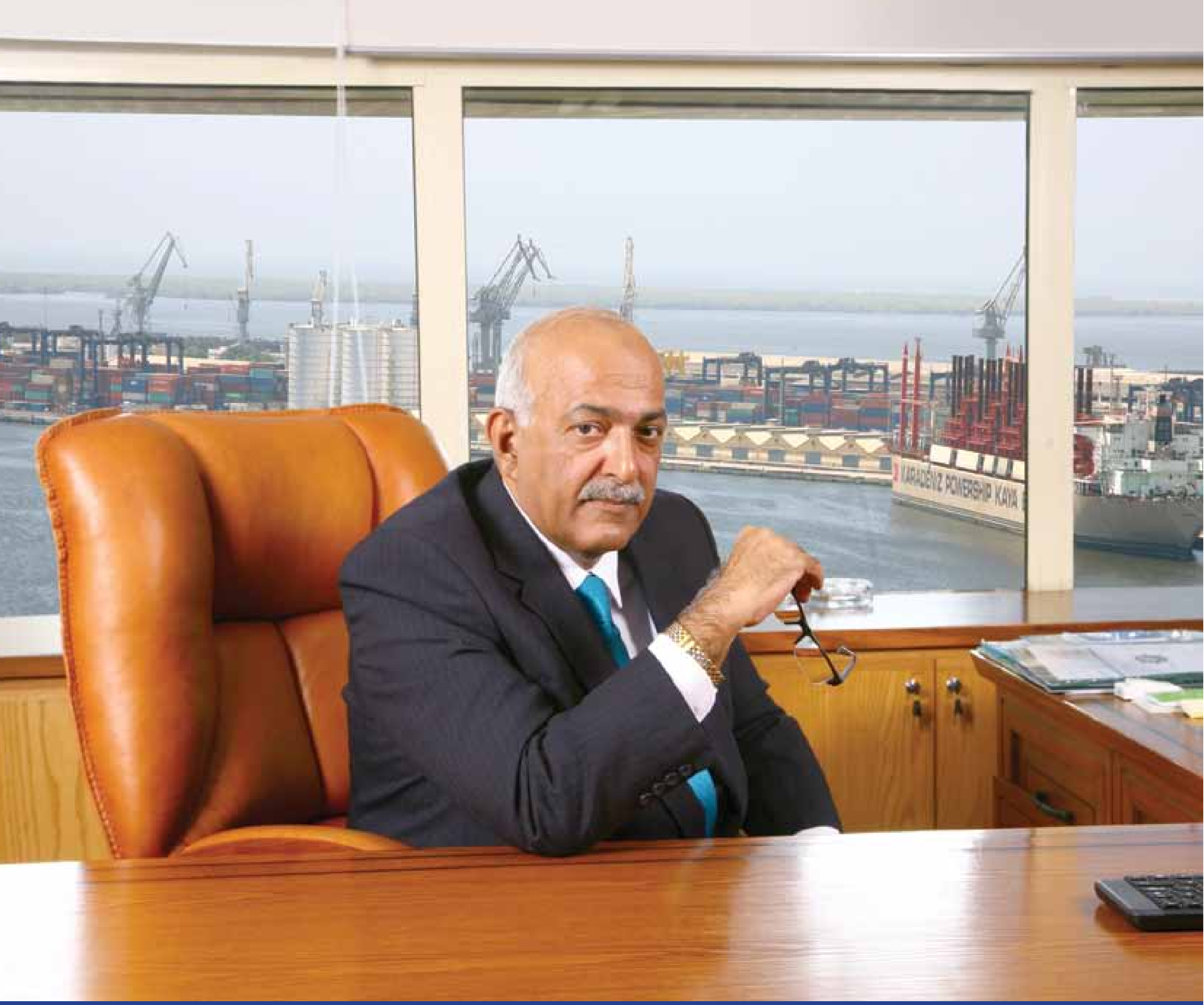
Mr. Khowaja Obaid Imran Ilyas is serving as an elected director on the board of directors of PNSC and also as Chairman of The Audit Committee.

Mr. Shabbir Ahmed

Mr. Ahmed joined the Civil Services of Pakistan in 1981 and has served in different positions in Audit Department of Pakistan, Ministry of Petroleum and National Resources and Ministry of Finance. He holds a Master's Degree in English Literature from the University of Punjab and post-graduate diploma in Managerial Control and Management Information Systems. He has also worked as member Finance – PTA and remained on the Board of Directors of PSO, SNGPL and CAA.

He has also served as Additional Secretary (Military Finance). While his assignment as Executive Vice- President in the Industrial Development Bank of Pakistan (IDBP), he helped in formulating bank-wide policies for the development of new businesses, products and instruments to be launched in underdeveloped areas in collaboration with national poverty reduction strategies.

He is currently serving as Additional Secretary Finance, Government of Pakistan. He was nominated as a director on the PNSC Board by the Federal Government on 9th September, 2013.



“We are endeavoring to increase our contribution to national development through inter-sectoral improvements and intra-sectoral coordination and cooperation”

Chairman's Message

Shipping business works in a cyclic manner, and the ideal cycle is considered to be 8 years. There are troughs and peaks; at times it is episodic. If you compare the last 5-6 years, you will see that 2005-2008 were the best years and shipping companies made huge profits. The performance of the shipping industry is directly related to World GDP. In 2008, there was a peak in shipping business, and massive ship manufacturing orders were placed. It takes about 2-3 years to build a ship, so the orders placed in 2008 flooded the industry with new ships in 2010-2011, and are still pouring in large numbers where as global trade volume due to economic recession sharply declined. In short, ship tonnage has exponentially increased and because of the global economic recession, cargo volume has significantly dropped. Essentially PNSC is alive to the challenges and has geared up efforts to give best performance.

By the Grace of Allah, PNSC has so far remained in profit. It is not an enormous profit, but it still is significant in the prevalent market conditions. PNSC has sound financial position and servicing its finance cost liabilities in addition to making some profits.

We have recently replaced nearly the entire fleet. Three decade old vintage ships have gone out and younger ones though second hand have come in. The average age of the fleet has therefore come down from 22 to 11 years with a total deadweight of 642,207 MT.

We strictly comply all international maritime laws and religiously follow maintenance schedules taking due care of international maritime obligations.

We keep updating procedures from time to time to keep pace with the new developments in the commercial arena of the industry.

PNSC owns six Bulk Carriers to compete in the international market and are fully utilized round the year. It is proof that we are seen worldwide as a competent service provider.

PNSC has been carrying crude oil on its own tankers from 2003 under long term Charter of Affreightments (COAs) with three refineries i.e. PARCO, PRL and NRL. With the beginning of 2013, PNSC has started transporting Fuel Oil and White Oil for PSO.

We are endeavoring to increase our contribution to national development through inter-sectoral improvements and intra-sectoral coordination and cooperation.

MUHAMMAD SIDDIQUE MEMON
CHAIRMAN / CEO

PNSC Leadership Team

Mr. Muhammad Siddique Memon
Chairman / CEO

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

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

Capt. Aftab Siddiqi
Executive Director (Commercial)

Mr. Zaheer Babar Qureshi
Executive Director (Ship Management
& Special Projects and Plans)

Chairman / CEO
Mr. Muhammad Siddique Memon

Mr. Muhammad Siddique Memon is the Chairman / CEO of Pakistan National Shipping Corporation. He is a BS-21 grade officer and started his career in Civil Services of Pakistan on 16-10-1984. He has varied experience and has held various appointments in General Administration, Planning Social Development, Revenue, Public Administration, Financial Management and Magistery.

During his service spanning over 29 years, he served as Secretary Sports, Education, Finance, Population Welfare, Land Utilization (Board of Revenue), Livestock & Fisheries, Local Government etc. Moreover, he also served as Director Survey, District Coordination Officer, Cane Commissioner, Deputy Commissioner, Assistant Commissioner, Managing Director Sindh Small Corporation, Secretary Sindh Public Service Commission & Secretary Sindh Text Book Board.

He assumed the charge of the Chairman / CEO of PNSC on 17th July, 2013.

PNSC Leadership Team

Executive Director (Administration)

Brigadier (R) Rashid Siddiqi, SI M)

Brigadier (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 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 was appointed Chairman / CEO and Chairman Board of Directors of Pakistan National Shipping Corporation in November 2009 till 21st 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 has widely traveled and is a keen golfer and an ardent jogger and loves sports.

Executive Director (Finance)

Mr. Imtiaz C. Agboatwala

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 37 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 2nd January, 2006 as Executive Director/ Chief Financial Officer. He is also a Director on the Boards of 19 subsidiary companies of PNSC Group.

PNSC Leadership Team

Executive Director (Commercial)

Captain Aftab Siddiqi

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

He has almost 40 years of rich experience in the field, both ashore and afloat. Captain Aftab has gained tremendous experience and knowledge about shipping industry. He also has extensive knowledge on Dry & Wet Chartering, Booking notes / Charter parties / Contract of Affreightments, Admiralty Law and Arbitration & Freight Conferences. Captain Aftab has been the Chairman of the KARMOHAM Conference (India-Pakistan-Bangladesh-Ceylon Conference) from 1996 to 2008. Members included such prestigious names like Maersk, Happag Lloyds, UASC, SCI, Evergreen, Andrew Weir etc.

Executive Director (Ship Management, Special Projects and Plans)

Mr. Zaheer Babar Qureshi

Mr. Zaheer Babar Qureshi Executive Director Ship Management, Special Projects and Plans has over 39 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

Chief Accountant

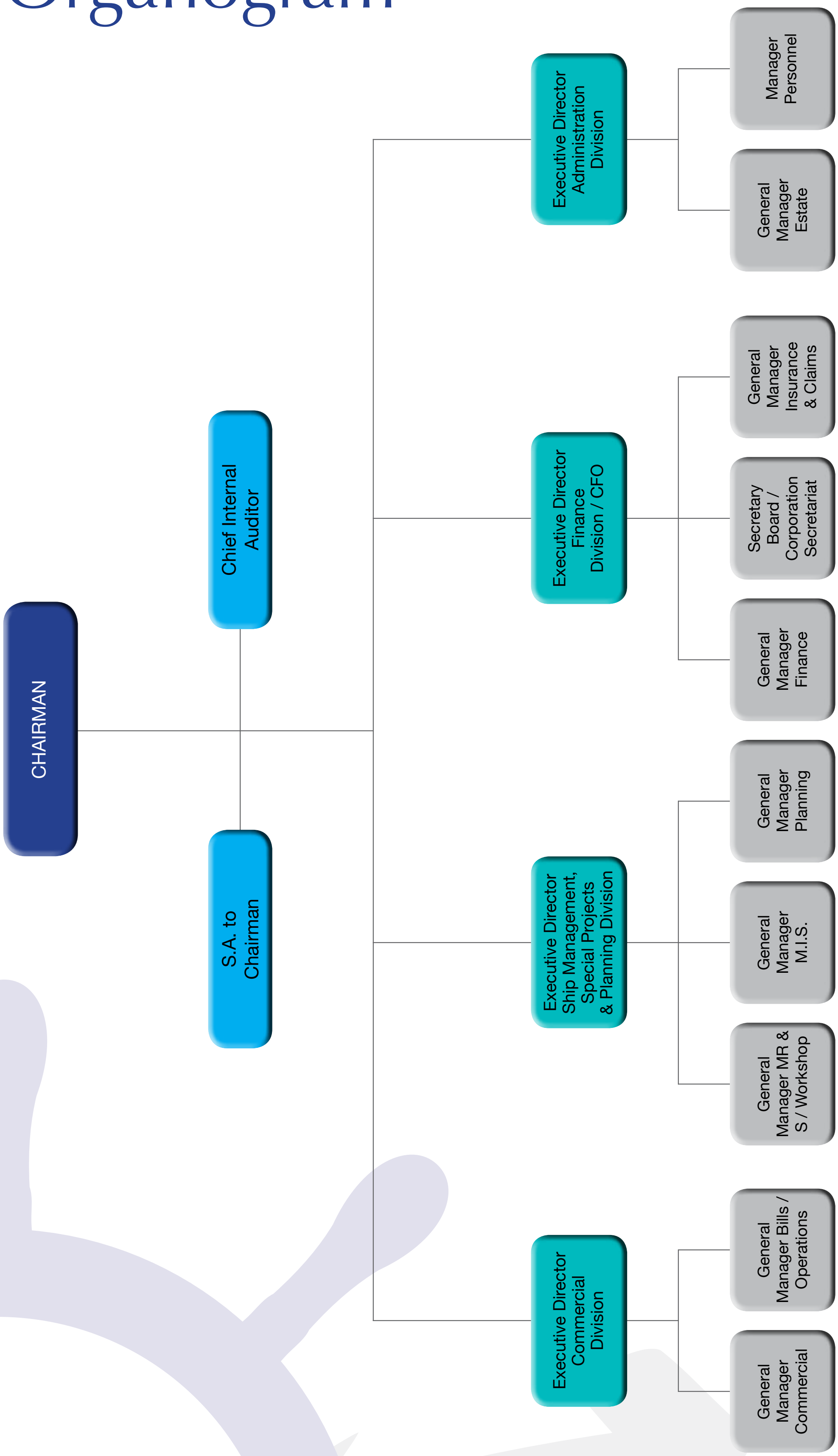
Mr. Syed Jarar Haider Kazmi

Mr. Syed Jarar Haider Kazmi is head of Finance Department and Chief Accountant since January 2007. He is associated with PNSC since October 2005. Mr. Jarar is a fellow 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 eleven 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.

Company Secretary
Ms. Zainab Suleman

Ms. Zainab Suleman, Corporation & Board Secretary, has done her L.L.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 vast experience on the corporate side. She has also attended a number of workshops and conferences locally and abroad.

Organogram

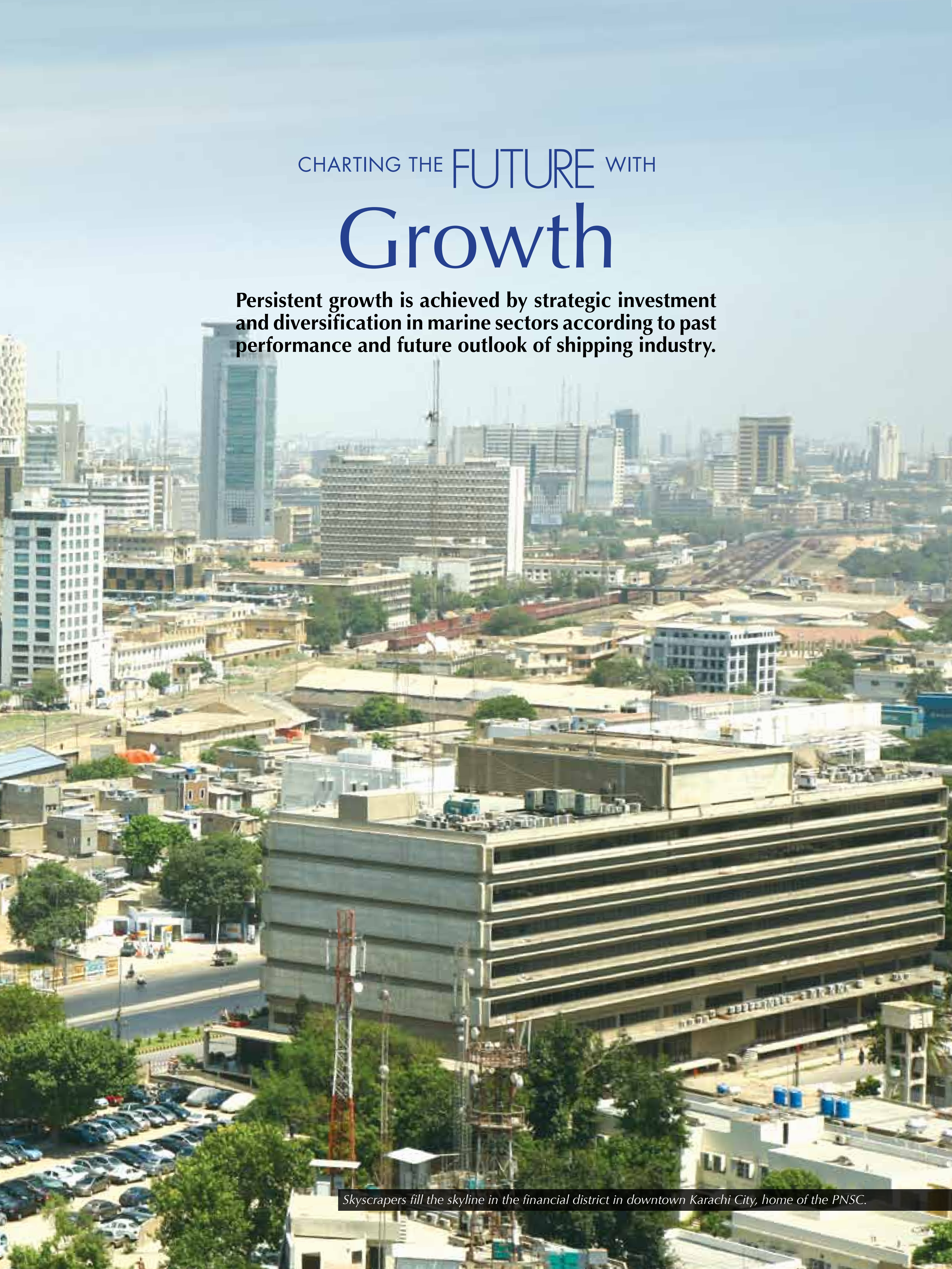

CHAIRMAN
Chief Internal Auditor
S.A. to Chairman
Executive Director Administration Division
General Manager Estate
Manager Personnel
Executive Director Finance Division / CFO
General Manager Finance
Secretary Board / Corporation Secretariat
General Manager Insurance & Claims
Executive Director Ship Management, Special Projects & Planning Division
General Manager MR & S / Workshop
General Manager M.I.S.
General Manager Planning
Executive Director Commercial Division
General Manager Commercial
General Manager Bills / Operations

Fleet Strength

VESSEL NAME	*BUILT*	*DEADWEIGHT*	*LENGTH OVERALL*	*GROSS TONNAGE*
		MT	*M*	*MT*
TANKERS				
M.T QUETTA	JAPAN 2003	107,215	246.80	58,118
M.T LAHORE	JAPAN 2003	107,018	246.80	58,157
M.T KARACHI	JAPAN 2003	107,081	246.80	58,127
BULK CARRIERS				
M.V KAGHAN	JAPAN 1986	65,716	225.78	36,098
M.V CHITRAL	JAPAN 2003	46,710	185.73	26,395
M.V MALAKAND	JAPAN 2004	76,830	225.00	40,040
M.V HYDERABAD	JAPAN 2004	52,951	188.50	29,365
M.V SIBI	JAPAN 2009	28,442	169.37	17,018
M.V MULTAN	JAPAN 2002	50,244	189.80	27,986
	Total	**642,207**		**351,304**

CHARTING THE FUTURE WITH Growth

Persistent growth is achieved by strategic investment and diversification in marine sectors according to past performance and future outlook of shipping industry.



Skyscrapers fill the skyline in the financial district in downtown Karachi City, home of the PNSC.

Directors' Report

The Board of Directors of Pakistan National Shipping Corporation is pleased to present the thirty-fifth Annual Report together with the audited financial statements for the year ended June 30, 2013.

Industry Outlook

With much of Europe mired in recession, the U.S. economy chugging along slowly and Asia growing at its slowest rate in years, it is looking like another year of slow growth for the global economy. With an armada of new big ships scheduled to enter service this year, the ocean carriers will be challenged to sustain the level of rates they achieved in 2012, when they managed supply and demand through a combination of slow-steaming, idling of vessels and consolidation. The intra-Asia trade is likely to post the most rapid growth of any trade, driven by the manufacturing prowess of China and Southeast Asia and a growing, consumer-minded middle class. In many ways, 2012 was a difficult year marked by sluggish economic growth and geopolitical turmoil. World seaborne trade volumes grew by less than the world fleet.

During the coming years, the industry is expected to decline due to oversupply and high bunker oil prices that will eventually lead to constraining of its performance. The outlook for 2013 remains continuously bleak, as there is overcapacity in several segments. Towards the end of 2013, however, we may see a strengthening of the market.

Our Performance

WE HAVE CREATED A STRONG PLATFORM FOR PROFITABLE GROWTH…

2012 - 2013 was an important year in Pakistan National Shipping Corporation's evolution towards becoming a more focused company and towards achieving our vision for the future.

While the dry-bulk market was very weak, we continued to significantly outperform the freight market indices, benefiting from the value of an effective business model and the right people and tools to realize economies of scale for the benefit of our customers and other stakeholders alike. We are committed to our proven strategy to build shareholder value over the long term by fleet optimization through the market cycles, and by empowering our employees with the tools and processes to improve our levels of service and efficiency and to run our business professionally and responsibly. We see strategy in action and, while we benefit immensely from the diversity of shipping segments, it is comforting to observe across the Group a collective determination of staff to improve what we do through a common set of sensible business values, opportunities and a shared mission.

…WHICH HAS DELIVERED POSITIVE UNDERLYING RESULTS AND A HEALTHY CASH FLOW

The group maintains a healthy balance sheet and strong cash position that enables us to actively participate in the next stage of the shipping cycle.

The main influences on our results in this year were as follows:

PNSC Group achieved a turnover of Rs. 12,253 million as against Rs. 8,875 million last year with an increase in freight earnings by 37.93%. The increase was attributable to improved liquid-cargo freight business despite plunging freight rates.

Direct fleet expenses also increased from Rs. 6,649 million to Rs. 8,863 million, an increase of 33.30%, mainly due to increased charter hiring and related expenses for employing foreign chartered vessels on our liquid-cargo business.

Gross Profit of Rs. 3,291 million was achieved as against Rs. 2,096 million last year.

Administration expenses and other operating expenses decreased by 7.8% due to better cost control measures.

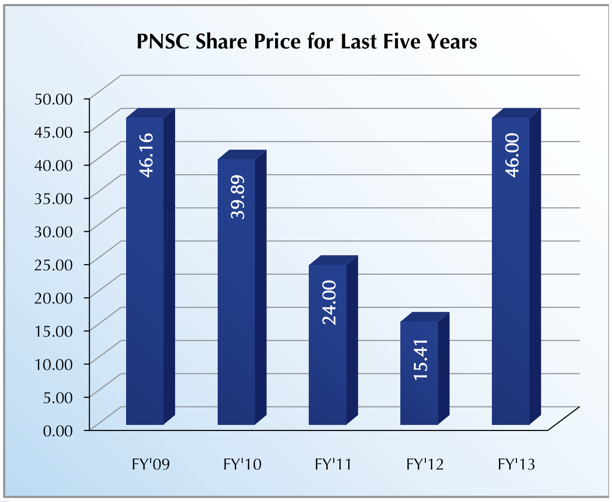
Profit after tax was Rs. 1,991 million, significantly more than last year's Rs. 753 million.

Earnings Per Share (EPS) of the Pakistan National Shipping Corporation Group of Companies were Rs. 15.08 as against an EPS of Rs. 5.70 last year.

The stand-alone accounts of PNSC show a profit after tax of Rs. 660 million as compared to a loss after tax of Rs. 165 million in the last year. This was possible due to our increased liquid-cargo business.

During the year, PNSC inducted a dry-bulk carrier, MV. Multan, and disposed the dry-cargo combi vessel, M.V. Islamabad as it was turning commercially unviable due to rising overheads. Overall, the fleet was fully engaged round the year without any breaks, in transportation of dry-bulk and liquid-cargo globally.

As compared to the previous year, PNSC's share price reached levels not seen in the recent past.



Nature of our Business, Objectives and Strategies

For 40 years, Pakistan National Shipping Corporation has built a strong name as a specialist in various vessels' segments, i.e. tankers, bulk carriers and multipurpose vessels. It engages in NVOCC business, maritime engineering works and real estate business. Consequently, PNSC has evolved into an industrial provider of maritime freight services directly to producers, refineries and end-users of raw materials and commodities.

Our performance track record and market share in liquid-cargo business have earned us a strong reputation which, supported by our strong balance sheet:

a) sets us apart as a preferred counterparty for liquid-cargo customers and tonnage providers, affording us access to long-term business opportunities; and

b) Allows us to engage closely with other excellent partners and stakeholders, including refineries, suppliers, foreign flag vessel owners, banks, investors and some of the best talent in our industry.

As far as maritime operations are concerned, the Group is mainly engaged in sea transportation trades of dry-bulk and liquid-bulk cargo as well as providing slot chartering services for dry-bulk cargo. Strategic cargo includes crude oil, petroleum products, raw materials and equipment of defence organizations being transported into Pakistan. Majority of the crude oil and petroleum products are being brought from Arabian Gulf to Karachi through combination of PNSC's own crude oil tankers and through foreign chartered tankers.

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

The stable financial health of the PNSC despite slow economic activity and subdued freight rates is mainly attributable to its business strategy, fleet mix and capitalizing on opportunities. PNSC continued with its fleet expansion program and purchased sixth bulk carrier in FY 2012-13.

The Management adhered to its policy of fleet modernization with the objective to lower operational costs... The Group will continue with its fleet expansion program on identification of requisite fund raising possibilities and opportunities.

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.

The world economy is continuing its subdued recovery and prospects remains fragile. PNSC has taken steps to secure new business for maximum utilization of its cargo carrying capacity. Recently PNSC successfully secured 5 year Contracts of Affreightment (CoAs) with three refineries, PARCO, NRL & PRL and Pakistan State Oil (PSO), for transportation of crude, black and white oils. The COAs will help the Corporation sail smoothly through unpredictable tides being faced by world shipping.

Our 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. 1.68 billion as dividend to Government of Pakistan and Rs. 4.03 billion as tax. In addition the Group earned foreign exchange to the tune of US$ 1.23 million.

PNSC is actively looking at possible joint ventures with the governments of Bangladesh and Sri Lanka for long term Contracts of Affreightment for petroleum products. PNSC has shown its firm interest in the transportation of LNG, as well as participation in developing and operating an LNG Terminal.

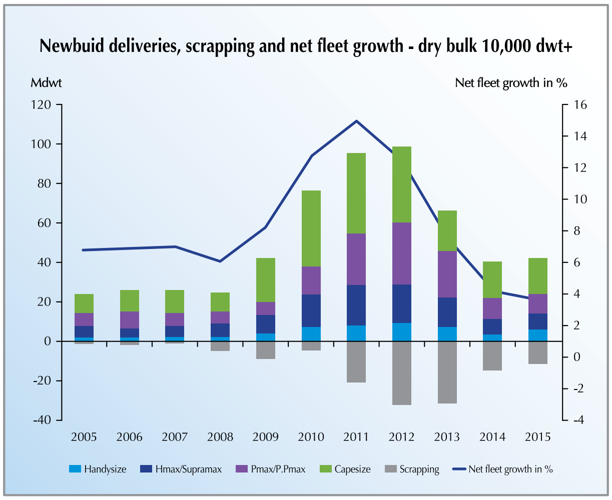
Our Market Dynamics

PNSC BUSINESS RELATIONS

PNSC enjoys a very good reputation in the world shipping market. Its services are well recognized by all major trading houses. As a result, our dry-bulk fleet fully remained employed with first class charters world-wide. As per government maritime policy, PNSC has first right of refusal on public sector and defence cargo. Our main emphasis is to provide the best shipping services and competitive rates to public sector organizations and the armed forces of Pakistan. Our modernised tanker fleet remains engaged in performing oil freight for various Pakistani oil refineries. The utilization of national flag carrier for this 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 endeavor to provide most efficient and professional shipping services to our clients.

GLOBAL SHIPPING MARKET CONDITIONS

Most shipping segments have continued to struggle in the first half of 2013. The long advertised slowdown in fleet growth has now begun but weakening economic growth in China is becoming a new threat to a much needed recovery in tonnage demand. Although 2013 was expected to be weak due to slow world economy and continued high fleet growth, we postulated that a cyclical market recovery was likely to emerge in 2014-2015 as the world economy most likely was set for improvement.



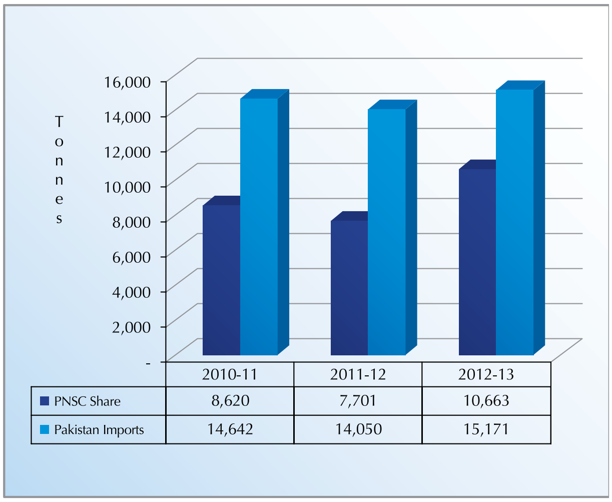
BALTIC FFA ASSESSMENTS

PERIOD	4 BPI TC	4 BSI TC	4 BHSI TC
Q3 13	7,229.00	9,086.00	7,408.00
Q4 13	7,721.00	9,008.00	7,538.00
CAL 14	7,544.00	8,758.00	7,638.00
CAL 15	8,268.00	9,092.00	8,431.00

MARKET SHARE

Global seaborne trade is at about $18.2 trillion, 90% of which is carried by sea. PNSC, having a total DWT capacity of 642,207 tones, has lifted a total of 13.4 million tons cargo which is equivalent to approximately 21.45% of the total country's seaborne trade which stands at 62.414 million tonnes in 2012-13.

Largely, the entire crude-oil requirement of the country is met by PNSC. Imports of petroleum products include various types of crude oil and some refined products which include HSFO, LSFO and MOGAS.



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 ERP software, "Ship management Expert System (SES)" 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 optimal performance in our market.

Relationship Between the Entity's Results, Management Objectives and Management's Strategies for Achieving those Objectives

Our Management's strategies and objectives have shown impressive results during past years in terms of maintaining profitability from 2002 as well as contribution to national economy.

The Management's strategies also resulted in maintaining PNSC's entity rating i.e. long term as "AA -" and short term as "A1 +" from PACRA.

The addition of tonnage resulted in enhancement of PNSC cargo carrying capacity in terms of DWT to 642,207 metric tons. The average age of PNSC fleet has now reduced to 11 years as a management well thought out strategy.

Relationships with our Stakeholders and Business Partners

The present 5 years COA with three refineries namely, PARCO NRL and PRL, was awarded to PNSC in May 2013. In addition, PNSC also managed to sign 5 year COA with PSO for transportation of black & white oil in May 2013. The utilization of the national flag carrier for this purpose has been saving substantial foreign currency reserves for the government in terms of freights.

Both new CoAs will add financial benefits to the Corporation as well as saving of foreign exchange reserves for the country.

Comparative Performance Against Last Year and Future Prospects

PNSC has a total DWT capacity of 642,2077 tons and has lifted a total of 13.388 million tons worth of cargo, which is equivalent to approximately 21.45% of the total country's seaborne trade. Pakistan's seaborne trade stood at 62.414 million tons in 2012-13. PNSC is in the process of adding tonnage to its oil carrying capacity to cater to additional oil business.

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 progress and success at 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 13.388 million freight tons of cargo as compared to 9.586 million freight tons of cargo in the previous year.

SECTOR	2012-2013 FREIGHT TONS (MILLIONS)	2011-2012 FREIGHT TONS (MILLIONS)	2010-2011 FREIGHT TONS (MILLIONS)
Dry-bulk	2.606	2.53	0.885
Liquid Bulk (Tanker)	10.663	7.701	8.62
Slot Charter	0.119	0.069	0.081

Our Most Significant Risks Including Strategic, Commercial and Operational Risks

Pakistan National Shipping Corporation, as a global sea-freight operator, functions in a global market which experiences periodic swings between booms and depressions. These global shifts in the market have far-reaching consequences on all the shipping companies operating within. PNSC is well aware of these clear and present risks and has strategies in place to mitigate them.

No business is risk free and the shipping business is no exception. Intensified competition in both dry and wet markets with overcapacity particularly with subdued freight rates is a significant commercial risk. Shipping, as a global transportation industry in the world by playing a vital role in world economies caters for about 90% of world trade volume at lowest transportation costs. However, the industry is cyclical in nature and essentially operates in a volatile market. The earnings are dependent upon function of demand and supply dynamics of the global markets. The shipping sector benefited from global economic environment wherein GDP growth remained high however with global economy starting to melt down from beginning of 2008 the demand as a result continues to remain subdued and seriously/adversely impacted on all segments of world shipping i.e. freight, asset values, rise of bunker and demo prices.

PNSC has transported crude oil for three major oil refineries in Pakistan under a 10 years Contract of Affreightment (CoA) which expired in January 2013. However after successful negotiation another CoA was signed in May 2013 for a further period of 5 years.

PNSC also signed a 5 year CoA with Pakistan State Oil (PSO) in May 2013 for carriage of Black & White Oil for PSO. Negotiations are underway between PNSC and PSO for setting up a joint venture.
Armed piracy in the Gulf of Aden and off the Somali coast with ever extending boundaries is a major operational risk for the world shipping including PNSC.

Due to UN sanctions on Iran, insurance clubs are forced not to cover vessels carrying Iranian cargo. In addition, insurance clubs have escalated insurance premiums for vessels operating close to Iranian waters, an operational risk for PNSC.

Market Risk

Your company is exposed to the volatility inherent in the global dry-bulk and tanker market, where it has virtually all its assets and operations. The market is volatile and highly competitive. Demand for dry-bulk transportation is closely linked to global economic trends, with risks of demand setbacks in periods of economic downturns. Supply of tonnage serving the dry-bulk market is growing as an effect of large ordering in previous years. The market balance is difficult to predict, and it cannot be assurance that resulting rates will be sufficient to cover expenses and/or a return on the Company's capital.

Operational Risks

The Company's operations may be subject to a number of risks. This includes risks of counterparties failing to honour its obligations, technical risks (including the service life of the Company's vessels and unexpected repair costs), risks inherent in marine operations such as groundings and collisions, as well as environmental risks. In the course of its activities, the Company may become part to legal proceedings and disputes. Insurance protection may not be adequate in all instances. All of these factors could have a significant impact on the Company's operations or financial position. For mitigation of commercial risk we are exercising pre and post fixture due diligence SOPs.

Piracy

Armed Piracy in the Gulf of Aden and off the Somali coast with ever extending boundaries is the major operational risk for the world shipping including PNSC. More than 20,000 vessels transit through the 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. 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.

Piracy conditions at Horn of Africa are very alarming for the shipping community. It has been estimated that on an average, an additional USD 50,000-70,000 are incurred for each Gulf of Aden transit by every ship. This adds surplus cost to ship-owners' daily operational expenses and can affect the end-to-end supply chain.

Financial Risks

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 and deemed appropriate in the given circumstances to reduce the impact of risks arising out of any unfavourable situation.

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 and try to restrict our dealings to parties who are reputable and financially sound.

Corporate Social Responsibility

OUR PLATFORM FOR CREATING LONG-TERM VALUE IS BASED ON GOOD CORPORATE GOVERNANCE AND SUSTAINABLE BUSINESS PRACTICES.

Sustainable business practices include good corporate social responsibility, and our CSR initiatives involve commitments to:

- Sound operating and business practices
- Minimizing the impact our operations have on the environment at sea and on shore
- Engaging with the communities where our employees live and work
- Creating workplace conditions that allow our people to thrive

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 the Corporation's CSR policy is to embrace responsibility through actions and make a positive impact through its activities on the clients, employees, business communities, and environment.

Environment

We seek to minimize our impact on the environment through adoption of energy-efficient and environmentally-friendly ship designs, technologies and practices at sea and ashore. The information below is a summary of significant initiatives that reduce our environmental impact.

- Optimal scheduling of our fleet, coupled with fuel-efficient voyage planning, minimizes ballast passages, resulting in fuel savings.
- By continually renewing our fleet, we introduce ships with fuel-efficient hull designs and machinery which reduces fuel consumption.
- Bringing the average age of our owned and finance-leased ships to 11 years
- 0% environmental pollution incidents recorded during the year.

Workplace & Operating Practices

The health and safety of our employees underlies every aspect of how we operate, and is driven by policies, procedures, a culture of teamwork and efforts to continually improve how we conduct ourselves in our business at sea and onshore. Providing healthy work conditions, a safe environment and opportunities to advance and develop within the Company are critical to the well-being and fulfillment of our staff and the success of Pakistan National Shipping Corporation.

Workplace safety, health and engagement metrics have been developed internally and follow best practices as defined by the industry and our peers. Shipping is a highly regulated industry and in all cases PNSC meets all minimum requirements and in some cases exceeds requirements determined by local, regional and industry mandates and customer expectations.

Investment in the development and training of our staff at sea and ashore is monumental to maximizing our crew and ship safety and productivity, and to motivating and retaining our people. This year we have introduced new metrics that capture training and staff retention for both seafarers and shore-based employees. 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.

We seek to improve our CSR performance not only because of the moral obligation we feel we have to do so, but also because we believe they make our business competitively stronger and positively impact long-term shareholder value.

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 except for the matters identified in the Auditors' Review Report on Statement of Compliance. 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 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 by shareholders for three years. The following committees have been established by the Board of Directors:

S.No.	COMMITTEES OF THE BOARD
1	Audit Committee
2	Human Resources & Remuneration Committee
3	Commercial Committee

Audit Committee

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

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 is to consider the Audit Committee's recommendations in this respect.

- To determine appropriate measures to safeguard the Corporation's assets;
- To review preliminary announcement of results prior to publication;
- 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.
- 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;
- To review management letter issued by external auditors and management's response thereto;
- To ensure coordination between the internal and external auditors of the Corporation;
- To review the scope and extent of internal audit and ensure the internal audit function has adequate resources to carry on with its work;
- To consider major findings of internal investigations and management's response thereto;
- To ascertain that the internal control system including financial and operational controls, accounting system and reporting structure are adequate and effective;

- To review the Corporation's statement on internal control systems prior to endorsement by the Board of Directors;

- 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;

- To determine compliance with relevant statutory requirements;

- To monitor compliance with the best practices of corporate governance and identification of significant violations thereof; and

- 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:

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

- Proper books of accounts of the Corporation have been maintained.

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

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

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

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

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

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

- Outstanding duties and taxes, if any, have been duly disclosed in financial statements.

- The total of investments made by the Pakistan National Shipping Corporation Employees Contributory Provident Fund, based on the audited financial statements for the year ended June 30, 2013 stood at Rs 850 million (2012: Rs 647 million).

During the year ended June 30, 2013, a total of five 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, 2012 to June 30, 2013

S.No.	Directors	Meeting Held	Meeting Attended
1	Vice Admiral (R) Muhammad Shafi, HI(M) (From 26th February 2013 to 17th July,2013)	5	3
2	Vice Admiral (R) Saleem Ahmed Meenai, HI(M) (Left 26th February,2013)	5	2
3	Capt. S. Akhlaq Hussain Abidi	5	5
4	Vice Admiral (R) M.Asad Qureshi, HI(M)	5	4
5	Capt. Anwar Shah	5	5
6	Capt.S.Kamal A.Mahmoodi	5	5
7	Mahmood Akhtar (From 17th August 2012 to 20th February 2013)	5	1
8	Mr. Khowaja Obaid Imran Ilyas	5	4
9	Mr. Abdur Rauf Khan (From 20th February 2013 to 2nd September 2013)	5	4

Audit Committee Meetings Held for the Period From July 1, 2012 to June 30, 2013

S.No.	Name of Directors	Meeting Held	Meeting Attended
1	Mr. Khowaja Obaid Imran Ilyas	12	11
2	Vice Admiral (R) M.Asad Qureshi,	12	11
3	Capt. S. Akhlaq Hussain Abidi	12	12

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

Subsequent to the year ended June 30, 2013, PNSC Chairman Mr. Muhammad Siddique Memon was appointed by the Federal Government on July 17, 2013.

Further, one new director was nominated by the Federal Government, namely Mr. Shabbir Ahmed, who joined the Board on September 09, 2013, in place of Mr. Abdur Rauf who retired.

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 the Audit Committee, A.F. Ferguson & Co, Chartered Accountants and Ernst & Young Ford Rhodes Sidat Hyder chartered accountants may be appointed as joint auditors for the year ending June 30, 2014.

Strategies, Objectives and Future Prospects

Every shipping segment had continued to struggle during 2012, as expected. The supply side (fleet growth) has now begun to decline but weakening global economic growth is becoming a new threat. Despite decreasing bunker prices, dry-bulk freight rates declined or stagnant across the most routes especially in larger vessel segments. Meanwhile new ordering activity continued despite pressure of unhealthy freight earnings.

The Corporation's cash flows from fleet operations remained stronger over the years

and PNSC is enjoying strong coverage ratios. The above stated factors might affect earnings and operations of PNSC and leads towards the challenges years ahead.

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

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 10% to the shareholders whose names appear on the Share Register of the Corporation at the close of business on October 25, 2013.

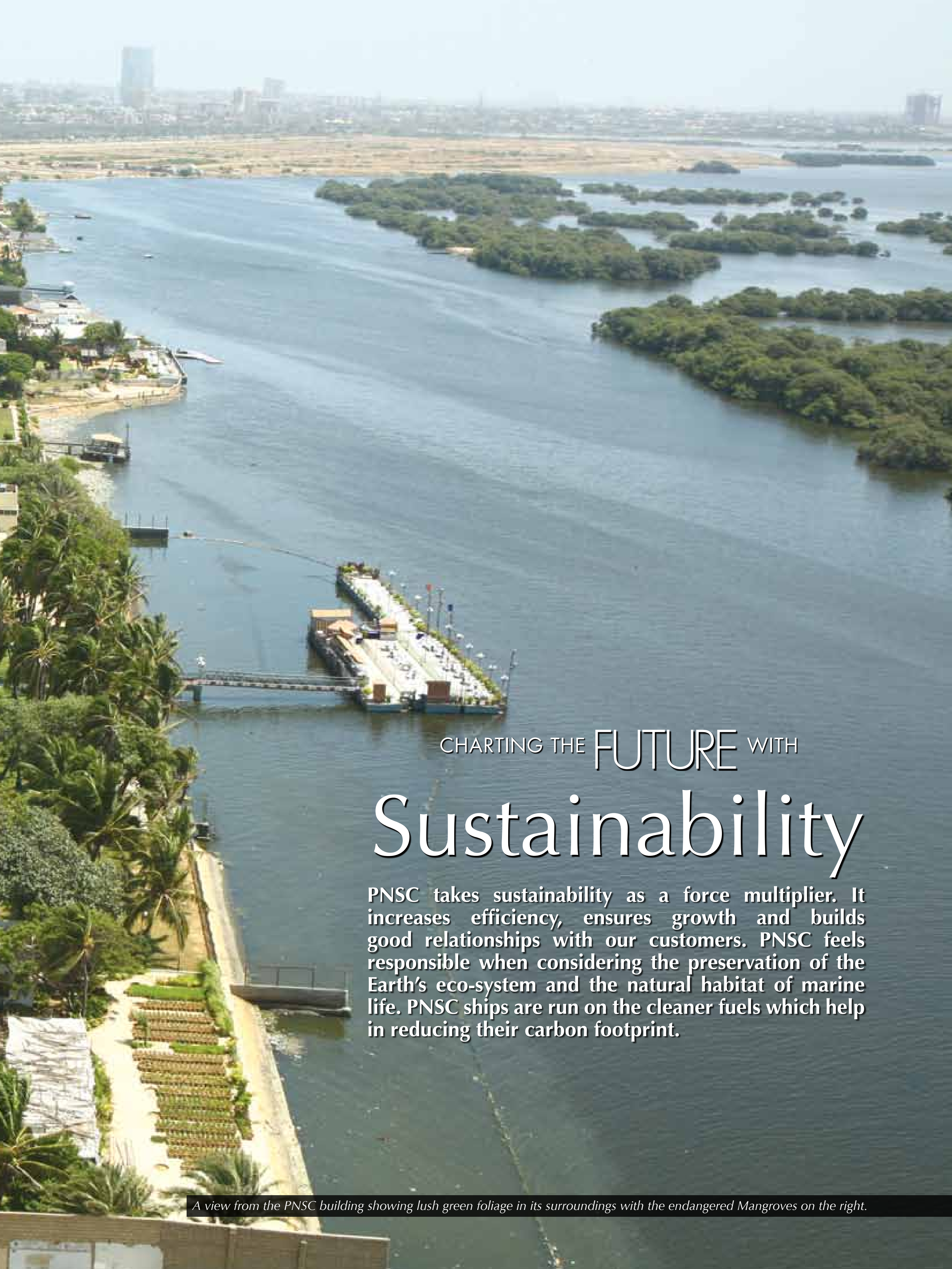
Acknowledgment

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.

On behalf of the Board,

MUHAMMAD SIDDIQUE MEMON
CHAIRMAN / CEO



CHARTING THE FUTURE WITH

Sustainability

PNSC takes sustainability as a force multiplier. It increases efficiency, ensures growth and builds good relationships with our customers. PNSC feels responsible when considering the preservation of the Earth's eco-system and the natural habitat of marine life. PNSC ships are run on the cleaner fuels which help in reducing their carbon footprint.

A view from the PNSC building showing lush green foliage in its surroundings with the endangered Mangroves on the right.

Sustainability

Good business is one which can endure the test of new competitors, global recessions and technological improvements. At PNSC, we take sustainability as a force multiplier. It increases efficiency, ensures growth and builds good relationships with our customers. PNSC feels responsible when considering the preservation of the Earth's eco-system and the natural habitat of marine life.

We recognize our role in preserving the environment

Climate change is a reality nowadays. We are experiencing unprecedented accelerated changes in the global climate. At PNSC, we are aware of the risks of the increasing collective carbon footprints of the world community. PNSC ships are run on cleaner fuels which help in reducing their carbon footprint. While docked in harbors around the world, PNSC ships take strict measures not to dispense effluents which would be harmful to marine life. Our ships also use sophisticated satellite equipment to chart courses which are economical on fuel use, saving the environment from excess carbon pollution.

Profitability must cater for human development

As any other global shipping company, one of PNSC's primary objectives is to enhance its shareholders' value. But this does not mean that bottom lines take priority over the needs of our employees and the people we do business with. We believe that it is in our interests to look after human development so that our workforce is equipped with the necessary skills to do their job effectively and efficiently so they profit the company. We pay particular attention to attracting the best talent our country has to offer. We groom our young breed of employees so that they can take the helm of the company in the future. Bottom-lines are not an end in itself but the result of the entire company working in harmony and efficiency.

Health and Safety

Safety comes always first at PNSC. Our employees are trained to prioritize the safety of themselves and their colleagues over all other tasks. A healthy and safe working environment is not only in line with ethical and moral principles, but also agrees with business profitability. Reduced accidents lead to lesser health related expenses and also keeps our employees safe, resulting in retained human capital.

We encourage diversity

With increasing levels of workforce mobility being experienced around the world, it is no wonder that diversity in the workforce is a challenge to any company. At PNSC, we welcome diversity as it forces our people to break down their walls and learn to do business with people from different backgrounds and cultures. Globalization has integrated the sea freight industry and our clients hail from all across the world. Therefore, diversity not only keeps sustainable human development but also provides a gateway to better business.

Energy Efficient Ship Management System

There are roughly around 70,000 ships operating globally in the world trade and this unique industry transports about 90% of world trade. Nearly all these vessels operate on Diesel Engines which consume Intermediate Fuel Oil & Diesel Oil.

Burning these fuels, produce Green House Gases (GHG) which are detrimental to the global environment. The International Maritime Organization (IMO), as the main regulatory body for shipping, has developed a number of technical and operational measures to control GHG emissions.

PNSC as per IMO requirement has developed Ship Energy Efficiency Measurement Plan (SEEMP) for its fleet. A Ship Energy Efficiency Management Plan provides a good approach for continuous monitoring of ships efficiency & performance. It also provides an opportunity to improve the performance on regular basis.

All PNSC vessels now have on board a certified manual of ship specific SEEMP plan which gives guidance to the officers what they have to do on board for reducing the fuel oil consumption including proceeding on economical speeds, following weather routing / tracking. We have our own software system SES (Ship Management Expert System) onboard for entering the data daily. This data upon receiving at the head office is viewed and analyzed. The relevant data for SEEMP such as fuel oil consumption, Cargo carried, Distance travelled, etc. is extracted and analyzed to see that our vessel are operating efficiently and within the allowable international regulatory parameters.

Committment to Comply with Latest International Regulations

1. The International Labour Organization (ILO) adopted its Maritime Labour Convention 2006 (MLC-2006) at its International Maritime Conference in February, 2006. This convention is being hailed as being the "Bills of rights" for the world seafarers. The convention has also been referred to as the "fourth pillar" of the maritime legislation after SOLAS, STCW and MARPOL.

2. The objectives of the MLC-2006 are aimed at working on a global level to address seafarers living conditions. This is achieved by a number of important key characteristics of the Convention.

3. 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 to qualify for the MLC certificate.

4. The effective date for implementation of Maritime Labour Convention is 20th August 2013 which is not very far off; however, PNSC has already drawn out its DMLC Part-II clearly identifying the measure adopted to ensure ongoing compliance with the requirements on MLC-2006 and has submitted the same to the Lloyd's Register of Shipping for review.

5. Following the successful inspection on board its ships against the requirements of the Convention, each PNSC ship will be issued with a Maritime Labour Certificate.

PNSC Workshop and its Facilities

PNSC Workshop is the largest Marine Workshop in Karachi with more than forty years of experience in ship repairs.

Established in 1970 to provide repair and maintenance facilities to our own fleet it has now grown up as a dynamically developed and financially stable industrial enterprise.

At PNSC Workshop, Safety is our number one priority and it is ensured that all jobs are conducted with zero accidents and within quoted cost and agreed timetables.

PNSC workshop over the years has earned reputation for its high quality work offered by its engineers, supervisory staff and workers.

The engineering services and expertise are not only provided to PNSC and foreign ships calling Karachi and Port Qasim but also to Pakistan Navy, Karachi Port Trust, Port Qasim Authority and the shore based industries.

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 kinds of pipe lines.

Workshop also provides training to Marine Engineering and Trade Apprentices for necessary up-gradation of their practical skills.

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.

Workshop also provides 03 years training to around 20 trade apprentices.

Apart from the above, workshop also provides internship to graduate engineers and diploma holders in mechanical and electrical fields.

All trainings are provided free of cost and apprentices are also paid a monthly stipend.

Counter Piracy Regime at PNSC

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 in Somalia as well as the Gulf of Guinea (West Africa) have been developed and are religiously implemented on board all PNSC vessels.

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. Citadels to retreat to when pirates have boarded the ship has been established on board all PNSC vessels and have been provided with ISAT phones for the purpose of communication from there.
    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.

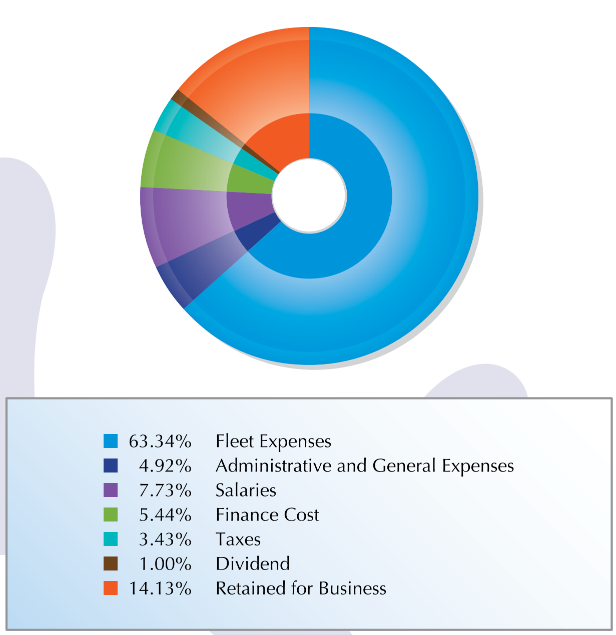
8. Ships directed to transit Gulf of Aden (GOA) only under escort (National Convoy) or International Recommended Transit Corridor IRTC group transit.

9. Post Piracy emergency Response committee constituted to handle post piracy contingencies (including issues pertaining to Rehabilitation and Welfare).

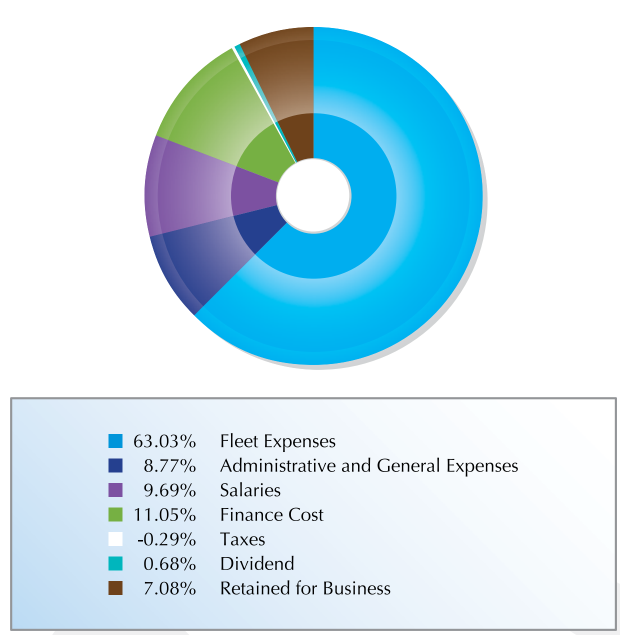
Value Added Statement

Wealth Generated	2013 Rs. In '000	2013 %	2012 Rs. In '000	2012 %
Income from Shipping Business	12,128,776	92.21%	8,793,743	90.67%
Rental Income	124,158	0.94%	81,579	0.84%
Other operating income	900,918	6.85%	823,344	8.49%
	13,153,852	100%	9,698,666	100%
Wealth Distributed				
Fleet Expenses	8,332,255	63.34%	6,112,701	63.03%
Administrative and General Expenses	647,622	4.92%	850,159	8.77%
Salaries	1,016,859	7.73%	939,443	9.69%
Finance Cost	714,958	5.44%	1,071,405	11.05%
Taxes	450,819	3.43%	(28,197)	-0.29%
Dividend	132,063	1.00%	66,032	0.68%
Retained for Business	1,859,276	14.13%	687,124	7.08%
	13,153,852	100%	9,698,666	100%

2013



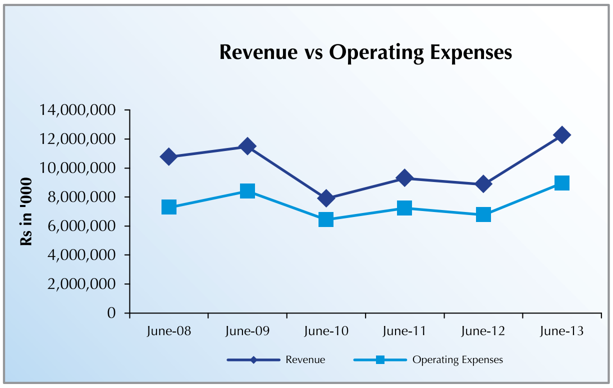
2012

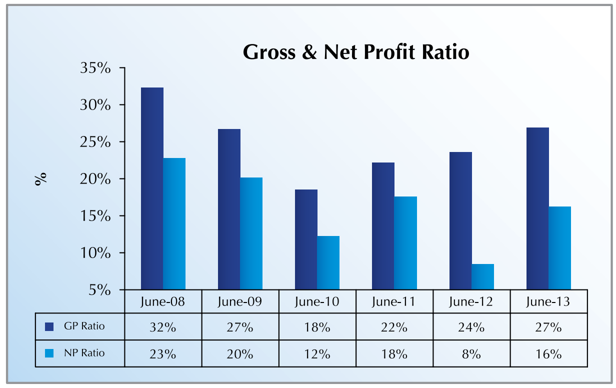


Financial Ratios

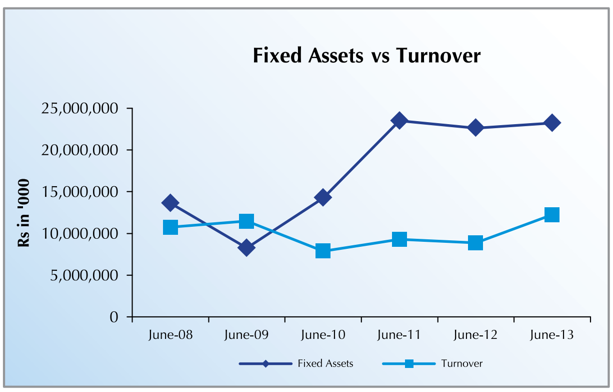
	UOM	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008
Profitability Ratios							
Profit before tax	%	19.9%	8.2%	21.8%	18.4%	26.1%	32.4%
GP ratio	%	26.86%	23.61%	22.18%	18.48%	26.69%	32.33%
Profit after tax	%	16.3%	8.5%	17.6%	12.3%	20.2%	22.8%
EBITDA margin to sales	%	34.3%	32.8%	35.5%	31.2%	41.8%	41.2%
Operating leverage ratio	%	116.5%	264.0%	190.3%	157.1%	177.8%	17.1%
Return on equity	%	9.74%	4.05%	9.04%	5.74%	14.56%	18.99%
Return on capital employed*	%	6.90%	2.91%	6.25%	5.43%	13.85%	11.83%
Liquidity Ratios							
Current Ratio	%	2.35	1.73	1.59	2.96	5.44	4.37
Cash to Current liabilities	Times	0.54	0.63	0.78	1.02	1.33	1.89
Cash flow from operations to Sales	Times	0.13	0.17	0.17	0.66	0.13	0.47
Activity/Turnover Ratios							
Debtor Turnover Ratio	Times	15.22	16.34	16.64	12.52	16.86	19.20
Asset Turnover ratio**	Times	0.40	0.31	0.39	0.42	0.56	0.55
Fixed Assets turnover ratio	Times	0.40	0.31	0.32	0.41	0.62	0.48
Market Ratios							
Earnings per share***	Rs.	15.08	5.70	12.36	7.33	17.51	18.54
P/E Ratio	Times	3.05	2.71	1.94	5.44	2.64	3.86
Price to book ratio	Times	1.96	0.71	1.10	2.76	3.32	4.20
Dividend Yield ratio	%	2.17%	3.24%	4.17%	3.76%	6.50%	4.33%
Dividend Payout ratio	Times	0.07	0.09	0.08	0.20	0.17	0.17
Dividend cover ratio	Times	15.08	5.69	12.35	4.89	5.84	5.98
Cash dividend	Rs.	1.0	0.5	1.0	1.5	3.0	3.1
Breakup value/share with surplus	Rs.	160.73	146.70	141.85	132.73	124.78	155.22
Breakup value/share without surplus	Rs.	154.83	140.79	136.80	127.59	120.25	97.64
Share Price at year end	Rs.	46.00	15.41	24.00	39.89	46.16	71.55
Share Price- High	Rs.	52.00	25.89	41.74	75.54	52.31	112.20
Low	Rs.	14.41	11.50	23.40	38.00	44.14	65.00
Capital Structure Ratio							
Financial Leverage ratio	Times	0.35	0.37	0.44	0.02	0.01	0.04
Debt Service Coverage Ratio	Times	2.07	1.35	2.45	0.00	0.00	12.41
Debt to equity ratio	Times	0.35	0.37	0.44	0.02	0.01	0.04
Interest cover ratio	Times	4.42	1.68	8.66	0.00	0.00	45.43

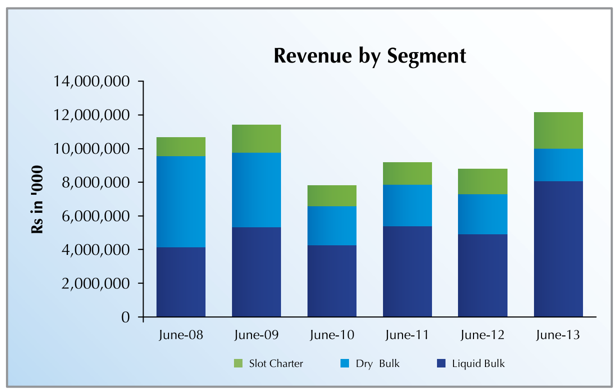
Graphical Analysis

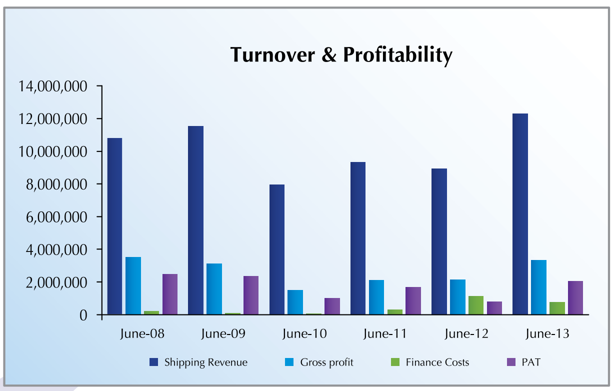


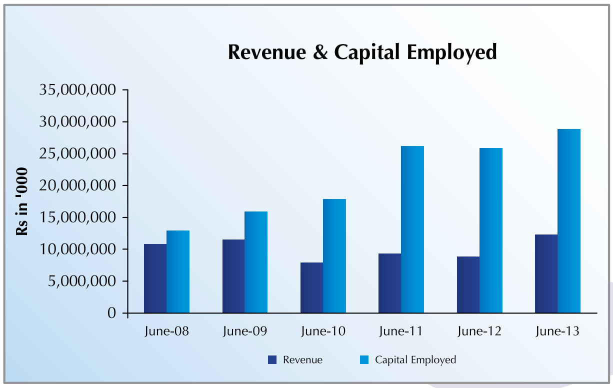


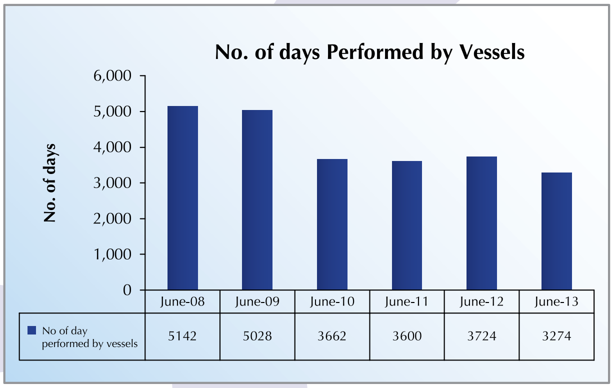
	June-08	June-09	June-10	June-11	June-12	June-13
GP Ratio	32%	27%	18%	22%	24%	27%
NP Ratio	23%	20%	12%	18%	8%	16%

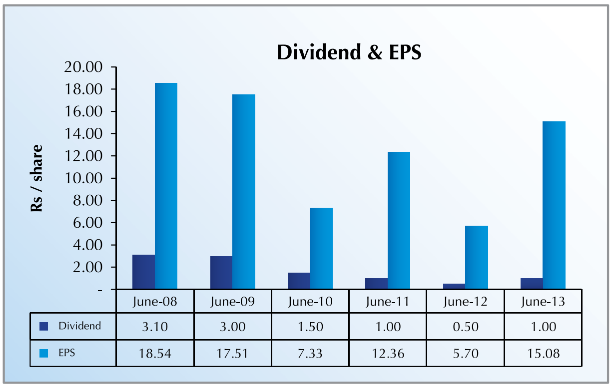


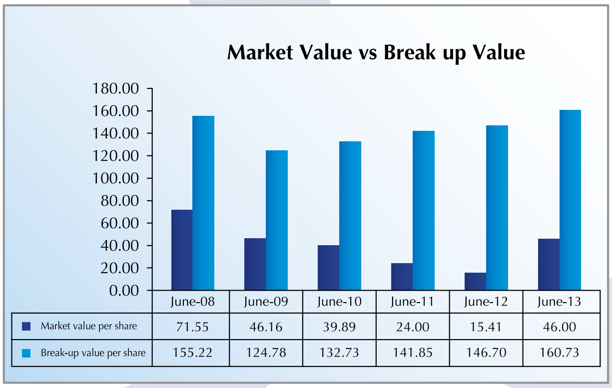


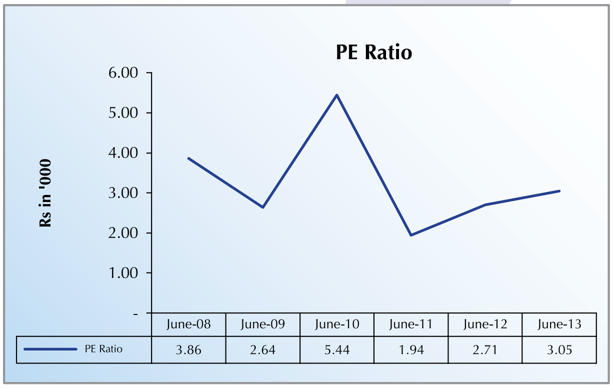


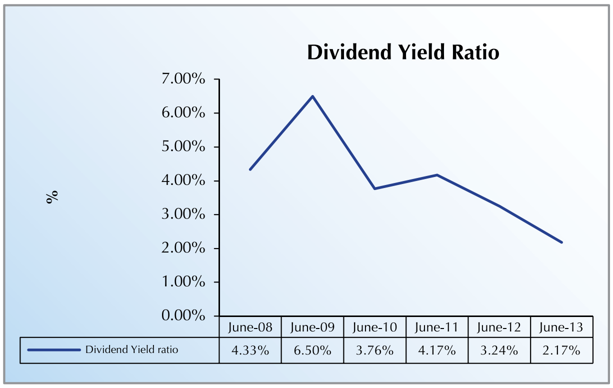

Revenue & Capital Employed
Rs in '000
35,000,000
30,000,000
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
0
June-08
June-09
June-10
June-11
June-12
June-13
Revenue
Capital Employed

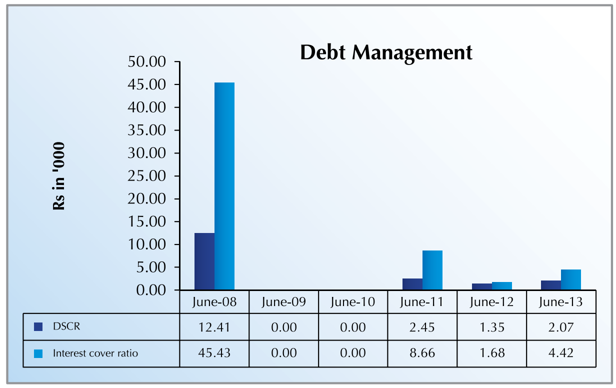

No. of days Performed by Vessels
No. of days
6,000
5,000
4,000
3,000
2,000
1,000
0
June-08
June-09
June-10
June-11
June-12
June-13
No of day performed by vessels
5142
5028
3662
3600
3724
3274

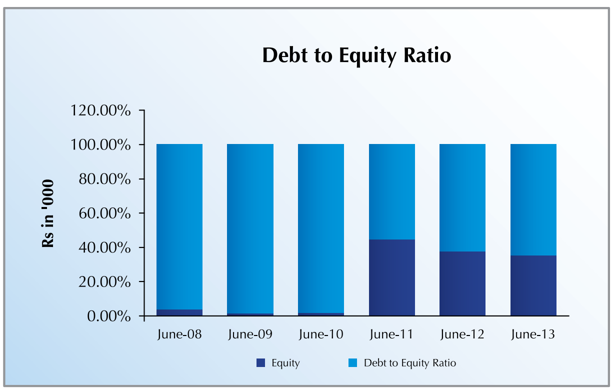

Dividend & EPS
Rs / share
20.00
18.00
16.00
14.00
12.00
10.00
8.00
6.00
4.00
2.00
-
June-08
June-09
June-10
June-11
June-12
June-13
Dividend
3.10
3.00
1.50
1.00
0.50
1.00
EPS
18.54
17.51
7.33
12.36
5.70
15.08

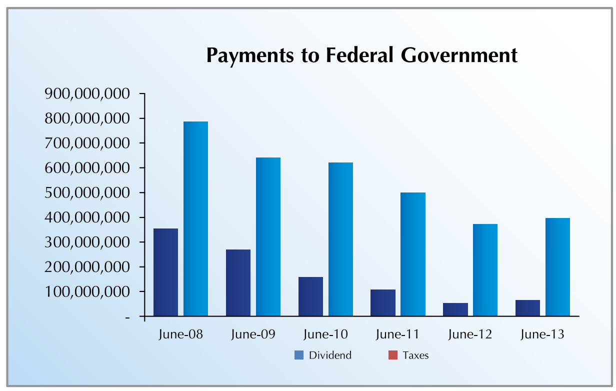

Market Value vs Break up Value
180.00
160.00
140.00
120.00
100.00
80.00
60.00
40.00
20.00
0.00
June-08
June-09
June-10
June-11
June-12
June-13
Market value per share
71.55
46.16
39.89
24.00
15.41
46.00
Break-up value per share
155.22
124.78
132.73
141.85
146.70
160.73


PE Ratio
Rs in '000
6.00
5.00
4.00
3.00
2.00
1.00
-
June-08
June-09
June-10
June-11
June-12
June-13
PE Ratio
3.86
2.64
5.44
1.94
2.71
3.05


Dividend Yield Ratio
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
%
June-08 June-09 June-10 June-11 June-12 June-13
Dividend Yield ratio 4.33% 6.50% 3.76% 4.17% 3.24% 2.17%


Debt Management
50.00
45.00
40.00
35.00
30.00
25.00
20.00
15.00
10.00
5.00
0.00
Rs in '000
June-08 June-09 June-10 June-11 June-12 June-13
DSCR 12.41 0.00 0.00 2.45 1.35 2.07
Interest cover ratio 45.43 0.00 0.00 8.66 1.68 4.42


Debt to Equity Ratio
120.00%
100.00%
80.00%
60.00%
40.00%
20.00%
0.00%
Rs in '000
June-08 June-09 June-10 June-11 June-12 June-13
Equity
Debt to Equity Ratio


Payments to Federal Government
900,000,000
800,000,000
700,000,000
600,000,000
500,000,000
400,000,000
300,000,000
200,000,000
100,000,000
-
June-08 June-09 June-10 June-11 June-12 June-13
Dividend
Taxes

Horizontal Analysis

Horizontal Analysis (Group)

	2013		2012		2011		2010		2009		2008	
	'000	% change	'000	% change	'000	% change	'000	% change	'000	% change	'000	% change
Profit & Loss												
Revenues	12,252,934	38%	8,875,322	-4%	9,293,169	18%	7,889,942	-31%	11,474,349	7%	10,753,528	18%
Expenditure	8,961,723	32%	6,779,676	-6%	7,231,597	12%	6,431,835	-24%	8,411,781	16%	7,277,061	12%
Gross Profit	3,291,211	57%	2,095,646	2%	2,061,572	41%	1,458,107	-52%	3,062,568	-12%	3,476,467	34%
Administrative and General Expenses	823,137	35%	608,494	-4%	631,646	1%	623,353	20%	519,807	17%	445,027	-5%
Other operating expenses	211,876	-59%	514,133	162%	196,303	-22%	253,206	-21%	319,113	73%	184,265	28%
Finance costs	714,958	-33%	1,071,405	305%	264,435	1165%	20,912	-61%	54,154	-69%	174,987	126%
Other operating income	900,918	9%	823,344	-22%	1,055,964	19%	888,895	8%	825,417	1%	814,973	-14%
Profit before Taxation	2,442,158	237%	724,958	-64%	2,025,152	40%	1,449,531	-52%	2,994,911	-14%	3,487,161	22%
Taxation	450,819	-1699%	(28,197)	-107%	392,210	-19%	481,707	-29%	682,069	-34%	1,038,281	103%
Profit after Taxation	1,991,339	164%	753,155	-54%	1,632,942	69%	967,824	-58%	2,312,842	-6%	2,448,880	5%
Balance Sheet												
Property, plant and equipment	23,210,977	3%	22,614,412	-4%	23,476,232	65%	14,266,718	73%	8,264,524	-39%	13,624,883	93%
Other Non-Current Assets	1,199,507	-3%	1,237,337	18%	1,051,142	1%	1,037,733	2%	1,013,768	-1%	1,028,705	-7%
Trade debts	1,177,691	173%	432,070	-34%	654,580	42%	462,272	-42%	798,023	42%	563,000	1%
Cash and bank balances	1,788,301	3%	1,742,306	-17%	2,100,797	60%	1,314,633	-41%	2,223,490	-35%	3,399,105	274%
Other Current Assets	3,576,655	39%	3,004,494	99%	1,513,423	-25%	2,023,878	-67%	6,071,744	56%	3,886,123	-42%
Total Assets	30,953,131	8%	29,030,619	1%	28,796,174	51%	19,105,234	4%	18,371,549	-18%	22,501,816	37%
Shareholder's Equity	20,447,185	10%	18,593,130	3%	18,066,178	7%	16,850,410	6%	15,880,463	23%	12,894,975	24%
Surplus on Revaluation of Fixed Assets	778,889	0%	780,110	17%	667,582	-2%	678,837	13%	598,820	-92%	7,604,028	95%
Deferred liabilities	566,574	-3%	583,701	35%	433,440	49%	291,028	32%	219,894	5%	208,783	-47%
Long Term Financing	5,873,286	0%	5,878,871	-15%	6,941,693	-	-	-	-	-	-	-100%
Other Non Current Liabilities	-	-	11,349	-	-	-	-	-	-	-	-	-
Current portion of long term financing	1,316,882	-	1,079,763	-	1,079,763	-	-	-	-	-100%	245,607	-5%
Other Current Liabilities	1,970,315	18%	1,671,626	4%	1,607,518	25%	1,284,959	-23%	1,672,372	8%	1,548,423	25%
Total Equity and Liabilities	30,953,131	8%	28,598,549	-1%	28,796,174	51%	19,105,234	4%	18,371,549	-18%	22,501,816	37%
Cash Flow Statement												
Cash Flows from Operating Activities	1,644,579	6%	1,547,467	-1%	1,562,377	-70%	5,242,579	249%	1,503,728	-70%	5,064,293	-393%
Cash Flows from Investing Activities	(1,291,551)	-442%	377,914	-104%	(9,278,524)	61%	(5,762,074)	183%	(2,034,478)	-24%	(2,662,349)	-630%
Cash Flows from Financing Activities	162,942	-113%	(1,230,297)	-116%	7,766,987	-2088%	(390,752)	-43%	(686,251)	49%	(460,745)	18%
Net (decrease) / increase in Cash and cash equivalents	515,970	-26%	695,084	1267%	50,840	-106%	(910,247)	-25%	(1,217,001)	-163%	1,941,199	-220%
Others												
Profit for the year	2,442,158	237%	724,958	-64%	2,025,152	40%	1,449,531	-52%	2,994,911	-14%	3,487,161	22%
Finance Costs	714,958	-33%	1,071,405	305%	264,435	1165%	20,912	-61%	54,154	-22%	174,987	126%
Depreciation	1,040,093	-6%	1,111,501	10%	1,009,936	2%	994,772	-44%	1,790,586	134%	766,270	-39%
Amortisation	-	0%	-	0%	-	0%	-	0%	1,649	-50%	3,301	0%
EBITDA	4,197,209	44%	2,907,864	-12%	3,299,523	34%	2,465,215	-49%	4,841,300	12%	4,431,719	6%
Profit for the year	2,442,158	237%	724,958	-64%	2,025,152	40%	1,449,531	-52%	2,994,911	-14%	3,487,161	22%
Finance Costs	714,958	-33%	1,071,405	305%	264,435	1165%	20,912	-61%	54,154	-22%	174,987	126%
EBIT	3,157,116	76%	1,796,363	-22%	2,289,587	56%	1,470,443	-52%	3,049,065	-14%	3,662,148	25%

Vertical Analysis (Group)

	2013		2012		2011		2010		2009		2008	
	'000	%	'000	%	'000	%	'000	%	'000	%	'000	%
Profit & Loss												
Revenues	12,252,934	100%	8,875,322	100%	9,293,169	100%	7,889,942	100%	11,474,349	100%	10,753,528	100%
Expenditure	8,961,723	73%	6,779,676	76%	7,231,597	78%	6,431,835	82%	8,411,781	73%	7,277,061	68%
Gross Profit	3,291,211	27%	2,095,646	24%	2,061,572	22%	1,458,107	18%	3,062,568	27%	3,476,467	32%
Administrative and General Expenses	823,137	7%	608,494	7%	631,646	7%	623,353	8%	519,807	5%	445,027	4%
Other operating expenses	211,876	2%	514,133	6%	196,303	2%	253,206	3%	319,113	3%	184,265	2%
Finance costs	714,958	6%	1,071,405	12%	264,435	3%	20,912	0%	54,154	0%	174,987	2%
Other operating income	900,918	7%	823,344	9%	1,055,964	11%	888,895	11%	825,417	7%	814,973	8%
Profit before Taxation	2,442,158	20%	724,958	8%	2,025,152	22%	1,449,531	18%	2,994,911	26%	3,487,161	32%
Taxation	450,819	4%	(28,197)	-0%	392,210	4%	481,707	6%	682,069	6%	1,038,281	10%
Profit after Taxation	1,991,339	16%	753,155	8%	1,632,942	18%	967,824	12%	2,312,842	20%	2,448,880	23%
Balance Sheet												
Property, plant and equipment	23,210,977	75%	22,614,412	78%	23,476,232	82%	14,266,718	75%	8,264,524	45%	13,624,883	61%
Other Non-Current Assets	1,199,507	4%	1,237,337	4%	1,051,142	4%	1,037,733	5%	1,013,768	6%	1,028,705	5%
Trade debts	1,177,691	4%	432,070	1%	654,580	2%	462,272	2%	798,023	4%	563,000	3%
Cash and bank balances	1,788,301	6%	1,742,306	6%	2,100,797	7%	1,314,633	7%	2,223,490	12%	3,399,105	15%
Other Current Assets	3,576,655	12%	3,004,494	10%	1,513,423	5%	2,023,878	11%	6,071,744	33%	3,886,123	17%
Total Assets	30,953,131	100%	29,030,619	100%	28,796,174	100%	19,105,234	100%	18,371,549	100%	22,501,816	100%
Shareholder's Equity	20,447,185	66%	18,593,130	65%	18,066,178	63%	16,850,410	88%	15,880,463	86%	12,894,975	57%
Surplus on Revaluation of Fixed Assets	778,889	3%	780,110	3%	667,582	2%	678,837	4%	598,820	3%	7,604,028	34%
Deferred liabilities	566,574	2%	583,701	2%	433,440	2%	291,028	2%	219,894	1%	208,783	1%
Long Term Financing	5,873,286	19%	5,878,871	21%	6,941,693	24%	-	0%	-	0%	-	0%
Other Non Current Liabilities	-	-	11,349	-	-	-	-	-	-	-	-	-
Current portion of long term financing	1,316,882	4%	1,079,763	4%	1,079,763	4%	-	0%	-	0%	245,607	1%
Other Current Liabilities	1,970,315	6%	1,671,626	6%	1,607,518	6%	1,284,959	7%	1,672,372	9%	1,548,423	7%
Total Equity and Liabilities	30,953,131	100%	28,598,549	100%	28,796,174	100%	19,105,234	100%	18,371,549	100%	22,501,816	100%
Cash Flow Statement												
Cash Flows from Operating Activities	1,644,579	319%	1,547,467	223%	1,562,377	3073%	5,242,579	-576%	1,503,728	-124%	5,064,293	261%
Cash Flows from Investing Activities	(1,291,551)	-250%	377,914	54%	(9,278,524)	-18251%	(5,762,074)	633%	(2,034,478)	167%	(2,662,349)	-137%
Cash Flows from Financing Activities	162,942	32%	(1,230,297)	-177%	7,766,987	15277%	(390,752)	43%	(686,251)	56%	(460,745)	-24%
Net Increase/Decrease in Cash and cash equivalents	515,970	100%	695,084	100%	50,840	100%	(910,247)	100%	(1,217,001)	100%	1,941,199	100%
Others												
Profit for the year	2,442,158	84%	724,958	25%	2,025,152	61%	1,449,531	59%	2,994,911	62%	3,487,161	79%
Finance Costs	714,958	25%	1,071,405	37%	264,435	8%	20,912	1%	54,154	1%	174,987	4%
Depreciation	1,040,093	36%	1,111,501	38%	1,009,936	31%	994,772	40%	1,790,586	37%	766,270	17%
Amortisation	-	0%	-	0%	-	0%	-	0%	1,649	0%	3,301	0%
EBITDA	4,197,209	144%	2,907,864	100%	3,299,523	100%	2,465,215	100%	4,841,300	100%	4,431,719	100%
Profit for the year	2,442,158	136%	724,958	40%	2,025,152	88%	1,449,531	99%	2,994,911	98%	3,487,161	95%
Finance Costs	714,958	40%	1,071,405	60%	264,435	12%	20,912	1%	54,154	2%	174,987	5%
EBIT	3,157,116	176%	1,796,363	100%	2,289,587	100%	1,470,443	100%	3,049,065	100%	3,662,148	100%

Vertical Analysis

Six Years at a Glance (PNSC)

	2012-2013	2011-2012	2010-2011	2009-2010	2008-2009	2007-2008
Profit & Loss						
Revenue	5,962,892	2,777,932	3,084,361	2,077,947	3,491,783	3,100,257
Expenditure	4,228,202	1,845,685	1,945,834	1,351,580	1,932,155	1,912,278
Gross profit	1,734,690	932,247	1,138,527	726,367	1,559,628	1,187,979
Administrative, general & other expenses	479,587	609,673	310,042	421,782	685,475	615,906
Other income	530,695	505,073	317,110	834,377	824,149	765,462
Finance Costs	711,933					
Profit / loss before taxation	1,073,865	(241,632)	883,601	1,138,962	1,698,302	1,337,535
Taxation	414,308	(77,085)	287,199	427,429	641,539	922,644
Profit / loss after taxation	659,557	(164,547)	596,402	711,533	1,056,763	414,891
Balance Sheet						
Non-current assets	27,923,891	26,617,392	26,312,254	15,698,168	8,729,638	6,143,866
Current assets	5,117,827	3,859,841	3,309,308	2,826,872	8,070,341	7,470,470
Total Assets	33,041,718	30,477,233	29,621,562	18,525,040	16,799,979	13,614,336
Paid-up Capital	1,320,634	1,320,634	1,320,634	1,320,634	1,320,634	1,320,634
Reserves	5,633,268	5,107,078	5,460,726	5,144,962	4,814,590	4,152,565
Share-holders' equity	6,953,902	6,427,712	6,781,360	6,465,596	6,135,224	5,473,199
Surplus on revaluation of fixed assets	776,064	777,285	662,817	671,928	681,027	743,324
Non-current liabilities	6,439,860	6,473,920	7,375,134	291,028	219,894	208,783
Current liabilities	18,871,892	16,798,316	14,802,251	11,096,488	9,763,834	7,189,030
	33,041,718	30,477,233	29,621,562	18,525,040	16,799,979	13,614,336
RATIOS						
Profitability Ratios						
Operating Profit/ Operating Revenue (%)	29.00%	34.00%	37.00%	35.00%	45.00%	38.00%
Profit Before Tax/Operating Revenue (%)	18.01%	-8.70%	28.65%	54.81%	48.64%	43.14%
Profit after Tax/Operating Revenue (%)	11.06%	-5.92%	19.34%	34.24%	30.26%	13.38%
Return on Capital Employed	4.65%	-1.20%	4.02%	9.58%	15.02%	6.46%
Liquidity / Leverage Ratios						
Current Ratio	0.27	0.23	0.22	0.25	0.83	1.04
Asset Turnover Ratio (Times)	0.21	0.10	0.12	0.13	0.40	0.50
Equity / Total Assets (%)	23.00%	24.00%	25.00%	39.00%	41.00%	46.00%
Return to Shareholders						
Earnings per share (Rs.)	4.99	(1.25)	4.52	5.39	8.00	3.14
Price Earning Ratio (Rs.)	9.22	(12.33)	5.31	7.40	5.77	22.79
Cash Dividend (Rs. / share)	1.00	0.50	1.00	1.50	3.00	3.10
Break-up Value per share	58.53	54.56	56.37	54.05	51.61	47.07
Share prices in Rupees						
High	52.00	25.89	41.74	75.54	52.31	112.20
Low	14.41	11.50	23.40	38.00	44.14	65.00


VITAMIN

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Profitability

PNSC aims to be an 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.

The iconic Karachi Port, a frequent destination of PNSC's vessels.

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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, 2013 prepared by the Board of Directors of Pakistan National Shipping Corporation to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange 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 are not required to consider whether the Board's statement on internal control covers all the risks and controls or to form an opinion on the effectiveness of such internal controls, the corporation's corporate governance procedures and risks.

Further, Sub-Regulation (x) 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 transactions which are not executed at arm's length price 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 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, 2013.

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As stated in paragraphs of the statement (reference in the statement included thereagainst), the board of directors of the company are currently in the process:

i. arrangement for training program of directors (point reference 9 of the statement);

ii. proceedings for making the HR and Remuneration Committee effectively functional (point reference 17 of the statement); and

iii. approval of significant policies by the Board of Directors and maintenance of record of particulars and date of approval thereof (point reference 6 of the statement).

The statement (point reference 8) mentions that no board meeting was held during the first quarter.

The Statement (point reference 16) mentions that the Chairman Audit Committee was unable to attend the preceding Annual General Meeting.

A. F. FERGUSON & CO.
Chartered Accountants
Karachi: September 24, 2013
Engagement Partner: Saad Kaliya

ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Karachi: September 24, 2013
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, 2013

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. Mr. Muhammad Siddique Memon
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. Shabbir Ahmed
Non – Executive Directors (Elected by Shareholders)	I. Capt. Anwar Shah II. Mr. Khowaja Obaid Imran Ilyas

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 NBFI 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 "Code of Conduct" 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. Significant policies of the corporation are currently in the process of being reviewed and approved by the Board of Directors.

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 except for the first quarter due to extension in the date of Annual general meeting for the year June 30, 2012 . 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 and Corporation Secretary. However, the Head of Internal Audit's contract expired during the year resulting in the vacancy which is in the process of being filled.

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 Corporation were duly endorsed by CEO and CFO before approval of the board.

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

14 The corporation 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. All the requirements of the Code of the Corporate Governance with respect to Audit Committee were complied with except that the Chairman Audit Committee was unable to attend the preceding Annual General Meeting of the Company.

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. However, no proceedings were carried out by the committee during the year.

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, except for the matters identified in the Auditors' Review Report on Statement of Compliance toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

Mr. Muhammad Siddique Memon
Chairman /CEO

M.T. Karachi docked at the FOTCO Oil Terminal with pipelines carrying oil to storage facilities

Consolidated Report and Accounts of

Pakistan National Shipping Corporation Group of Companies

for the year ended June 30, 2013

A spectacular view of the Jinnah Fly-over, which handles the bulk of all port traffic.

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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, 2013 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, 2013 and the results of their operations for the year then ended.

A. F. FERGUSON & CO.
Chartered Accountants
Karachi: September 24, 2013
Audit Engagement Partner : Saad Kaliya

ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Karachi: September 24, 2013
Audit Engagement Partner : Pervez Muslim

Consolidated Balance Sheet

As at June 30, 2013

	Note	2013	2012
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	23,210,977	22,614,412
Intangible asset	7	-	-
Investment properties	8	1,080,596	1,080,596
Long-term investments in:			
- Related party (associate)	9	-	-
- Listed companies and an other entity	10	38,211	22,453
Long-term loans	11	58	72
Long-term deposits		90	90
Deferred taxation - net	12	80,552	134,126
		24,410,484	23,851,749
CURRENT ASSETS			
Stores and spares	13	734,392	471,684
Trade debts	14	1,177,691	432,070
Agents' and owners' balances	15	8,991	529
Loans and advances	16	67,544	32,713
Deposits and short term prepayments	17	37,575	27,498
Interest / mark-up accrued on bank deposits and investments		19,899	9,453
Other receivables	18	167,978	89,089
Incomplete voyages	19	99,180	119,724
Insurance claims	20	169,440	21,485
Taxation - net		276,206	268,774
Short-term investments	21	1,995,450	1,531,475
Cash and bank balances	22	1,788,301	1,742,306
		6,542,647	4,746,800
TOTAL ASSETS		30,953,131	28,598,549
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE HOLDING COMPANY			
Share capital	23	1,320,634	1,320,634
Reserves	24	19,124,419	17,270,673
		20,445,053	18,591,307
NON-CONTROLLING INTEREST	25	2,132	1,823
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		20,447,185	18,593,130
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX			
- Owners of the holding company		778,365	779,586
- Non-controlling interest		524	524
	26	778,889	780,110
NON-CURRENT LIABILITIES			
Long-term financing	27	5,873,286	5,878,870
Deferred liabilities	28	566,574	583,701
Advance rent		-	11,349
		6,439,860	6,473,920
CURRENT LIABILITIES AND PROVISION			
Trade and other payables	29	1,854,311	1,533,201
Provision against damage claims	30	22,338	20,111
Current portion of long-term financing	27	1,316,882	1,079,763
Accrued mark-up on long term financing		91,087	105,963
Taxation - net		2,579	12,351
		3,287,197	2,751,389
TOTAL EQUITY AND LIABILITIES		30,953,131	28,598,549
CONTINGENCIES AND COMMITMENTS	31		

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

Muhammad Siddique Memon
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

Consolidated Profit and Loss Account

For the year ended June 30, 2013

	Note	2013	2012
		(Rupees in '000)	
REVENUES			
Income from shipping business	32	12,128,776	8,793,743
Rental income		124,158	81,579
		12,252,934	8,875,322
EXPENDITURE			
Fleet expenses - direct	33	(8,862,616)	(6,648,400)
- indirect	34	(33,172)	(26,612)
Real estate expenses	35	(65,935)	(104,664)
		(8,961,723)	(6,779,676)
GROSS PROFIT		3,291,211	2,095,646
Administrative and general expenses	36	(823,137)	(608,494)
Other operating expenses	37	(211,876)	(514,133)
Other income	38	900,918	823,344
		(134,095)	(299,283)
OPERATING PROFIT		3,157,116	1,796,363
Finance costs	39	(714,958)	(1,071,405)
PROFIT BEFORE TAXATION		2,442,158	724,958
Taxation	40	(450,819)	28,197
PROFIT AFTER TAXATION		1,991,339	753,155
Attributable to:			
Equity holders of the holding company		1,991,030	752,892
Non-controlling interest		309	263
		1,991,339	753,155
OTHER COMPREHENSIVE (LOSS) FOR THE YEAR			
Item that will not be reclassified to profit and loss			
Recognition of actuarial losses		(87,643)	(61,882)
Income tax on actuarial losses		13,333	(2,718)
Total items that will not be reclassified to profit and loss		(74,310)	(64,600)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,917,029	688,555
		------------(Rupees)------------	
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY	41	15.08	5.70

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 consolidated financial statements.

Muhammad Siddique Memon
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

Consolidated Statement of Changes in Equity

For the year ended June 30, 2013

	Attributable to the share holders of the holding company							
			Revenue reserves					
	Issued, subscribed and paid-up share capital (Note 23)	Capital reserves	General reserves	Actuarial losses	Unappropriated profit	Total	Non-controlling interest	Total
	--(Rupees in '000)--							
Balance as at July 1, 2011	1,320,634	131,344	129,307	(89,833)	16,573,166	18,064,618	1,560	18,066,178
Transactions with owners								
Final cash dividend for the year ended June 30, 2011paid to shareholders of the holding company (Re 1 per Ordinary share)	-	-	-	-	(132,063)	(132,063)	-	(132,063)
Total transactions with owners					(132,063)	(132,063)	-	(132,063)
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 (note 26)	-	-	-	-	7,562	7,562	-	7,562
Transaction cost incurred for issue of further share capital of subsidiaries	-	-	-	-	(37,102)	(37,102)	-	(37,102)
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
Transactions with owners								
Final cash dividend for the year ended June 30, 2012 paid to shareholders of the holding company (Re 0.5 per Ordinary share)	-	-	-	-	(66,032)	(66,032)	-	(66,032)
Total transactions with owners	-	-	-	-	(66,032)	(66,032)	-	(66,032)
Total profit after tax for the year ended June 30, 2013	-	-	-	-	1,991,030	1,991,030	309	1,991,339
Other comprehensive loss for the year ended June 30, 2013	-	-	-	(74,310)	-	(74,310)	-	(74,310)
Surplus on revaluation of fixed assets realised through incremental depreciation charged on related assets during the year, recognised directly in equity- net of tax (note 26)	-	-	-	-	6,975	6,975	-	6,975
Transaction cost incurred for issue of further share capital of a subsidiary	-	-	-	-	(3,917)	(3,917)	-	(3,917)
Balance as at June 30, 2013	1,320,634	131,344	129,307	(228,743)	19,092,511	20,445,053	2,132	18,947,185

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

Muhammad Siddique Memon
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

Consolidated Cash Flow Statement

For the year ended June 30, 2013

	Note	2013	2012
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	42	3,223,807	2,889,010
Employees' gratuity paid		(204,160)	(51,242)
Employees' compensated absences paid		(71,852)	(48,525)
Post retirement medical benefits paid		(25,342)	(11,571)
Long-term loans		14	142
Finance costs paid		(984,178)	(1,166,736)
Receipt under cross currency interest rate swap		102,104	299,602
Advance rent		-	11,349
Damage claims paid		(452)	(3,084)
Taxes paid		(395,362)	(371,478)
Net cash generated from operating activities		1,644,579	1,547,467
Cash flows from investing activities			
Capital expenditure		(1,760,088)	(274,500)
Expenditure on 'Investment Properties'		-	(990)
Proceeds from disposal of property, plant and equipment		226,215	455,866
Interest / mark-up received		241,089	197,118
Dividends received		1,233	420
Net cash (used in) / generated from investing activities		(1,291,551)	377,914
Cash flows from financing activities			
Long-term financing obtained / (repaid) - net		231,535	(1,062,823)
Transaction costs paid for issue of ordinary share capital		(3,917)	(37,102)
Dividends paid		(64,676)	(130,372)
Net cash generated / (used in) from financing activities		162,942	(1,230,297)
Net increase in cash and cash equivalents		515,970	695,084
Cash and cash equivalents at the beginning of the year		3,267,781	2,572,697
Cash and cash equivalents at the end of the year	43	3,783,751	3,267,781

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

Muhammad Siddique Memon
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

Notes to and Forming Part of the Consolidated Financial Statements For the year ended June 30, 2013

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% (2012: 73%) of the share capital of Pakistan Co-operative Ship Stores (Private) Limited and 100% (2012: 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, Islamabad 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 4.3.1 have been included at revalued amounts;
- Certain investment properties and financial instruments as referred to in notes 4.5 and 4.6.1, respectively have been carried at fair value to comply with the requirements of IAS-40 'Investment Property' and IAS-39 'Financial Instruments: Recognition and Measurement', respectively; and
- Accounting for staff benefits as referred to in notes 4.14 and 4.15 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 in the following paragraphs:

4.1 Standards, amendments to published approved accounting standards and interpretations becoming effective for the year ended June 30, 2013:

The following amendments to existing standards have been published and are mandatory for the Group's accounting period beginning on or after July 1, 2012:

- Amendments to IAS 1, 'Presentation of financial statements' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not have any significant impact on these financial statements other than a change in presentation of items reported under 'other comprehensive income'.

There are other amendments to the standards and new 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 on the Group's operations and are, therefore, not detailed 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, 2013 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 Basis of consolidation

4.2.1 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.

4.2.2 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.

4.3 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.

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. atleast 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 whereby the depreciable amount of an asset is depreciated over its estimated useful life.

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

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

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

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

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.

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

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

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

4.4 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.

4.5 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.

4.6 Financial instruments

4.6.1 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 45).

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 45).

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 45).

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 45).

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.

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.

4.6.2 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.

4.6.3 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.

4.6.4 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.

4.6.5 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.

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.

4.6.6 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 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.

4.7 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 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.

4.8 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.

4.9 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 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.

4.9.2 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 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.

Notes to and Forming Part of the Consolidated Financial Statements For the year ended June 30, 2013

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 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.

4.13 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.

4.14 Staff retirement benefits

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

4.14.2 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 financial statements to cover obligations on the basis of actuarial valuation carried out annually under the Projected Unit Credit method. The actuarial gains / losses are recognised directly to equity through statement of other comprehensive income.

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.

4.14.3 Post-retirement medical benefits

The Group provides lump sum medical allowance to its retired permanent employees in accordance with the service regulations. Actuarial gains / losses are 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 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.

4.16 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 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.

4.18 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.

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.

4.19 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 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.

4.20 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 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.

4.21 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 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, 2013, for the years ended June 30, 2012 and 2013 would have been as follows:

	Year ended June 30, 2013	Year ended June 30, 2012
	(Rupees in '000)	
Staff costs of the Group for the year would have been higher by	104,474	127,264
Profit after taxation would have been lower by	104,474	127,264
	------------ (Rupees)	------------
Earnings per share would have been lower by	0.79	0.96

	Year ended June 30, 2013	Year ended June 30, 2012
	(Rupees in '000)	
Retained earnings would have been lowered by	576,522	472,048
Reserves would have been higher by	576,522	472,048

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 6 and 8);

(b) Determination of the the residual values and useful lives of property, plant and equipment (note 6);

(c) Recognition of deferred tax and taxation (note 12 and 40);

(d) Determining the provision for slow moving stores and spares (note 13);

(e) Accounting for provision for impairment of trade debts (note 14);

(f) Accounting for provision against damage claims (note 30);

(g) Accounting for defined benefit plans (note 28);

(h) Measuring fair value of cross currency swap and interest rate swap (note 29); and

(i) Measuring the value 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.

Notes to and Forming Part of the Consolidated Financial Statements For the year ended June 30, 2013

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
		(Rupees in '000)	
- Operating fixed assets	6.1	22,895,717	22,326,760
- Capital work-in-progress	6.7	315,260	287,652
		23,210,977	22,614,412

6.1 The following is a statement of operating fixed assets:

	Leasehold land	Buildings on lease-hold land	Vessel fleet Cost	Vessel fleet Dry docking	Vessel fleet Total	Vehicles	Office machines and appli-ances	Furniture and fixtures	Electrical fittings	Motor launch and jetty	Equipment on board	Container fittings	Beach huts	Workshop machinery and equipment	Computer equipment	Total
	(Rupees in '000)															
As at June 30, 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	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
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																
Cost	-	(609)	(209,510)	(472,591)	(682,101)	(656)	(60)	-	-	-	(11,381)	-	-	-	-	(694,807)
Accumulated depreciation	-	315	83,082	422,536	505,618	503	60	-	-	-	5,199	-	-	-	-	511,695
	-	(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	14,988	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	9,955	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

Year ended June 30, 2013																
Opening 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
Additions including transfers from CWIP	-	24,803	1,442,738	254,653	1,697,391	-	1,477	69	-	-	5,593	-	-	73	3,074	1,732,480
Disposals																
Cost	-	-	(119,648)	(157,412)	(277,060)	-	(1,065)	(479)	-	-	(4,015)	-	-	-	-	(282,619)
Accumulated depreciation	-	-	23,694	147,398	171,092	-	1,012	230	-	-	2,471	-	-	-	-	174,805
	-	-	(95,954)	(10,014)	(105,968)	-	(53)	(249)	-	-	(1,544)	-	-	-	-	(107,814)
Depreciation charge for the year	-	(25,616)	(865,677)	(139,065)	(1,004,742)	(3,378)	(6,851)	(3,700)	-	-	(2,513)	-	(1,298)	(458)	(7,153)	(1,055,709)
Closing net book value	649,060	503,371	21,388,531	273,409	21,661,940	2,929	26,858	14,490	-	-	10,799	-	13,690	4,543	8,037	22,895,717
As at June 30, 2013																
Cost or revalued amount	649,060	578,038	24,733,761	903,107	25,636,868	68,045	49,370	31,310	7	18	18,840	3,468	14,988	14,956	36,885	27,101,853
Less: Accumulated depreciation	-	74,667	3,345,230	629,698	3,974,928	65,116	22,512	16,820	7	18	8,041	3,468	1,298	10,413	28,848	4,206,136
Net book value	649,060	503,371	21,388,531	273,409	21,661,940	2,929	26,858	14,490	-	-	10,799	-	13,690	4,543	8,037	22,895,717
Annual rate of depreciation (%) 2012	-	1.67 to 20	3.33	20 to 40	-	20	15	10 to 15	-	10 to 15	10 to 15	15	10	5 to 10	25	
Annual rate of depreciation (%) 2013	-	3 to 20	3.33	20 to 40	-	20	15	10 to 15	-	10 to 15	10 to 15	15	10	5 to 10	25	

6.2 The revaluation of the 'leasehold land', 'buildings on leasehold land' and 'beach huts' had been 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 Holding Company as at June 30, 2012. Out of the total revaluation surplus arisen, Rs 813.778 million (2012: Rs 822.951 million) remains undepreciated at June 30, 2013.

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

	2013	2012
	(Rupees in '000)	
Leasehold land and buildings on leasehold land and beach huts	313,933	336,708
Workshop machinery and equipment	4,487	4,929
	318,420	341,637

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

6.5 No operating fixed assets with a net book value exceeding Rs 50,000 were disposed of during the year.

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

	Note	2013	2012
		(Rupees in '000)	
Fleet expenses - direct	33	982,016	990,089
Fleet expenses - indirect	34	458	454
Real estate expenses	35	20,282	67,987
Administrative and general expenses	36	27,885	37,189
Incomplete voyages	19	25,068	9,452
		1,055,709	1,105,171

6.7 Capital work-in-progress

	2013	2012
Buildings on leasehold land	315,260	287,652
	315,260	287,652

6.8 During the current year, the Holding Company has revised its estimate in respect of useful life of building on leasehold land and beach huts on the basis of survey by its engineering consultant. Had there been no change in estimated useful lives of the aforementioned assets, depreciation expense for the year would have been higher by Rs 57.376 million, whereas the effect on future years is impracticable to ascertain considering subsequent measurement of useful life of building on leasehold land and beach huts under the revaluation model and inherent uncertainties attached thereto.

7. 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.

8. INVESTMENT PROPERTIES

	Note	Leasehold land	Buildings on leasehold land	Total
			(Rupees in '000)	
Balance as at July 1, 2011		952,500	44,138	996,638
Addition during the year		-	990	990
Surplus / (deficit) on revaluation	8.1	91,060	(8,092)	82,968
Balance as at June 30, 2012		1,043,560	37,036	1,080,596
Balance as at June 30, 2013		1,043,560	37,036	1,080,596

8.1 The 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 value. As a result, a revaluation gain of Rs 91.060 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.

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

Equity method

No. of ordinary shares 2013	No. of ordinary shares 2012	Name of the company	Country of incorporation	Share of net assets 2013	Share of net assets 2012	Latest available audited financial statements for the year ended	Percentage holding	Face value per share	2013	2012
				(Rupees in '000)			%	(Rupees)	(Rupees '000)	
Associate - unlisted										
12,250	12,250	Muhammadi Engineering Works Limited	Pakistan	1,600	1,600	December 31 , 1982 (unaudited)	49	100	1,600	1,600
		Less: Accumulated impairment losses							1,600	1,600
									-	-

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

	2013	2012
	(Rupees in '000)	
Financial assets designated as 'at fair value through profit or loss'		
Listed companies		
6,930 (2012: 6,930) ordinary shares of Rs 10 each fully paid of Siemens (Pakistan) Engineering Company Limited. Market value per share Rs 651.2 (2012: Rs 747.1 per share)	4,513	5,177
104,871 (2012: 72,828) ordinary shares of Rs 10 each fully paid of Pakistan State Oil Company Limited. Market value per share Rs 320.38 (2012: Rs 235.84)	33,598	17,176
	38,111	22,353
Available for sale financial assets		
Other entity - carried at cost		
10,000 (2012: 10,000) ordinary shares of Rs 10 each of Pakistan Tourism Development Corporation Limited	100	100
	38,211	22,453

11. LONG-TERM LOANS

	Note	2013	2012
		(Rupees in '000)	
Others - due from employees			
Considered good	11.1 ,11.2 & 11.3	59	178
Considered doubtful		208	208
		267	386
Less: Provision for impairment	11.5	208	208
		59	178
Less: Recoverable within twelve months	16	1	106
		58	72

11.1 It comprises of house building and vehicle loans aggregating Rs 0.026 million (2012: Rs 0.145 million) and Rs 0.033 million (2012: Rs 0.033 million) respectively.

11.2 Vehicle loans represent loans to employees for purchase of vehicles and are secured against employees' personal guarantees and charge on vehicles. Such loans are recoverable over 36 or 48 monthly installments on which interest is being charged at the rate of 11% (2012: 11%) per annum.

11.3 House building loans represent loans to employees for purchase of land, residential accommodation and construction and renovation of houses. These loans are recoverable over 180 monthly installments. An amount of Rs Nil million (2012: Rs 0.119 million) is secured against mortgages of the employees' properties. Interest on such loans to officers is charged at various rates while no interest is being charged on loans given to other employees.

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

11.5 Provision for impairment

	Note	2013	2012
		(Rupees in '000)	
Balance at the beginning of the year		208	224
Amount reversed		-	16
Balance at the end of the year		208	208

12. DEFERRED TAXATION - NET

	Note	2013	2012
Deductible temporary differences arising in respect of:			
- short-term provisions and deferred liabilities		129,710	108,640
- Derivative instruments		-	72,967
		129,710	181,607
Taxable temporary differences arising in respect of:			
- surplus on revaluation of fixed assets	26	37,714	45,666
- accelerated depreciation		11,444	22,253
		49,158	67,919
Minimum tax on turnover		-	20,438
		80,552	134,126

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

	Note	2013	2012
		(Rupees in '000)	

13. STORES AND SPARES

	Note	2013	2012
Stores			
- at depots		12,703	13,211
- at buildings		1,093	1,845
- on board		15,499	10,683
		29,295	25,739
Spares			
- at buildings		1,749	1,751
- in transit		169	169
- on board		151,733	81,056
		153,651	82,976
Less: Provision for slow moving and obsolete spares		-	1,535
		153,651	81,441
Bunker on board		551,446	364,504
		734,392	471,684

14. TRADE DEBTS

	Note	2013	2012
Unsecured			
- considered good	14.1	1,177,691	432,070
- considered doubtful		252,814	183,448
		1,430,505	615,518
Less: Provision for impairment	14.2	252,814	183,448
		1,177,691	432,070

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

	Note	2013	2012
		(Rupees in '000)	
Upto 1 month		762,813	118,955
1 to 6 months		266,028	241,635
More than 6 months		148,850	71,480
		1,177,691	432,070

14.2 Provision for impairment

	Note	2013	2012
Balance at the beginning of the year		183,448	183,448
Provision made during the year	36	88,223	-
Amounts written off during the year		(18,857)	-
Balance at the end of the year		252,814	183,448

As at June 30, 2013, trade receivables of Rs 252.814 million (2012: Rs 183.448 million) were impaired and provided for. The ageing of these receivables is as follows:

	Note	2013	2012
		(Rupees in '000)	
One to three years		89,247	1,024
Three years to five years		103,392	122,249
Five years and over		60,175	60,175
		252,814	183,448

15. AGENTS' AND OWNERS' BALANCES

Unsecured

	Note	2013	2012
Considered good	15.1	8,991	529
Considered doubtful		4,453	4,453
		13,444	4,982
Less: provision for impairment		4,453	4,453
		8,991	529

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

	Note	2013	2012
		(Rupees in '000)	
Upto 1 month		3,631	398
1 to 6 months		4,569	129
More than 6 months		791	2
		8,991	529

16. LOANS AND ADVANCES

Considered good

	Note	2013	2012
Long term loans recoverable within one year:			
Due from employees	11	1	106
Advances to:			
- employees		20,934	20,274
- contractors and suppliers		11,842	8,282
- others		34,767	4,051
		67,544	32,713

	Note	2013	2012
		(Rupees in '000)	
17. DEPOSITS AND SHORT TERM PREPAYMENTS			
Deposits			
Trade:			
- considered good		3,140	2,911
- considered doubtful		184	184
		3,324	3,095
Less: Provision for impairment - trade		184	184
		3,140	2,911
Others:			
- considered good		5,324	3,347
- considered doubtful		185	185
		5,509	3,532
Less: Provision for impairment - others		185	185
		5,324	3,347
Prepayments			
Prepaid transaction cost	27.1	-	18,502
Other prepayments		29,111	2,738
		29,111	21,240
		37,575	27,498

	Note	2013	2012
18. OTHER RECEIVABLES			
Rent receivable			
- considered good	18.1	13,837	6,782
- considered doubtful		4,211	4,600
		18,048	11,382
Less: Provision for impairment of rent receivable	18.2	4,211	4,600
		13,837	6,782
Amount held by lawyer in respect of a guarantee provided to the court	18.3	72,719	-
Others			
- considered good		81,422	82,307
- considered doubtful		12,659	12,659
		94,081	94,966
Less: Provision for impairment of other receivable		12,659	12,659
		81,422	82,307
		167,978	89,089

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

	2013	2012
	(Rupees in '000)	
Upto 1 month	2,614	1,622
1 to 6 months	5,848	3,370
More than 6 months	5,375	1,790
	13,837	6,782

18.2 Provision for impairment of rent receivables

	2013	2012
Balance at the beginning of the year	4,600	4,600
Amounts written off during the year	(160)	-
Provision reversed during the year	(229)	-
Balance at the end of the year	4,211	4,600

As at June 30, 2013, rent receivables of Rs 4.211 million (2012: Rs 4.600 million) were impaired and provided for. These receivables have been outstanding for more than three years.

18.3 MV Chitral was arrested on June 20, 2013 by New Zealand port authorities due to the non-payment of the bunker purchased by STX Pan Ocean Limited (charter party) from the Ocean Connect Marine PTE limited (bunker owner) amounting to Rs 61.147 million. In consideration of its release the Holding company on behalf of Chitral Shipping (Private) Limited has deposited an amount of Rs 72.719 million with a lawyer based in New Zealand against an undertaking given by that lawyer to the court. The guarantee shall be released and/or disbursed by the lawyer only with the joint consent of Chitral Shipping (Private) Limited and Ocean Connect Marnie PTE limited, or in pursuant of an order of the High Court of New Zealand Dunedin Registry. The management has, as a matter of prudence, provided an aggregate amount of Rs 61.147 million, pertaining to the cost of Bunker it has used. However, the counter party has also filed claims amounting to Rs 88.762 million including Rs 61.147 million being the cost of bunker consumed by the company. The case is pending and the management is confident that the outcome of this case will be in the Company's favour and accordingly, provision for Rs 27.615 has not been made in these financial statements.

	Note	2013	2012
		(Rupees in '000)	
19. INCOMPLETE VOYAGES			
Salaries and allowances		11,524	5,995
Diesel, fuel and lubricants		88,767	42,131
Stores and spares consumed		6,524	5,899
Insurance		7,580	1,999
Charter hire and related expenses		50,242	63,536
Depreciation	6.6	25,068	9,452
Victualling		1,513	674
		191,218	129,686
Less: Net freight		92,038	9,962
		99,180	119,724
20. INSURANCE CLAIMS			
- considered good		169,440	21,485

In addition to these, amounts aggregating Rs 42.300 million (2012: Rs 64.227 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.

21. SHORT-TERM INVESTMENTS

	Note	2013	2012
		(Rupees in '000)	
Loans and receivables			
Term deposits with banks having maturity of:			
- six to twelve months		-	6,000
- three months or less	43	1,995,450	1,525,475
		1,995,450	1,531,475

21.1 The mark-up on term deposits denominated in local currency ranges between 8.9% and 12% (2012: 11% and 13.80%) per annum, whereas mark-up on term deposits denominated in foreign currency ranges between 1.5% and 2.95% (2012: 2.2% to 2.5%) per annum.

22. CASH AND BANK BALANCES

	Note	2013	2012
		(Rupees in '000)	
Cash at bank:			
- in current accounts			
- local currency		392,946	462,825
- foreign currency		114,197	54,478
		507,143	517,303
- in saving accounts	22.1 & 22.2		
- local currency		1,278,218	1,102,231
- foreign currency		1,932	121,864
		1,280,150	1,224,095
Cash in hand		1,008	908
		1,788,301	1,742,306

22.1 The mark-up on savings accounts in local currency ranges between 6% and 9.25% (2012: 5% and 11.25 %) per annum.

22.2 This includes Rs 2.126 million (2012: Rs 2.126 million) and Rs 3 million (2012: Rs Nil) held as security by Habib Bank Limited, P.N.S.C. Branch and Soneri Bank Limited, AKU Branch respectively against guarantees issued on behalf of the Holding Company.

23. SHARE CAPITAL

23.1 Issued, subscribed and fully paid-up capital

2013	2012		2013	2012
(No. of Shares)			(Rupees in '000)	
24,130,789	24,130,789	Ordinary shares of Rs 10 each issued as fully paid to shareholders of former NSC and PSC in consideration of their shareholdings in those companies	241,308	241,308
25,900,000	25,900,000	Ordinary shares of Rs 10 each issued as fully paid to the Government of Pakistan (GoP) for cash received in 1985	259,000	259,000
64,309,800	64,309,800	Ordinary shares of Rs 10 each issued as fully paid to the GoP on financial restructuring of the Holding Company in the year 1989-90	643,098	643,098
17,722,791	17,722,791	Ordinary shares of Rs 10 each issued as fully paid bonus shares	177,228	177,228
132,063,380	132,063,380		1,320,634	1,320,634

23.2 As at June 30, 2013 Government of Pakistan held 107,128,363 (2012: 107,128,363) ordinary shares of the Holding Company.

24. RESERVES

	Note	2013	2012
		(Rupees in '000)	
Capital reserves	24.1	131,344	131,344
Revenue reserves			
- actuarial losses		(228,743)	(154,433)
- unappropriated profit (including general reserves)		19,221,818	17,293,762
		19,124,419	17,270,673

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

25. NON-CONTROLLING INTEREST

	2013	2012
	(Rupees in '000)	
Share of non-controlling interest in:		
- share capital	59	59
- general reserve	10	10
- unappropriated profit	1,754	1,491
- profit for the year	309	263
	2,132	1,823

	Note	2013	2012
		(Rupees in '000)	

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

As at July 1		825,776	684,003
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		6,975	7,562
Related deferred tax liability		2,198	2,628
		9,173	10,190
		816,603	825,776
Less: Related deferred tax liability on :			
- Revaluation as at July 1		45,666	16,421
- Incremental depreciation charged during the current year on related assets transferred to profit and loss account		(2,198)	(2,628)
- deferred tax impact on revaluation of fixed assets during the current year		-	28,932
- Effect of change in statutory tax rate for next year		(1,305)	-
- Effect of allocation ratio of revenue under presumptive tax regime and normal tax regime		(4,449)	2,941
		37,714	45,666
As at June 30		778,889	780,110
Less: Surplus on revaluation of fixed assets attributable to non controlling interest		524	524
		778,365	779,586

27. LONG - TERM FINANCING

Financing under syndicate term finance agreement	27.1	6,282,672	6,080,359
Less: Current portion		1,150,674	943,482
		5,131,998	5,136,877
Financing under Term Finance Certificates agreement	27.1	907,496	878,274
Less: Current portion		166,208	136,281
		741,288	741,993
		5,873,286	5,878,870

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

As at June 30, 2013, the Holding Company has drawn Rs 8,733.757 million (2012: Rs 7,438.806 million) and Rs 1,261.543 million (2012: Rs 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 103.507 million (2012: Rs 88.160 million) was included in the amortised cost of the long term financing whereas the remaining amount of Rs 3.155 million has been expensed out upon completion of the drawdowns and expiry of the facility thereof on September 7, 2012.

28. DEFERRED LIABILITIES

	Note	2013	2012
		(Rupees in '000)	
Employees' gratuity			
- funded	28.1.3	72,652	202,883
- unfunded	28.1.3	67,166	51,122
		139,818	254,005
Post retirement medical benefits	28.1.3	200,957	131,833
Employees' compensated absences	28.2.3	225,799	197,863
		566,574	583,701

28.1 Retirement benefit schemes

28.1.1 The disclosures made in note 28.1.2 to 28.1.13 are based on the information included in the actuarial valuation report as of June 30, 2013.

28.1.2 As stated in notes 4.14.2 and 4.14.3 of these consolidated financial statements, the Group operates a funded retirement gratuity scheme for permanent employees who joined the Holding Company before 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, 2013 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the defined benefit obligation schemes:

	2013		2012	
	Employees' gratuity (funded and unfunded)	Post retirement medica benefits l	Employees gratuity (funded and unfunded)	Post retirement medical benefits
Discount rate	11.00%	11.00%	13.50%	13.50%
Future salary increases - for permanent employees				
For the year 2013-14, 2015-16 and 2017-18	2.00%	N/A	2.00%	N/A
For the year 2014-15, 2016-17 and 2018-19	40.00%	N/A	40.00%	N/A
For the year 2019-20 and onwards	9.00%	N/A	11.50%	N/A
Future salary increases - for contractual employees				
For the year 2012-13 till 2017-18	15.00%	N/A	15.00%	N/A
For the year 2018-19 and onwards	9.00%	N/A	11.50%	N/A
Medical escalation rate	N/A	11.00%	N/A	10.50%

Death rates based on SLIC (2001-05) Ultimate mortality tables.

	2013			2012		
	Employees' gratuity		Post retirement medical benefits	Employees' gratuity		Post retirement medical benefits
	Funded	Unfunded		Funded	Unfunded	
	-------------	-------------	(Rupees in '000)	-------------	-------------	-------------
28.1.3 Balance sheet reconciliation						
Present value of defined benefit obligation	435,454	67,166	200,957	438,334	51,122	131,833
Fair value of plan assets	(362,802)	-	-	(235,451)	-	-
Net liability in the balance sheet	72,652	67,166	200,957	202,883	51,122	131,833
28.1.4 Movement in present value of defined benefit obligation						
As at July 1	438,334	51,122	131,833	312,663	28,300	143,944
Current service cost	11,156	8,791	5,195	9,990	6,258	3,680
Interest cost	53,094	7,097	22,730	42,338	4,259	19,857
Benefits paid	(82,770)	(4,160)	(25,342)	(48,490)	(1,242)	(11,571)
Recognised prior service cost	-	-	13,575	53,762	-	-
Remeasurements on obligation	15,640	4,316	52,966	68,071	13,547	(24,077)
As at June 30	435,454	67,166	200,957	438,334	51,122	131,833
28.1.5 Movement in fair value of plan assets						
As at July 1	235,451	-	-	210,767	-	-
Expected return on plan assets	24,842	-	-	27,515	-	-
Contribution	200,000	-	-	50,000	-	-
Benefits paid	(82,770)	-	-	(48,490)	-	-
Remeasurements: Difference between actual return and expected return on assets	(14,721)	-	-	(4,341)	-	-
As at June 30	362,802	-	-	235,451	-	-
28.1.6 Movement in net liability in the balance sheet						
As at July 1	202,883	51,122	131,833	101,896	28,300	143,944
Expense recognised for the year	39,408	15,888	41,500	78,575	10,517	23,537
Contributions made by the holding company / payments	(200,000)	(4,160)	(25,342)	(50,000)	(1,242)	(11,571)
Net actuarial losses / (gains) for the year	30,361	4,316	52,966	72,412	13,547	(24,077)
	72,652	67,166	200,957	202,883	51,122	131,833
28.1.7 The amounts recognised in the income statement						
Current service cost	11,156	8,791	5,195	9,990	6,258	3,680
Net interest amount	28,252	7,097	22,730	14,823	4,259	19,857
Prior service cost	-	-	13,575	53,762	-	-
Expenses	39,408	15,888	41,500	78,575	10,517	23,537
28.1.8 Actual return on plan assets						
Expected return on plan assets	24,842	-	-	27,515	-	-
Actuarial loss on plan assets	(14,721)	-	-	(4,341)	-	-
Actual return on plan assets	10,121	-	-	23,174	-	-

		Rupees in '000	%	Rupees in '000	%
28.1.9	Major categories / composition of plan assets				
	Cash and cash equivalents	61,164	16.86%	33,656	14.29%
	TDR of private commercial banks (non quoted)	301,638	83.14%	201,795	85.71%
		362,802	100%	235,451	100%

28.1.10 The actual return on plan assets for the year ended June 30, 2013 was Rs 10.121 million (2012: Rs 23.170 million).

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

28.1.12 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	2013	2012	2011
	-----------(Rupees in '000)-----------		
Present value of defined benefit obligation	502,620	489,456	340,963
Fair value of plan assets	(362,802)	(235,451)	(210,767)
Deficit	139,818	254,005	130,196
Experience (gain) / loss on defined benefit obligation	(29,117)	(19,666)	75,858
Experience (loss) / gain on plan assets	(14,721)	(4,341)	(4,252)
Post retirement medical benefits			
Present value of defined benefit obligation	200,957	131,833	143,944
Experience adjustment on defined benefit obligation	9,978	(10,898)	16,238

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

	One percentage point increase	One percentage point decrease
	(Rupees in '000)	
Effect on aggregate of service cost and interest cost	838	(797)
Effect on defined benefit obligation	5,940	(5,651)

28.2 Employees' compensated absences

28.2.1 The disclosures made in notes 28.2.2 to 28.2.5 are based on the information included in the actuarial valuation as of June 30, 2013.

28.2.2 As stated in note 4.15, the group 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, 2013 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the scheme:

	2013	2012
Discount rate	11.00%	13.50%
Future salary increases - for permanent employees		
For the year 2014-15 and 2016-17	40.00%	40.00%
For the year 2013-14, 2015-16 and 2017-18	2.00%	2.00%
For the year 2018-19 and onwards	9.00%	11.50%
Future salary increases - for contractual employees		
For the year 2012-13 till 2016-17	15.00%	15.00%
For the year 2017-18 and onwards	9.00%	11.50%

	2013	2012
	(Rupees in '000)	
28.2.3 Balance sheet reconciliation		
Present value of defined benefit obligation (recognised)	225,799	197,863
28.2.4 Movement in present value of defined benefit obligation		
As at July 1	197,863	159,300
Current service cost	46,852	37,139
Interest cost	30,261	23,496
Remeasurements on obligation	22,675	26,453
Benefits paid	(71,852)	(48,525)
As at June 30	225,799	197,863
28.2.5 Expenses		
Current service cost	46,852	37,139
Interest cost	30,261	23,496
Remeasurements on obligation	22,675	26,453
Expense	99,788	87,088

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

	2013	2012	2011
	------------(Rupees in '000)------------		
Present value of defined benefit obligation	225,799	197,863	159,300
Experience (gain) / loss on defined benefit obligation	(1,232)	(19,354)	25,730

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

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

	Rupees in '000
Gratuity	37,882
Post retirement medical benefits	25,250
Compensated absences	83,681

28.4 During the year the Group contributed Rs 11.876 million (2012: 10.227 million) to the provident fund.

	Note	2013	2012
		(Rupees in '000)	
29. TRADE AND OTHER PAYABLES			
Creditors		286,024	133,284
Agents' and owners' balances		434,047	68,338
Accrued liabilities		665,087	420,532
Deposits	29.1	38,133	36,248
Workers' Profits Participation Fund	29.2	-	-
Derivative instruments	29.3	105,237	424,801
Unclaimed dividends		28,079	26,723
Sales tax payable		186	1,932
Bills payable		33,142	138,154
Advance from customers		136,678	133,743
Other liabilities			
- amounts retained from contractors		22,918	27,145
- others		104,780	122,301
		127,698	149,446
		1,854,311	1,533,201

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

29.2 Workers' Profits Participation Fund

	2013	2012
	(Rupees in '000)	
As at July 1	-	11,503
Allocation for the year	-	-
Interest on fund utilised during the year	-	168
	-	11,671
Less:		
Payments made during the year	-	10,037
Reversal of excess provision	-	1,634
As at June 30	-	-

29.3 The Holding Company has entered into a cross currency interest rate swap of Rs 9,995.300 million in respect of its borrowing (note 27). 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, the Holding Company had 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 140.098 million (2012: Rs 282.434 million) (unfavourable) and Rs 30.667 million (2012: Rs 5.679 million) (favourable) to the Holding Company as of the balance sheet date which has been decreased by the net interest receivable and exchange loss aggregating Rs 4.194 million (2012: Payable Rs 148.046 million) as at June 30, 2013.

	Note	2013	2012
		(Rupees in '000)	
30. PROVISION AGAINST DAMAGE CLAIMS			
As at July 1		20,111	28,327
Charge during the year	37	7,663	4,771
Utilised during the year		(452)	(3,084)
Reversed during the year		(4,984)	(9,903)
As at June 30		22,338	20,111

31. CONTINGENCIES AND COMMITMENTS

Contingencies

31.1 Amount in respect of claims not admitted by the Group as at June 30, 2013 aggregate to Rs 313.873 million (2012: Rs 293.756 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo and damages to cargo. These include Rs 5.429 million (2012: Rs 5.158 million) approximately in respect of insurance claims which, if accepted, will be borne by the Holding Company as the P&I Club, Oceanus Mutual Underwriting Association (Bermuda) Limited has gone into liquidation. Out of the remaining claims, a sum of Rs 152.058 million (2012: Rs 247.952 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 Holding Company. As a matter of prudence, the management has made a total provision of Rs 22.338 million (2012: Rs 20.206 million) against the aforementioned claims in these financial statements.

31.2 The Holding Company has not accepted liability in respect of customs duty approximating Rs 2.5 million (2012: 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.

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 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 (2012: 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 (2012: 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.

31.4 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 (2012: Rs 102.468 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.

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 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 had 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.

31.6 During the year ended June 30, 2011, the Officer Inland Revenue (OIR) has issued assessment orders under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax years 2008, 2009 and 2010. According to the orders, the OIR 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 has 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.

31.7 During the year ended June 30, 2012, the Officer Inland Revenue (OIR) had 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. 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 had paid Rs 160.513 million (2012: Rs 100 milion) 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.

31.8 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 2012 against the holding company. According to the orders, the OIR has made certain additions and determined additional tax demand of Rs 107.499 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 Holding Company on the contention that the same is equity specific and hence being capital in nature. The Holding Company has paid Rs 65 million under protest and has filed an appeal with the Commissioner of Income Tax (Appeals) and at present the matter is pending for hearing. The management of the holding company is confident that the subject matter in respect of tax year 2012 will eventually be decided in favour of the Holding Company.

31.9 Without prejudice to the Holding Company's contention on the matters stated in notes 31.5 to 31.7, the management has as a matter of prudence, has provided an aggregate amount of Rs 250 million (2012: Rs 250 million) in respect of aforementioned matters.

31.10 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 KSPL is confident that the matter in the appeal shall eventually be decided in its favour. Without prejudice to the contentions of the management, the management has as a matter of prudence provided for amount aggregating Rs 70.315 million as payment under protest in these consolidated financial statements.

31.11 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.

31.12 During the year ended June 30, 2012, the Taxation Officer (TO) issued an amended assessment order under section 122(5A) of the Income Tax Ordinance, 2001 in respect of tax year 2009 against Kaghan Shipping (Private) Limited (KSPL). According to the amended order, TO increased tax liability by Rs 20.279 million by taxing exchange gain under normal provisions and levying WWF on KSPL. KSPL filed an appeal against the subject order with Commissioner of Income Tax (Appeals) – CIT(A) who in his order, deleted the additions made by the taxation officer. Being, aggrieved by the decision, the tax authorities have filed appeals with the Appellate Tribunal Inland Revenue which are pending hearing.

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

31.13 The Taxation Officer (TO) issued an amended assessment order under section 122(5A) of the Income Tax Ordinance, 2001 in respect of tax year 2004 against Swat Shipping (Private) Limited (SSPL). According to the amended order, TO made additions to taxable income of SSPL aggregating to Rs 58.018 million mainly on account of other income and gain on sale of fixed assets, by taxing them separately. The SSPL made payment of Rs 11.89 million under protest, against the additional tax demand of Rs 23.787 million raised by the TO in his order and filed an appeal against the subject order with Commissioner of Income Tax (Appeals) – CIT(A). CIT(A), in his order, allowed partial relief to SSPL by reducing additional tax assessed to Rs 10.676 million resulting in refund claim of Rs 1.217 million. Being, aggrieved by the decision, SSPL and the tax authorities have filed appeals with the appellate tribunal inland revenue which are pending 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.

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

During the year ended June 30, 2011, the Honourable High Court had heard the appeal filed by LSPL and reduced the tax demand raised by TO to Rs 68.284 million. LSPL 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 LSPL. 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 LSPL is confident that the matter shall eventually be decided in favour of LSPL. However, the management, without prejudice to its contention in respect of the subject matter, as a matter of prudence, had provided an aggregate amount of Rs 68.284 million in this respect.

31.15 Outstanding letters of guarantee amount to Rs 5.126 million (2012: Rs 2.126 million).

Commitments

31.16 Commitments in respect of capital expenditure amount to Rs 285.589 million (2012: Rs 96 million).

	Note	2013	2012
		(Rupees in '000)	
32. INCOME FROM SHIPPING BUSINESS			
Owned vessels			
Combi vessels		156,960	560,317
Bulk carriers		1,772,202	1,816,886
Oil tankers		4,622,121	4,219,004
		6,551,283	6,596,207
Chartered vessels			
Slot charter		2,121,883	1,493,380
Oil tankers		3,455,610	704,156
		5,577,493	2,197,536
		12,128,776	8,793,743
33. FLEET EXPENSES - DIRECT			
Stevedoring and transhipment expenses		12,363	11,598
Diesel, fuel and lubricants consumed		2,158,061	2,393,941
Ocean loss		63,063	52,313
Port, light, canal and customs dues		548,370	505,322
Salaries and allowances		530,361	546,898
Charter hire and related expenses	33.1	3,689,356	1,227,771
Fleet communication expenses		18,149	19,705
Agency commission and brokerage		123,571	161,294
Victualling expenses		60,256	57,820
Insurance		266,834	275,628
Claim charges		1,814	17,747
Stores and spares consumed		184,933	182,195
Repairs, maintenance and special surveys		122,996	117,286
Depreciation on opening incomplete voyage	19	9,452	15,782
Depreciation	6.6	982,016	990,089
		991,468	1,005,871
Exchange loss		11,026	19,585
Service Sales tax expense		4,218	3,033
Additional war risk		11,437	-
Sales tax expense		1,193	-
Sundry expenses		63,147	50,393
		8,862,616	6,648,400

	Note	2013	2012
		(Rupees in '000)	

33.1 Charter hire and related expenses

	Note	2013	2012
- Oil tanker		2,644,257	558,412
- Slot Charter		1,045,099	669,359
		3,689,356	1,227,771

34. FLEET EXPENSES - INDIRECT

	Note	2013	2012
Conference establishment expenses		300	295
Salaries and allowances	34.1	21,083	15,413
Agents' and other general expenses	34.2	8,738	8,420
Legal and professional		1,967	1,338
Depreciation	6.6	458	454
General establishment expenses – regional offices		626	692
		33,172	26,612

34.1 This includes Rs 1.215 million (2012: Rs 1.019 million) in respect of provident fund contribution.

	Note	2013	2012
		(Rupees in '000)	

34.2 Agents' and other general expenses

	Note	2013	2012
Legal fees and charges		804	283
Printing and stationery		40	99
Advertisement and publicity		1,191	2,408
Telephone, telex and postage		5,288	4,006
Air freight		1,127	1,206
Bank charges and commission		273	409
Other miscellaneous expenses		15	9
		8,738	8,420

35. REAL ESTATE EXPENSES

	Note	2013	2012
Salaries and allowances	35.1	12,939	11,638
General establishment expenses	35.2	18,113	14,234
Rent, rates and taxes		7,144	6,831
Insurance		4,029	3,811
Depreciation	6.6	20,282	67,987
Legal and professional charges		3,428	163
		65,935	104,664

35.1 This includes Rs 0.289 million (2012: Rs 0.357 million) in respect of provident fund contribution.

		Note	2013	2012
			(Rupees in '000)	
35.2	General establishment expenses			
	Repairs and maintenance		3,171	3,803
	Medical expenses		-	112
	Security charges		4,340	3,830
	Light, power and water		10,249	6,263
	Vehicle running, repairs and maintenance		353	226
			18,113	14,234
36.	ADMINISTRATIVE AND GENERAL EXPENSES			
	Workshop management expense		55,704	41,886
	Salaries and allowances	36.1	452,476	365,494
	General establishment expenses	36.2	164,979	135,064
	Rent, rates and taxes		7,568	8,103
	Scholarship and training expenses		2,620	1,041
	Insurance		3,947	3,629
	Depreciation	6.6	27,885	37,189
	Directors' fee	44.2	955	530
	Legal and professional charges		17,400	15,558
	Provision for doubtful trade debts	14.2	88,223	-
	Others		1,380	-
			823,137	608,494

36.1 This includes Rs 10.377 million (2012: Rs 8.851 million) in respect of provident fund contribution.

		2013	2012
		(Rupees in '000)	
36.2	General establishment expenses		
	Repairs and maintenance	10,578	5,168
	Medical expenses	43,818	40,317
	Contribution to employees welfare fund	11	7
	Contribution to group term insurance	1,766	1,734
	Security charges	1,839	1,156
	Travelling and conveyance	31,118	28,717
	Entertainment and canteen subsidy	2,763	2,204
	Books, periodicals and subscription	5,673	3,045
	Uniform and liveries	800	913
	Hajj expenses	1,767	1,285
	Printing and stationery	3,115	4,208
	Telephone, telex and postage	7,323	7,444
	Light, power and water	17,420	5,226
	Computer expenses	7,468	6,951
	Advertisement and publicity	3,909	2,893
	Vehicle running, repairs and maintenance	16,789	14,569
	Ship inspection expenses	581	1,100
	Sundries	8,241	8,127
		164,979	135,064

		Note	2013	2012
			(Rupees in '000)	
37.	OTHER OPERATING EXPENSES			
	Reversal of Workers' Profits Participation Fund	29.2	-	(1,634)
	Donations	37.1	100	500
	Auditors' remuneration	37.2	7,529	12,210
	Employees' gratuity			
	- funded	28.1.7	39,408	78,575
	- unfunded	28.1.7	15,888	10,517
			55,296	89,092
	Post retirement medical benefits	28.1.7	41,500	23,537
	Employees' compensated absences	28.2.5	99,788	87,088
	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
	Provision in respect of damage claims	30	7,663	4,771
	Others		-	9,744
			211,876	514,133

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

37.2 Auditors' remuneration

	2013			2012		
	A. F. Ferguson & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total	A. F. Ferguson & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total
	(Rupees in '000)					
Audit fee - the holding company	1,036	1,036	2,072	900	900	1,800
Audit fee - subsidiaries	1,461	1,461	2,922	1,366	1,366	2,732
Review of half yearly financial statements	350	350	700	300	300	600
Review of compliance with the best practices of the code of Corporate Governance	100	100	200	80	80	160
Fee for audit of the consolidated financial statements	125	125	250	110	110	220
Tax advisory services	692	-	692	5,693	-	5,693
Fee for special review	-	-	-	225	-	225
CDC share holding verification	-	15	15	-	15	15
Out of pocket expenses	375	303	678	495	270	765
	4,139	3,390	7,529	9,169	3,041	12,210

	Note	2013	2012
		(Rupees in '000)	

38. OTHER INCOME

Income from financial assets / liabilities

	Note	2013	2012
Interest / mark-up on loans and advances to employees		-	20
Income from savings and term deposits		251,535	203,969
Dividend income		1,233	420
Agency fee		9,039	4,260
Liabilities no longer payable written back		-	38,945
Gain on revaluation of long-term investments		15,758	-
Gain on revaluation of swap derivative - net		167,324	-
Gain on revaluation of investment properties - net	8	-	82,968
Exchange gain	38.2	33,086	60,124
Income from non-financial assets			
Profit on disposal of fixed assets		118,401	272,754
Sale of scrap		334	-
Provisions no longer required written back		24,200	9,903
Provision for doubtful loans and advances reversed	11.5	-	16
Insurance claims	38.1	181,037	25,812
Cargo claims		-	168
Demurage Income		464	-
Amount recovered in respect of claims		-	77,596
Sundries		98,507	46,389
		900,918	823,344

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

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

39. FINANCE COSTS

	Note	2013	2012
		(Rupees in '000)	
Interest on long-term financing		964,854	1,137,801
Gain on cross currency interest rate swap derivative	39.1	(254,344)	(69,726)
Interest on Workers' Profits Participation Fund		-	168
Bank charges and commission		4,448	3,162
		714,958	1,071,405

39.1 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 254.344 million (2012: Rs 69.726 million).

	2013	2012
	Rupees in '000)	

40. TAXATION

	2013	2012
Tax charge for:		
- current year	299,888	226,292
- prior years	76,372	(120,378)
	376,260	105,914
Deferred	72,662	(141,399)
	448,922	(35,485)
Taxes paid abroad relating to current year	1,897	7,288
	450,819	(28,197)

40.1 Relationship between tax expense and accounting profit

	2013	2012
Accounting profit before tax	2,442,158	724,958
Tax rate	35%	35%
Tax on accounting profit	854,755	253,735
Tax effect in respect of income / expenses not admissible for calculation of taxable profit	70,729	151,551
Tax effect of lower tax rates on certain incomes:		
- Tax saving due to lower tax rates	(15,201)	(27,020)
- Tax saving due to lower tax rates - subsidiaries profit	(444,576)	(296,706)
- Tax liability under final tax regime	(100,465)	(10,328)
	(560,242)	(334,054)
Effect of charging deferred tax on different ratio than current tax	2,368	-
Others (including the impact arising as a consequence of change in allocation ratio of revenue chargeable under FTR and non-FTR tax regime)	4,940	13,661
	(482,205)	(168,842)
	372,550	84,893
Taxes paid abroad	1,897	7,288
Prior years taxation	76,372	(120,378)
Tax expense for the year	450,819	(28,197)

	2013	2012
	(Rupees in '000)	

41. EARNINGS PER SHARE

	2013	2012
Profit after taxation attributable to equity holders of the Group	1,991,030	752,892
	---------(No. of Shares)---------	
Weighted average number of ordinary shares in issue during the year	132,063,380	132,063,380
	---------(Rupees)---------	
Earnings per share - basic	15.08	5.70

There are no dilutive potential ordinary shares outstanding as at June 30, 2013 and 2012.

42. CASH GENERATED FROM OPERATIONS

	Note	2013	2012
		(Rupees in '000)	
Profit before taxation		2,442,158	724,958
Adjustments for non-cash charges and other items:			
Depreciation		1,040,093	1,111,501
Provision in respect of damage claims		7,663	4,771
Provision for employees' gratuity		55,296	89,092
Provision for employees' compensated absences		99,788	87,088
Provision for post retirement medical benefits		41,500	23,537
Dividend income		(1,233)	(420)
Provision for impairment on doubtful receivables		88,223	-
Provision no longer required written back	30	(4,984)	(9,903)
Liabilities no longer required written back		-	(38,945)
Interest / mark-up income		(251,535)	(203,989)
Interest / mark-up expense		969,302	1,137,801
(Gain) / loss on revaluation of investments		(15,758)	4,430
Gain on revaluation of investment properties		-	(82,968)
Gain on disposal of fixed assets		(118,401)	(272,754)
Gain on revaluation of CSS		(167,324)	
(Gain) / loss on cross currency interest rate swap derivative		(254,344)	213,159
Long term advance rent earned		(11,349)	-
Working capital changes	42.1	(695,288)	101,652
		3,223,807	2,889,010

	2013	2012
	(Rupees in '000)	

42.1 Working capital changes

	2013	2012
(Increase) / decrease in current assets:		
Stores and spares	(262,708)	65,564
Trade debts - net	(833,844)	222,510
Agents' and owners' balances - net	(8,462)	5,914
Loans and advances	(34,831)	29,905
Deposits and short term prepayments	(10,077)	581
Other receivables	(78,889)	63,333
Incomplete voyages	36,160	(32,113)
Insurance claims	(147,955)	15,187
Short term investment	6,000	(600)
	(1,334,606)	370,281
(Decrease) / increase in current liabilities:		
Trade and other payables	639,318	(268,629)
	(695,288)	101,652

43. CASH AND CASH EQUIVALENTS

	2013	2012
Short-term investments	1,995,450	1,525,475
Cash and bank balances	1,788,301	1,742,306
	3,783,751	3,267,781

44. 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	
	2013	2012	2013	2012	2013	2012
			(Rupees in '000)			
Managerial remuneration and allowances	2,099	2,855	19,464	17,260	198,085	178,506
Retirement benefits	-	-	-	-	925	4,674
House rent	600	1,067	2,679	2,387	70,955	56,921
Conveyance	-	-	-	-	4,976	3,685
Entertainment	121	111	547	436	1,937	1,094
Medical	318	96	1,252	1,009	8,477	4,574
Utilities	136	168	1,844	1,696	26,971	25,416
Personal staff subsidy	22	-	-	-	127	137
Club membership fee and expenses	249	21	737	90	-	64
Bonus	-	-	1,550	1,355	17,168	15,256
Other allowances	203	-	-	-	162,135	143,227
	3,748	4,318	28,073	24,233	491,756	433,554
Number of persons	2	1	5	5	207	197

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

44.2 The aggregate amount charged in the consolidated financial statements for fee to 5 (2012: 5) non-executive directors was Rs 0.955 million (2012: Rs 0.530 million).

44.3 During the year the former chairman left the Holding Company on February 26, 2013 and the incoming chairman joined office on February 26, 2013.

45. FINANCIAL INSTRUMENTS BY CATEGORY

	2013	2012
	(Rupees in '000)	
FINANCIAL ASSETS		
Financial assets at fair value through profit or loss		
Long-term investments - listed companies	38,111	22,353
Loans and receivables		
Long-term loans - employees	58	72
Trade debts	1,177,691	432,070
Agents' and owners' balances	8,991	529
Deposits	5,324	3,347
Interest / mark-up accrued	19,899	9,453
Other receivables	167,978	89,089
Insurance claims	169,440	21,485
Short-term investments	1,995,450	1,531,475
Cash and bank balances	1,788,301	1,742,306
	5,333,132	3,829,826
Available-for-sale financial assets		
Long-term investments - other entity	100	100
	5,371,343	3,852,279
FINANCIAL LIABILITIES		
Financial liabilities at fair value through profit and loss		
Derivative instrument	105,237	424,801
Financial liabilities at amortised cost		
Long term financing	7,190,168	6,958,633
Trade and other payables	1,612,210	972,725
Accrued mark-up on long-term financing	91,087	105,963
	8,998,702	8,462,122

46. FINANCIAL RISK MANAGEMENT

46.1 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.

46.1.1 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 5,370.335 million (2012: Rs 3,851.371 million).

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

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

46.1.2 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, 2013, 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 81.913 million (2012: Rs 13.524 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, 2013, the effect 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 (note 27). 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 29) 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, 2013, 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 30.480 million (2012: Rs 30.192 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.

46.1.3 Liquidity risk

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

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

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

	Contractual cash flows	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	More than 5 years
	------------------------------ (Rupees in '000)				------------------------------
Long term financing	9,694,388	2,109,536	1,956,723	4,940,387	687,742
Trade and other payables	1,612,210	1,612,210	-	-	-
Derivative instruments	105,237	105,237	-	-	-
Accrued mark-up on long-term financing	91,087	91,087	-	-	-
	11,502,922	3,918,070	1,956,723	4,940,387	687,742

46.1.4 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 measurment:

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

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

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

The Group's financial assets measured at fair value comprise of level 1 financial assets amounting to Rs 38.111 million (2012: Rs 22.353 million) and level 3 amounting to Nil (2012: Nil).

46.1.5 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 35:65 and debt service coverage ratio of 1.85 times.

47. ENTITY WIDE INFORMATION

47.1 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.

47.2 Information about services

The Group's principal classes of services accounted for as disclosed in note 32 of these consolidated financial statements.

47.3 Information about geographical areas

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

47.4 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:

	2013	
	Revenue	
	Amount	% of Total
Client 1	2,941,168	24
Client 2	2,556,927	21
Client 3	1,348,604	11
	6,846,699	56

	2012	
	Revenue	
	Amount	% of Total
Client 1	2,128,093	24
Client 2	1,243,419	14
	3,371,512	38

48. 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 44 of these consolidated financial statements.

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

	Note	2013	2012
		(Rupees in '000)	
Contribution to Provident Fund		11,881	10,227
Key management personnel compensation	44	31,821	28,551
Directors' fee		955	530

49. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on latest un-audited financial statements of the Fund:

	2013	2012
	(Rupees in '000)	
Size of the fund - Total assets	916,676	869,418
Cost of investments made	769,480	630,000
Percentage of investments made	92.75%	74.41%
Fair value of investments	850,181	646,916

49.1 The break-up of fair value of investments is:

	-----------2013-----------		-----------2012-----------	
	(Rs in '000)	----%----	(Rs in '000)	----%----
Government securities	95,785	12%	9,829	2%
Debt securities	300,000	35%	300,000	46%
Mutual funds	454,396	53%	337,087	52%
	850,181	100%	646,916	100%

49.2 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose except for in case of investments made by the Provident Fund in a mutual fund which is more than the aurthorised 50% of total investments as per the rules of the Fund.

50. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2013 and 2012 respectively are as follows:

	2013	2012
	No of employees	
Average number of employees during the year	981	1,032
Number of employees as at June 30, 2013 / 2012	972	989

Notes to and Forming Part of the Consolidated Financial Statements For the year ended June 30, 2013

51. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

51.1 The Board of Directors at the meeting held on September 24, 2013 have proposed cash dividend of Re 1 per share (2012: Re 0.50 per share) for the year ended June 30, 2013, amounting to Rs 132.063 million (2012: Rs 66.032 million) subject to the approval of the members at the annual general meeting to be held on October 25, 2013. The consolidated financial statements for the year ended June 30, 2013 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 consolidated financial statements were authorised for issue on September 24, 2013 by the Board of Directors of the Holding Company.

Muhammad Siddique Memon
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

A repository of knowledge, the PNSC library.

Report and Accounts
of

Pakistan National Shipping Corporation (Holding Company)

for the year ended June 30, 2013

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

ERNST & YOUNG FORD RHODES SIDAT HYDER
CHARTERED ACCOUNTANTS
a member firm of Ernst & Young Global Limited
PROGRESSIVE PLAZA
BEAUMONT ROAD
KARACHI

Auditors' Report to the Members

We have audited the annexed balance sheet of Pakistan National Shipping Corporation as at June 30, 2013 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 4.1.1 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;

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BEAUMONT ROAD
KARACHI

(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, 2013 and of the profit, its changes in equity and cash flows for the year then ended; and

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

A. F. FERGUSON & CO.
Chartered Accountants
Karachi: September 24, 2013
Audit Engagement Partner : Saad Kaliya

ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Karachi: September 24, 2013
Audit Engagement Partner : Pervez Muslim

Balance Sheet

As at June 30, 2013

	Note	2013	2012
		(Rupees in '000)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	1,535,411	1,527,195
Intangible asset	7	-	-
Investment properties	8	1,080,596	1,080,596
Long-term investments in:			
- Related parties (subsidiaries and an associate)	9	25,189,063	23,852,948
- Listed companies and an other entity	10	38,211	22,453
		25,227,274	23,875,401
Long-term loans and advances	11	58	72
Deferred taxation-net	12	80,552	134,127
		27,923,891	26,617,391
CURRENT ASSETS			
Stores and spares	13	100,381	16,807
Trade debts	14	771,219	189,732
Agents' and owners' balances	15	8,991	529
Loans and advances	16	67,544	32,647
Deposits and short-term prepayments	17	37,126	26,649
Interest / mark-up accrued on bank deposits and investments		19,836	9,390
Other receivables	18	35,450	12,234
Incomplete voyages	19	50,242	63,536
Insurance claims	20	-	47
Taxation-net		252,591	242,769
Short-term investments	21	1,995,450	1,525,475
Cash and bank balances	22	1,778,997	1,740,027
		5,117,827	3,859,842
TOTAL ASSETS		33,041,718	30,477,233
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised (200,000,000 Ordinary shares of 10 each)		2,000,000	2,000,000
Issued, subscribed and paid-up capital	23	1,320,634	1,320,634
Reserves	24	5,633,268	5,107,078
		6,953,902	6,427,712
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX	25	776,064	777,285
NON-CURRENT LIABILITIES			
Long-term financing	26	5,873,286	5,878,870
Deferred liabilities	27	566,574	583,701
Advance Rent		-	11,349
		6,439,860	6,473,920
CURRENT LIABILITIES			
Trade and other payables	28	17,441,585	15,592,479
Provision against damage claims	29	22,338	20,111
Current portion of long-term financing	26	1,316,882	1,079,763
Accrued-markup on long-term financing		91,087	105,963
		18,871,892	16,798,316
TOTAL EQUITY AND LIABILITIES		33,041,718	30,477,233
CONTINGENCIES AND COMMITMENTS	30		

The annexed notes 1 to 54 form an integral part of these financial statements.

Muhammad Siddique Memon
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

Profit and Loss Account

For the year ended June 30, 2013

	Note	2013	2012
		(Rupees in '000)	
REVENUES			
Chartering revenues	31	5,577,493	2,197,536
Service fees	32	262,051	263,848
Rental income		123,348	81,079
Dividend income from subsidiaries		-	235,469
		5,962,892	2,777,932
EXPENDITURE			
Fleet expenses - direct	33	(3,703,500)	(1,254,781)
- indirect	34	(28,777)	(23,989)
Vessel management expenses	35	(429,990)	(462,251)
Real estate expenses	36	(65,935)	(104,664)
		(4,228,202)	(1,845,685)
GROSS PROFIT		1,734,690	932,247
Administrative and general expenses	37	(278,430)	(116,749)
Other income	38	530,695	505,073
Other operating expenses	39	(201,157)	(492,924)
		51,108	(104,600)
OPERATING PROFIT		1,785,798	827,647
Finance costs	40	(711,933)	(1,069,279)
PROFIT / (LOSS) BEFORE TAXATION		1,073,865	(241,632)
Taxation	41	(414,308)	77,085
PROFIT / (LOSS) AFTER TAXATION		659,557	(164,547)
OTHER COMPREHENSIVE (LOSS) FOR THE YEAR			
Item that will not be reclassified to profit and loss			
Recognition of actuarial losses		(87,643)	(61,882)
Income tax on actuarial losses		13,333	(2,718)
Total items that will not be reclassified to profit and loss		(74,310)	(64,600)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		585,247	(229,147)
		------------(Rupees)------------	
EARNINGS / (LOSS) PER SHARE	42	4.99	(1.25)

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

The annexed notes 1 to 54 form an integral part of these financial statements.

Muhammad Siddique Memon
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

Statement of Changes in Equity

For the year ended June 30, 2013

	Issued, subscribed and paid-up share capital	Capital reserve	Revenue Reserves		Total
			Actuarial losses	Unappropri-ated profit	
	-----------------------(Rupees in '000)-----------------------				
Balance as at July 1, 2011	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)
Total comprehensive loss for the year ended June 30, 2012					
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)
Total comprehensive loss for the year	-	-	(64,600)	(164,547)	(229,147)
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 25)	-	-	-	7,562	7,562
Balance as at June 30, 2012	1,320,634	126,843	(154,433)	5,134,668	6,427,712
Final cash dividend for the year ended June 30, 2012 (Re 0.5 per ordinary share)	-	-	-	(66,032)	(66,032)
Total comprehensive income for the year ended June 30, 2013					
Net profit after tax for the year ended June 30, 2013	-	-	-	659,557	659,557
Other comprehensive loss for the year ended June 30, 2013	-	-	(74,310)	-	(74,310)
Total comprehensive income for the year	-	-	(74,310)	659,557	585,247
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 25)	-	-	-	6,975	6,975
Balance as at June 30, 2013	1,320,634	126,843	(228,743)	5,735,168	6,953,902

The annexed notes 1 to 54 form an integral part of these financial statements.

Muhammad Siddique Memon
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

Cash Flow Statement

For the year ended June 30, 2013

	Note	2013	2012
		(Rupees in '000)	
Cash flows from operating activities			
Cash generated from operations	43	3,024,271	2,593,446
Employees' gratuity paid		(204,160)	(51,242)
Employees' compensated absences paid		(71,852)	(48,525)
Post retirement medical benefits paid		(25,342)	(11,571)
Long-term loans and advances		14	158
Finance costs paid		(974,015)	(1,166,738)
Receipts under cross currency interest rate swap		102,104	299,602
Advance rent received		-	11,349
Damage claims paid		(452)	(3,084)
Taxes paid		(351,468)	(334,454)
Net cash generated from operating activities		1,499,100	1,288,941
Cash flows from investing activities			
Capital expenditure		(57,104)	(74,420)
Expenditure on 'Investment Properties'		-	(990)
Proceeds from disposal of property, plant and equipment		1,690	12,628
Long-term loans and advances - related parties		-	4,655,158
Long-term investments in - related parties		(1,336,115)	(4,655,158)
Interest / mark-up received		240,420	196,422
Dividends received from others		1,233	420
Dividends received from subsidiary companies		-	464,821
Net cash (used in) / generated from investing activities		(1,149,876)	598,881
Cash flows from financing activities			
Long-term financing obtained / (repaid) - net		224,397	(1,062,824)
Dividend paid		(64,676)	(130,372)
Net cash generated from / (used in) financing activities		159,721	(1,193,196)
Net increase in cash and cash equivalents		508,945	694,626
Cash and cash equivalents at the beginning of the year		3,265,502	2,570,876
Cash and cash equivalents at the end of the year	44	3,774,447	3,265,502

The annexed notes 1 to 54 form an integral part of these financial statements.

Muhammad Siddique Memon
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

Notes to and Forming Part of the Financial Statements For the year ended June 30, 2013

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 Honorable Supreme Court of Pakistan.

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 4.2.1 have been stated at revalued amounts;
- certain investment properties and financial instruments as referred to in notes 4.4, 4.5.1 and 4.5.4 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 4.13 and 4.14.

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 in the following paragraphs:

4.1 Standards, amendments to published approved accounting standards and interpretations

4.1.1 Standards, amendments to published approved accounting standards and interpretations that are effective in the current year

The following amendments to existing standards have been published and are mandatory for the Corporation's accounting period beginning on or after July 1, 2012:

- Amendments to IAS 1, 'Presentation of financial statements' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not have any significant impact on these financial statements other than a change in presentation of items reported under 'other comprehensive income'.

There are other amendments to the standards and new 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 on the Corporation's operations and are, therefore, not detailed in these financial statements.

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

There are certain new and amended standards and interpretations that are mandatory for the Corporation's accounting periods beginning on or after January 1, 2013 but are considered not to be relevant or do not have any material effect on the Corporation's operations and are, therefore, not detailed in these financial statements.

4.2 Fixed assets

4.2.1 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.

4.2.2 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.

4.2.3 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.

4.3 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.

4.4 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.

4.5 Financial instruments

4.5.1 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 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 are carried at amortised cost (note 46).

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.

4.5.2 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.

4.5.3 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.

4.5.4 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.

4.5.5 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.

4.5.6 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.

4.6 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.

4.7 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.

4.8 Taxation

4.8.1 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.

4.8.2 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.

4.9 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.

4.10 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.

4.11 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.

4.12 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.

4.13 Staff retirement benefits

4.13.1 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.

4.13.2 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. The actuarial gains / losses are 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.

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.

4.13.3 Post-retirement medical benefits

The Corporation provides lump sum medical allowance to its retired permanent employees in accordance with the service regulations. 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. Actuarial gains / losses are 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.

4.14 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.

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 Contingent liabilities

- 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.

4.20 Benazir Employees' Stock Option Scheme

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (the "Scheme") 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, 2013, for the years ended June 30, 2013 and 2012 would have been as follows:

	Year ended June 30, 2013	Year ended June 30, 2012
	(Rupees in '000)	
Staff costs of the Corporation for the year would have been higher by	99,001	122,490
Profit / loss after taxation would have been lower / higher by	99,001	122,490
Earnings / loss per share would have been higher / lower by	0.75	0.93
Retained earnings would have been lower by	557,358	458,357
Reserves would have been higher by	557,358	458,357

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 6 and 8);

(b) Determination of the residual values and useful lives of property, plant and equipment (note 6);

(c) Recognition of taxation and deferred taxation (notes 41 and 12);

(d) Accounting for provision for impairment against loans and advances, trade debts, agents and owners balances, deposits and other receivables (notes 11, 14, 15, 16, 17 and 18);

(e) Accounting for provision against damage claims (note 29);

(f) Accounting for defined benefit plans (note 27);

(g) Measuring fair value of cross currency swap and interest rate swap (note 28.3);

(h) Recoverable amount of investment in related parties (note 9); and

(i) Determination of contingent assets and liabilities (note 30).

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

	Note	2013	2012
		(Rupees in ‘000)	

6. PROPERTY, PLANT AND EQUIPMENT

	Note	2013	2012
- Operating fixed assets	6.1	1,220,151	1,239,543
- Capital work-in-progress	6.7	315,260	287,652
		1,535,411	1,527,195

6.1 The following is a statement of operating fixed assets:

	Leasehold land (notes 6.2 & 6.3)	Buildings on leasehold land (notes 6.2 & 6.3)	Vessel (note 6.4)	Vehicles	Office equipment	Furniture and fittings	Motor launch and jetty	Equipment on board	Container fittings	Beach huts (notes 6.2 & 6.3)	Workshop machinery and equipment (note 6.3)	Computer equipment	Total
	-----	-----	-----	-----	-----	-----	(Rupees in ‘000)	-----	-----	-----	-----	-----	-----
As at June 30, 2011													
Cost or revalued amount	607,325	517,856	1,440	64,351	45,563	31,593	18	4,932	3,468	13,152	14,752	32,625	1,337,075
Less: Accumulated depreciation	-	78,373	1,440	55,491	10,127	9,205	18	1,487	3,468	3,289	9,503	14,125	186,526
Net book value	607,325	439,483	-	8,860	35,436	22,388	-	3,445	-	9,863	5,249	18,500	1,150,549
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)	-	-	-	-	(5,473)
Accumulated depreciation	-	315	-	503	60	-	-	804	-	-	-	-	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	649,060	500,540	-	6,307	32,283	18,371	-	949	-	14,988	4,929	12,116	1,239,543
As at June 30, 2012													
Cost or revalued amount	649,060	549,049	1,440	67,777	48,925	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	21,695	177,324
Net book value	649,060	500,540	-	6,307	32,283	18,371	-	949	-	14,988	4,929	12,116	1,239,543
Year ended June 30, 2013													
Opening net book value	649,060	500,540	-	6,307	32,283	18,371	-	949	-	14,988	4,929	12,116	1,239,543
Additions	-	24,803	-	-	1,477	69	-	-	-	-	73	3,074	29,496
Disposals													
Cost	-	-	-	-	(1,065)	(479)	-	-	-	-	-	-	(1,544)
Accumulated depreciation	-	-	-	-	1,012	230	-	-	-	-	-	-	1,242
	-	-	-	-	(53)	(249)	-	-	-	-	-	-	(302)
Depreciation charge for the year	-	(25,577)	-	(3,378)	(6,851)	(3,700)	-	(171)	-	(1,298)	(458)	(7,153)	(48,586)
Closing net book value	649,060	499,766	-	2,929	26,856	14,491	-	778	-	13,690	4,544	8,037	1,220,151
As at June 30, 2013													
Cost or revalued amount	649,060	573,852	1,440	67,777	49,337	31,299	18	1,736	3,468	14,988	14,959	36,885	1,444,819
Less: Accumulated depreciation	-	74,086	1,440	64,848	22,481	16,808	18	958	3,468	1,298	10,415	28,848	224,668
Net book value	649,060	499,766	-	2,929	26,856	14,491	-	778	-	13,690	4,544	8,037	1,220,151
Annual rate of depreciation (%) 2012		1.67 to 20	4	20	15	10 to 15	10 to 15	10 to 15	15	10	5 to 10	33	
Annual rate of depreciation (%) 2013		3 to 20	4	20	15	10 to 15	10 to 15	10 to 15	15	10	5 to 10	33	

6.2 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 813.778 million (2012: Rs 822.951 million) remains un-depreciated at June 30, 2013.

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

	2013	2012
	(Rupees in '000)	
Leasehold land and buildings on leasehold land and beach huts	313,933	336,708
Workshop machinery and equipment	4,487	4,929
	318,420	341,637

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

6.5 No operating fixed assets with a net book value exceeding Rs 50,000 were disposed off during the year.

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

	Note	2013	2012
		(Rupees in '000)	
Fleet expenses - indirect	34	458	454
Vessel management expenses	35	25,315	34,052
Real estate expenses	36	20,282	67,987
Administrative and general expenses	37	2,531	3,096
		48,586	105,589

6.7 Capital work-in-progress

	2013	2012
Buildings on leasehold land	315,260	287,652

6.8 During the current year, the Corporation has revised its estimate in respect of useful life of building on leasehold land and beach huts on the basis of survey by its engineering consultant. Had there been no change in estimated useful lives of the aforementioned assets, depreciation expense for the year would have been higher by Rs 57.376 million, whereas the effect on future years is impracticable to ascertain considering subsequent measurement of useful life of building on leasehold land and beach huts under the revaluation model and inherent uncertainties attached thereto.

7. INTANGIBLE ASSET

7.1 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.

Notes to and Forming Part of the Financial Statements For the year ended June 30, 2013

8. INVESTMENT PROPERTIES

	Note	Leasehold land	Buildings on leasehold land	Total
		-------------------(Rupees in '000)-------------------		
Balance as at July 1, 2011		952,500	44,138	996,638
Additions during the year		-	990	990
Surplus / (deficit) on revaluation	8.1	91,060	(8,092)	82,968
Balance as at June 30, 2012		1,043,560	37,036	1,080,596
Balance as at June 30, 2013		1,043,560	37,036	1,080,596

8.1 The 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 was determined in respect of leasehold land whereas a revaluation loss was determined on buildings on leasehold land amounting to Rs 8.092 million.

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

No. of shares - ordinary 2013	No. of shares - ordinary 2012	Name of the company	Country of incorporation	Latest available audited financial statements for the year ended	Percentage holding 2013	Percentage holding 2012	Face value per share	2013	2012
							(Rupees)	(Rupees '000)	
(i) Subsidiary companies - unlisted									
10,000,000	10,000,000	Bolan Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	100,000	100,000
275,344,100	275,344,100	Chitral Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	2,753,441	2,753,441
226,825,500	226,825,500	Hyderabad Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	2,268,255	2,268,255
15,686,000	15,686,000	Islamabad Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	156,860	156,860
36,000	36,000	Johar Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	360	360
7,286,000	7,286,000	Kaghan Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	72,860	72,860
330,000,000	330,000,000	Karachi Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	3,451,994	3,451,994
16,736,000	16,736,000	Khairpur Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	167,360	167,360
340,000,000	340,000,000	Lahore Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	3,400,000	3,400,000
14,686,000	14,686,000	Lalazar Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	146,860	146,860
9,486,000	9,486,000	Makran Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	94,860	94,860
336,016,700	336,016,700	Malakand Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	3,360,167	3,360,167
14,054,750	6,936,000	Multan Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	1,405,475	69,360
1,600	1,600	Pakistan Co-operative Ship Stores (Private) Limited	Pakistan	June 30, 2013	73	73	100	868	868
500,000,000	500,000,000	Quetta Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	5,000,000	5,000,000
6,936,000	6,936,000	Sargodha Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	69,360	69,360
6,786,000	6,786,000	Shalamar Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	67,860	67,860
254,012,300	254,012,300	Sibi Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	2,540,123	2,540,123
13,236,000	13,236,000	Swat Shipping (Private) Limited	Pakistan	June 30, 2013	100	100	10	132,360	132,360
								25,189,063	23,852,948
(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
								-	-
								25,189,063	23,852,948

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

	2013	2012
	(Rupees in '000)	
Financial assets designated as 'at fair value through profit or loss'		
Listed companies		
6,930 (2012: 6,930) ordinary shares of Rs 10 each fully paid of Siemens (Pakistan) Engineering Limited. Market value per share Rs 651.20 (2012: Rs 747.10)	4,513	5,177
104,871 (2012: 72,828) ordinary shares of Rs 10 each fully paid of Pakistan State Oil Company Limited. Market value per share Rs 320.38 (2012: Rs 235.84)	33,598	17,176
	38,111	22,353
Available for sale financial asset		
Other entity - carried at cost		
10,000 (2012: 10,000) ordinary shares of Rs 10 each of Pakistan Tourism Development Corporation Limited	100	100
	38,211	22,453

11. LONG-TERM LOANS AND ADVANCES

	Note	2013	2012
		(Rupees in '000)	
Others - due from employees			
Considered good	11.1 &11.2 & 11.3	59	178
Considered doubtful		208	208
		267	386
Less: Provision for impairment	11.5	208	208
		59	178
Less: Recoverable within one year	16	1	106
		58	72

11.1 It comprises of house building and vehicle loans amounting to Rs 0.026 million (2012: Rs 0.145 million) and Rs 0.033 million (2012: Rs 0.033 million), respectively.

11.2 Vehicle loans represent loans to employees for purchase of vehicles and are secured against employees' personal guarantees and charge on vehicles. Such loans are recoverable in 36 or 48 monthly installments on which interest is being charged at the rate of 11% (2012: 11%) per annum.

11.3 House building loans represent loans to employees for purchase of land, residential accommodation and construction and renovation of houses. These loans are recoverable in 180 monthly installments. An amount of Rs Nil (2012: Rs 0.119 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.

Notes to and Forming Part of the Financial Statements For the year ended June 30, 2013

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

	Note	2013	2012
11.5 Provision for impairment		(Rupees in '000)	
Balance at the beginning of the year		208	224
Amounts reversed	38	-	16
Balance at the end of the year		208	208

	Note	2013	2012
12. DEFERRED TAXATION - NET			
Deductible temporary differences arising in respect of:			
- short-term provisions and deferred liabilities		129,710	108,640
- Derivative instruments		-	72,967
		129,710	181,607
Taxable temporary differences arising in respect of:			
- surplus on revaluation of fixed assets	25	37,714	45,666
- accelerated depreciation		11,444	22,252
		49,158	67,918
Minimum tax on turnover		-	20,438
		80,552	134,127

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

	Note	2013	2012
13. STORES AND SPARES		(Rupees in '000)	
Stores			
- at depot		11,351	13,211
- at buildings		1,093	1,845
		12,444	15,056
Spares			
- at buildings		1,749	1,751
Bunker on board		86,188	-
		100,381	16,807
14. TRADE DEBTS			
Unsecured			
- considered good	14.1	771,219	189,732
- considered doubtful		18,265	17,625
		789,484	207,357
Less: Provision for impairment	14.2	18,265	17,625
		771,219	189,732

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

	Note	2013	2012
		(Rupees in '000)	
Upto 1 month		581,226	12,218
1 to 6 months		128,412	151,090
More than 6 months		61,581	26,424
		771,219	189,732

14.2 Provision for impairment

	Note	2013	2012
Balance at the beginning of the year		17,625	17,625
Provision made during the year	37	3,165	-
Provision reversed during the year	38	(2,525)	-
Balance at the end of the year		18,265	17,625

As at June 30, 2013, trade debts of Rs 18.265 million (2012: Rs 17.625 million) were impaired and provided for. These receivable balances have been outstanding for more than three years.

15. AGENTS' AND OWNERS' BALANCES - unsecured

	Note	2013	2012
		(Rupees in '000)	
Considered good	15.1	8,991	529
Considered doubtful		4,453	4,453
		13,444	4,982
Less: Provision for impairment		4,453	4,453
		8,991	529

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

	Note	2013	2012
		(Rupees in '000)	
Upto 1 month		3,631	398
1 to 6 months		4,569	129
More than 6 months		791	2
		8,991	529

16. LOANS AND ADVANCES

	Note	2013	2012
Considered good			
Long term loan recoverable within one year:			
Due from employees	11	1	106
Advances:			
- employees		20,934	20,208
- contractors and suppliers		11,842	8,282
- others		34,767	4,051
		67,544	32,647

	Note	2013	2012
		(Rupees in '000)	
17. DEPOSITS AND SHORT-TERM PREPAYMENTS			
Deposits			
Trade:			
- considered good		2,926	2,696
- considered doubtful		184	184
		3,110	2,880
Less: Provision for impairment		184	184
		2,926	2,696
Others:			
- considered good		5,324	3,347
- considered doubtful		185	185
		5,509	3,532
Less: Provision for impairment		185	185
		5,324	3,347
Prepayments			
- Prepaid transaction cost	26.1	-	18,502
- Other prepayments		28,876	2,104
		28,876	20,606
		37,126	26,649
18. OTHER RECEIVABLES			
Rent receivable:			
- considered good	18.1	13,792	6,782
- considered doubtful		4,211	4,600
		18,003	11,382
Less: Provision for impairment of rent receivable	18.2	4,211	4,600
		13,792	6,782
Others:			
- considered good	18.3	21,658	5,452
- considered doubtful		12,659	12,659
		34,317	18,111
Less: Provision for impairment of other receivables		12,659	12,659
		21,658	5,452
		35,450	12,234

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

	Note	2013	2012
		(Rupees in '000)	
Upto 1 month		2,385	1,622
1 to 6 months		5,643	3,370
More than 6 months		5,764	1,790
		13,792	6,782

18.2 Provision for impairment of rent receivables

	Note	2013	2012
Balance at the beginning of the year		4,600	4,600
Provision written off during the year		(218)	-
Provision reversed during the year	38	(171)	-
Balance at the end of the year		4,211	4,600

18.2 As at June 30, 2013, rent receivables of Rs 4.211 million (2012: Rs 4.600 million) were impaired and provided for. These receivables have been outstanding for more than three years.

18.3 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 Nil (2012: Rs 0.219 million), Rs 13.457 million (2012: Rs 1.507 million), Rs 14.396 million (2012: Rs 14.395 million) and Rs nil (2012: Rs 0.026 million) respectively.

	Note	2013	2012
		(Rupees in '000)	
19. INCOMPLETE VOYAGES			
Charter hire and related expenses		32,793	63,536
Stores and spares consumed		17,449	-
		50,242	63,536
20. INSURANCE CLAIMS			
- Considered good		-	47
21. SHORT-TERM INVESTMENTS			
Loans and receivables			
Term deposits with banks having maturity of three months or less	21.1	1,995,450	1,525,475

21.1 The mark-up on term deposits denominated in local currency ranges between 8.9% and 12% (2012: 11% and 13.80%) per annum, whereas mark-up on term deposits denominated in foreign currency ranges between 1.5% and 2.95% (2012: 2.2% to 2.5%) per annum.

Notes to and Forming Part of the Financial Statements For the year ended June 30, 2013

22. CASH AND BANK BALANCES

	Note	2013	2012
		(Rupees in '000)	
Cash at bank:			
- in current accounts			
- local currency		383,642	460,546
- foreign currency		114,197	54,478
		497,839	515,024
- in savings accounts	22.1 & 22.2		
- local currency		1,278,218	1,102,231
- foreign currency		1,932	121,864
		1,280,150	1,224,095
Cash in hand		1,008	908
		1,778,997	1,740,027

22.1 The mark-up on savings accounts in local currency ranges between 6% and 9.25% (2012: 5% and 11.25%) per annum.

22.2 This includes Rs 2.126 million (2012: Rs 2.126 million) and Rs 3 million (2012: Rs Nil) held as security by Habib Bank Limited, P.N.S.C. Branch and Soneri Bank Limited, AKU Branch respectively against guarantees issued on behalf of the Corporation.

23. SHARE CAPITAL

23.1 Issued, subscribed and paid-up capital

2013	2012		2013	2012
(No. of Share)			(Rupees in '000)	
24,130,789	24,130,789	Ordinary shares of Rs 10 each issued as fully paid to shareholders of former NSC and PSC in consideration of their shareholdings in those companies	241,308	241,308
25,900,000	25,900,000	Ordinary shares of Rs 10 each issued as fully paid to the Government of Pakistan (GoP) for cash received in 1985	259,000	259,000
64,309,800	64,309,800	Ordinary shares of Rs 10 each issued as fully paid to the GoP on financial restructuring of the Corporation in the year 1989-90	643,098	643,098
17,722,791	17,722,791	Ordinary shares of Rs 10 each issued as fully paid bonus shares	177,228	177,228
132,063,380	132,063,380		1,320,634	1,320,634

23.2 As at June 30, 2013 Government of Pakistan held 107,128,363 (2012: 107,128,363) ordinary shares of the Corporation.

24. RESERVES

	Note	2013	2012
		(Rupees in '000)	
Capital reserves	24.1	126,843	126,843
Revenue reserves			
- actuarial losses		(228,743)	(154,433)
- unappropriated profit		5,735,168	5,134,668
		5,633,268	5,107,078

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

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

	2013	2012
	(Rupees in '000)	
As at July 1	822,951	679,238
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	6,975	7,562
Related deferred tax liability	2,198	2,628
	9,173	10,190
	813,778	822,951
Less: Related deferred tax liability on:		
- Revaluation as at July 1	45,666	16,421
- Incremental depreciation charged during the current year on related assets transferred to profit and loss account	(2,198)	(2,628)
- 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	(4,449)	2,941
	37,714	45,666
As at June 30	776,064	777,285

26. LONG-TERM FINANCING

	Note	2013	2012
		(Rupees in '000)	
Financing under syndicate term finance agreement	26.1	6,282,672	6,080,359
Less: Current portion		1,150,674	943,482
		5,131,998	5,136,877
Financing under Term Finance Certificates agreement	26.1	907,496	878,274
Less: Current portion		166,208	136,281
		741,288	741,993
		5,873,286	5,878,870

26.1 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 with the remaining amount of Rs 1,300 million in the form of Term Finance Certificates (TFCs) having a face value of Rs 5,000 each by way of private placement.

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

As at June 30, 2013, the Corporation has drawn Rs 8,733.757 million (2012: Rs 7,438.806 million) and Rs 1,261.543 million (2012: Rs 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 103.507 million (2012: Rs 88.160 million) was included in the amortised cost of the long term financing whereas the remaining amount of Rs 3.155 million has been expensed out upon completion of the drawdowns and expiry of the facility thereof on September 7, 2012.

27. DEFERRED LIABILITIES

	Note	2013	2012
		(Rupees in '000)	
Employees' gratuity			
- funded	27.1.3	72,652	202,883
- unfunded	27.1.3	67,166	51,122
		139,818	254,005
Post retirement medical benefits	27.1.3	200,957	131,833
Employees' compensated absences	27.2.3	225,799	197,863
		566,574	583,701

27.1 Retirement benefit schemes

27.1.1 The disclosures made in notes 27.1.2 to 27.1.14 are based on the information included in the actuarial valuation report as of June 30, 2013.

27.1.2 As stated in notes 4.13.2 and 4.13.3 of these financial statements, the Corporation operates a funded retirement gratuity scheme for those permanent employees who joined the Corporation before 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, 2013 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the defined benefit obligation schemes:

	2013 Employees' gratuity (funded and unfunded)	2013 Post retirement medical benefits	2012 Employees' gratuity (funded and unfunded)	2012 Post retirement medical benefits
Discount rate	11.00%	11.00%	13.50%	13.50%
Future salary increases - for permanent employees				
For the year 2013-14, 2015-16 and 2017-18	2.00%	N/A	2.00%	N/A
For the year 2014-15, 2016-17 and 2018-19	40.00%	N/A	40.00%	N/A
For the year 2019-20 and onwards	9.00%	N/A	11.50%	N/A
Future salary increases - for contractual employees				
For the year 2012-13 till 2017-18	15.00%	N/A	15.00%	N/A
For the year 2018-19 and onwards	9.00%	N/A	11.50%	N/A
Medical esclation rate	N/A	11.00%	N/A	10.50%
Death rate	based on SLIC (2001-05) Ultimate mortality tables.			

	2013			2012		
	Employees' gratuity		Post retirement medical benefits	Employees' gratuity		Post retirement medical benefits
	Funded	Unfunded		Funded	Unfunded	
	----------(Rupees in '000)----------					
27.1.3 Balance sheet reconciliation						
Present value of defined benefit obligation	435,454	67,166	200,957	438,334	51,122	131,833
Fair value of plan assets	(362,802)	-	-	(235,451)	-	-
Net liability in the balance sheet	72,652	67,166	200,957	202,883	51,122	131,833
27.1.4 Movement in present value of defined benefit obligation						
As at July 1	438,334	51,122	131,833	312,663	28,300	143,944
Current service cost	11,156	8,791	5,195	9,990	6,258	3,680
Interest cost	53,094	7,097	22,730	42,338	4,259	19,857
Benefits paid	(82,770)	(4,160)	(25,342)	(48,490)	(1,242)	(11,571)
Recognised prior service cost	-	-	13,575	53,762	-	-
Remeasurements on obligation	15,640	4,316	52,966	68,071	13,547	(24,077)
As at June 30	435,454	67,166	200,957	438,334	51,122	131,833
27.1.5 Movement in fair value of plan assets						
As at July 1	235,451	-	-	210,767	-	-
Expected return on plan assets	24,842	-	-	27,515	-	-
Contribution	200,000	-	-	50,000	-	-
Benefits paid	(82,770)	-	-	(48,490)	-	-
Remeasurements: Difference between actual	-					
return and expected return on assets	(14,721)	-	-	(4,341)	-	-
As at June 30	362,802	-	-	235,451	-	-
27.1.6 Movement in net liability in the balance sheet						
As at July 1	202,883	51,122	131,833	101,896	28,300	143,944
Expense recognised for the year	39,408	15,888	41,500	78,575	10,517	23,537
Contributions made by the Corporation / payments	(200,000)	(4,160)	(25,342)	(50,000)	(1,242)	(11,571)
Net actuarial losses / (gains) for the year	30,361	4,316	52,966	72,412	13,547	(24,077)
	72,652	67,166	200,957	202,883	51,122	131,833
27.1.7 The amounts recognised in the income statement						
Current service cost	11,156	8,791	5,195	9,990	6,258	3,680
Net interest amount	28,252	7,097	22,730	14,823	4,259	19,857
Prior service cost	-	-	13,575	53,762	-	-
	39,408	15,888	41,500	78,575	10,517	23,537
Less: Charged to subsidiaries	1,947	1,358	1,334	872	2,083	763
Expense	37,461	14,530	40,166	77,703	8,434	22,774
27.1.8 Actual return on plan assets						
Expected return on plan assets	24,842	-	-	27,515	-	-
Actuarial (loss) / gain on plan assets	(14,721)	-	-	(4,341)	-	-
Actual return on plan assets	10,121	-	-	23,174	-	-

	Rupees in '000	%		Rupees in '000	%
27.1.9 Major categories / composition of plan assets					
Cash and cash equivalents	61,164	16.86%		33,656	14.29%
TDR of private commercial banks (non quoted)	301,638	83.14%		201,795	85.71%
	362,802	100%		235,451	100%

27.1.10 The actual return on plan assets for the year ended June 30, 2013 was Rs 10.121 million (2012: Rs 23.170 million).

27.1.11 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.

27.1.12 Principal actuarial assumptions used are disclosed in note 27.1.2 to these financial statements.

27.1.13 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	2013	2012	2011
	------------(Rupees in '000)-------------		
Present value of defined benefit obligation	502,620	489,456	340,963
Fair value of plan assets	(362,802)	(235,451)	(210,767)
Deficit	139,818	254,005	130,196
Experience (gain) / loss on defined benefit obligation	(29,117)	(19,666)	75,858
Experience loss on plan assets	(14,721)	(4,341)	(4,252)
Post retirement medical benefits			
Present value of defined benefit obligation	200,957	131,833	143,944
Experience adjustment on defined benefit obligation	9,978	(10,898)	16,238

27.1.14 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 service cost and interest cost	838	(797)
Effect on defined benefit obligation	5,940	(5,651)

27.2 Employees' compensated absences

27.2.1 The disclosures made in notes 27.2.2 to 27.3 are based on the information included in the actuarial valuation as of June 30, 2013.

27.2.2 As stated in note 4.14, 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, 2013 using the Projected Unit Credit Method. The following significant assumptions were used for the actuarial valuation of the scheme:

	2013	2012
Discount rate	11.00%	13.50%
Future salary increases - for permanent employees		
For the year 2014-15 and 2016-17	40.00%	40.00%
For the year 2013-14, 2015-16 and 2017-18	2.00%	2.00%
For the year 2018-19 and onwards	9.00%	11.50%
Future salary increases - for contractual employees		
For the year 2012-13 till 2016-17	15.00%	15.00%
For the year 2017-18 and onwards	9.00%	11.50%

	2013	2012
	(Rupees in '000)	
27.2.3 Balance sheet reconciliation		
Present value of defined benefit obligation (recognised)	225,799	197,863
27.2.4 Movement in present value of defined benefit obligation		
As at July 1	197,863	159,300
Current service cost	46,852	37,139
Interest cost	30,261	23,496
Remeasurements on obligation	22,675	26,453
Benefits paid	(71,852)	(48,525)
As at June 30	225,799	197,863
27.2.5 Expenses		
Current service cost	46,852	37,139
Interest cost	30,261	23,496
Remeasurements on obligation	22,675	26,453
	99,788	87,088
Less: Charged to subsidiaries	2,288	1,101
Expense	97,500	85,987

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

	2013	2012	2011
Present value of defined benefit obligation	225,799	197,863	159,300
Experience (gain) / loss on defined benefit obligation	(1,232)	(19,354)	25,730

27.2.7 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.

27.2.8 Principal actuarial assumptions used are disclosed in note 27.2.2 to these financial statements.

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

	(Rupees in '000)
Gratuity	37,882
Post retirement medical benefits	25,250
Compensated absences	83,681

27.4 During the year the Corporation contributed Rs 11.876 million (2012: 10.227 million) to the provident fund.

28. TRADE AND OTHER PAYABLES

	Note	2013	2012
		(Rupees in '000)	
Creditors		141,510	71,125
Current account balances with subsidiary companies	28.1	16,189,570	14,525,523
Agents' and owners' balances		434,047	68,338
Accrued liabilities		240,633	156,892
Deposits	28.2	38,133	36,248
Derivative instruments	28.3	105,237	424,801
Workers' Profits Participation Fund	28.4	-	-
Unclaimed dividends		28,079	26,723
Advance from customers		136,678	133,743
Other liabilities			
- amounts retained from contractors		22,918	27,145
- others		104,780	121,941
		127,698	149,086
		17,441,585	15,592,479

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

	2013	2012
	(Rupees in '000)	
Bolan Shipping (Private) Limited	861,987	822,830
Chitral Shipping (Private) Limited	966,881	874,484
Hyderabad Shipping (Private) Limited	1,016,263	949,674
Islamabad Shipping (Private) Limited	536,986	381,162
Kaghan Shipping (Private) Limited	933,460	876,609
Khairpur Shipping (Private) Limited	449,221	449,724
Makran Shipping (Private) Limited	317,374	317,897
Malakand Shipping (Private) Limited	532,312	535,163
Multan Shipping (Private) Limited	703,155	806,768
Sargodha Shipping (Private) Limited	187,951	187,248
Sibi Shipping (Private) Limited	477,286	401,421
Shalamar Shipping (Private) Limited	1,496,838	1,497,285
Swat Shipping (Private) Limited	1,168,384	1,177,149
Lalazar Shipping (Private) Limited	746,129	746,850
Johar Shipping (Private) Limited	1,214,226	1,214,728
Lahore Shipping (Private) Limited	1,317,134	845,656
Karachi Shipping (Private) Limited	1,135,999	821,185
Quetta Shipping (Private) Limited	2,127,984	1,619,690
	16,189,570	14,525,523

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

28.3 The Corporation has entered into a cross currency interest rate swap of Rs 9,995.300 million in respect of its borrowing (note 26). 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, the Corporation had 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 140.098 million (2012: Rs 282.434 million) (unfavourable) and Rs 30.667 million (2012: Rs 5.679 million) (favourable) to the Corporation as of the balance sheet date which has been decreased by the net interest receivable and exchange loss aggregating Rs 4.194 million (2012: Payable Rs 148.046 million) as at June 30, 2013.

		Note	2013	2012
			(Rupees in '000)	
28.4	Workers' Profits Participation Fund			
	As at July 1		-	11,503
	Allocation for the year	39	-	-
	Interest on funds utilised during the year		-	168
			-	11,671
	Less:			
	Payments made during the year		-	10,037
	Reversal of excess provision	39	-	1,634
	As at June 30		-	-

29. PROVISION AGAINST DAMAGE CLAIMS

	Note	2013	2012
As at July 1		20,111	28,327
Charge during the year	39	7,663	4,771
Utilised during the year		(452)	(3,084)
Reversed during the year	38	(4,984)	(9,903)
As at June 30		22,338	20,111

30. CONTINGENCIES AND COMMITMENTS

Contingencies

30.1 Amount in respect of claims not admitted by the Corporation as at June 30, 2013 aggregated to Rs 313.873 million (2012: Rs 293.756 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo and damages to cargo. These include Rs 5.429 million (2012: Rs 5.158 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 152.058 million (2012: Rs 247.952 million) approximately would be recoverable from the P&I Club, Steamship Mutual Underwriting Association (Bermuda) Limited, in the event these claims are accepted by the Corporation. As a matter of prudence, the management has made a total provision of Rs 22.338 million (2012: Rs 20.206 million) against the aforementioned claims in these financial statements.

30.2 The Corporation has not accepted liability in respect of customs duty approximating Rs 2.500 million (2012: Rs 2.500 million) relating to the sale of the vessel M.V. Bhambore during the year ended June 30, 1978. The duty was claimed from the Corporation and the matter has been taken up with the appropriate Government agencies.

30.3 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 (2012: 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 (2012: 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.

30.4 Certain other claims have been filed against the Corporation in respect of employees' matters for an aggregate amount of approximately Rs 102.468 million (2012: Rs 102.468 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.

30.5 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.

30.6 During the year ended June 30, 2011, the Officer Inland Revenue (OIR) has issued assessment orders under section 122 (5A) of the Income Tax Ordinance, 2001 in respect of tax years 2008, 2009 and 2010. According to the orders, the OIR 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 has 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.

30.7 During the year ended June 30, 2012, the Officer Inland Revenue (OIR) had 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. 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 had paid Rs 160.513 million (2012: 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.

30.8 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 2012. According to the orders, the OIR has made certain additions and determined additional tax demand of Rs 107.499 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 65 million under protest and has filed an appeal with the Commissioner of Income Tax (Appeals) and at present the matter is pending for hearing. The management of the Corporation is confident that the subject matter in respect of tax year 2012 will eventually be decided in favour of the Corporation.

30.9 Without prejudice to the Corporation's contention on the matters stated in notes 30.5 to 30.8, the management has, as a matter of prudence, provided an aggregate amount of Rs 250 million (2012: Rs 250 million) in respect of aforementioned matters.

30.10 Outstanding letters of guarantee amount to Rs 5.126 million (2012: Rs 2.126 million).

Commitments

30.11 Commitments in respect of capital expenditure amount to Rs 285.589 million (2012: Rs 96 million).

	Note	2013	2012
31. CHARTERING REVENUES		(Rupees in '000)	
Foreign flag vessels:			
Voyage charter revenue		3,455,610	704,156
Slot charter revenue		2,121,883	1,493,380
		5,577,493	2,197,536
32. SERVICE FEES			
Technical and commercial services fee		201,955	200,919
Administrative and financial services fee		65,513	65,962
Sales tax		(5,417)	(3,033)
		262,051	263,848

	Note	2013	2012
		(Rupees in '000)	
33. FLEET EXPENSES - DIRECT			
Charter hire and related expenses	33.1	3,689,356	1,227,771
Exchange loss		14,144	27,010
		3,703,500	1,254,781
33.1 Charter, hire and related expenses			
Foreign flag vessels:			
- Voyage charter expenses		2,644,257	558,412
- Slot charter expenses		1,045,099	669,359
		3,689,356	1,227,771
34. FLEET EXPENSES - INDIRECT			
Conference establishment expenses		300	295
Salaries and allowances	34.1	21,083	15,413
Agents' and other general expenses	34.2	6,310	7,135
Depreciation	6.6	458	454
General establishment expenses - regional offices		626	692
		28,777	23,989

34.1 This includes Rs 1.215 million (2012: Rs 1.019 million) in respect of provident fund contribution.

	Note	2013	2012
		(Rupees in '000)	
34.2 Agents' and other general expenses			
Printing and stationery		40	99
Advertisement and publicity		1,191	2,408
Telephone, telex and postage		2,860	2,721
Bank charges and commission		273	409
Legal and professional charges		804	283
Air freight		1,127	1,206
Other miscellaneous expenses		15	9
		6,310	7,135
35. VESSEL MANAGEMENT EXPENSES			
Workshop management expenses		55,704	41,886
Salaries and allowances	35.1	267,484	298,482
General establishment expenses	35.2	70,954	76,806
Rent, rates and taxes		6,945	7,698
Insurance		3,588	3,327
Depreciation	6.6	25,315	34,052
		429,990	462,251

35.1 This includes Rs 6.138 million (2011: Rs 7.232 million) in respect of provident fund contribution.

	Note	2013	2012
		(Rupees in '000)	

35.2 General establishment expenses

Repairs and maintenance		6,253	4,222
Medical expenses		25,904	32,935
Security charges		1,087	944
Travelling and conveyance		4,758	5,454
Entertainment and canteen subsidy		1,633	1,711
Uniform and liveries		727	837
Printing and stationery		1,841	3,436
Telephone, telex and postage		4,273	5,673
Light, power and water		10,298	4,269
Computer expenses		4,255	5,424
Vehicle running, repairs and maintenance		9,925	11,901
		70,954	76,806

36. REAL ESTATE EXPENSES

Salaries and allowances	36.1	12,939	11,638
General establishment expenses	36.2	18,113	14,234
Rent, rates and taxes		7,144	6,831
Insurance		4,029	3,811
Depreciation	6.6	20,282	67,987
Legal and professional charges		3,428	163
		65,935	104,664

36.1 This includes Rs 0.289 million (2012: Rs 0.357 million) in respect of provident fund contribution.

	Note	2013	2012
		(Rupees in '000)	

36.2 General establishment expenses

Repairs and maintenance		3,171	3,803
Medical expenses		-	112
Security charges		4,340	3,830
Light, power and water		10,249	6,263
Vehicle running, repairs and maintenance		353	226
		18,113	14,234

37. ADMINISTRATIVE AND GENERAL EXPENSES

Salaries and allowances	37.1	184,982	66,902
General establishment expenses	37.2	68,933	33,201
Rent, rates and taxes		694	700
Scholarship and training expenses		2,620	1,040
Insurance		359	302
Depreciation	6.6	2,531	3,096
Directors' fee	45	955	530
Legal and professional charges		14,191	10,978
Provision for doubtful debts	14.2	3,165	-
		278,430	116,749

Notes to and Forming Part of the Financial Statements For the year ended June 30, 2013

37.1 This includes Rs 4.239 million (2012: Rs 1.619 million) in respect of provident fund contribution.

	Note	2013	2012
37.2 General establishment expenses		(Rupees in ‘000)	
Repairs and maintenance		4,325	946
Medical expenses		17,914	7,382
Contribution to employees welfare fund		11	7
Contribution to group term insurance		1,766	1,734
Hajj expenses		1,767	1,285
Security charges		752	212
Travelling and conveyance		3,290	1,222
Entertainment and canteen subsidy		1,130	383
Books, periodicals and subscription		5,550	2,907
Uniform and liveries		73	76
Printing and stationery		1,274	770
Telephone, telex and postage		2,955	1,271
Light, power and water		7,122	957
Computer expenses		2,942	1,216
Advertisement and publicity		3,536	2,810
Vehicle running, repairs and maintenance		6,864	2,668
Ship inspection expenses		581	1,100
Sundries		7,081	6,255
		68,933	33,201

38. OTHER INCOME

	Note	2013	2012
Income from financial assets / liabilities			
Interest / mark-up on loans and advances to employees		-	20
Income from savings and term deposits		250,866	203,307
Agency fee		9,039	4,260
Dividend income		1,233	420
Exchange gain	38.2	33,086	60,108
Gain on revaluation of long-term investments		15,758	-
Gain on revaluation of investment properties - net	8	-	82,968
Gain on revaluation of swap derivative - net		167,324	-
Liabilities no longer payable written back		-	12,074
Income from non-financial assets			
Profit on disposal of fixed assets		1,388	8,837
Sale of scrap		334	-
Provisions no longer required written back	14.2 & 18.2 & 29	7,680	9,903
Provision adjusted against loans and advances	11.5	-	16
Insurance claims	38.1	-	676
Amount recovered in respect of claims		-	77,596
Sundries		43,987	44,888
		530,695	505,073

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

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

	Note	2013	2012
		(Rupees in '000)	

39. OTHER OPERATING EXPENSES

	Note	2013	2012
(Reversal) for Workers' Profits Participation Fund	28.4	-	(1,634)
Donations	39.1	100	500
Auditors' remuneration	39.2	3,737	5,564
Employees' gratuity			
- funded	27.1.7	37,461	77,703
- unfunded	27.1.7	14,530	8,434
		51,991	86,137
Post retirement medical benefits	27.1.7	40,166	22,774
Employees' compensated absences	27.2.5	97,500	85,987
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
Provision in respect of damage claims	29	7,663	4,771
		201,157	492,924

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

	2013			2012		
	A. F. Ferguson & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total	A. F. Ferguson & Co.	Ernst & Young Ford Rhodes Sidat Hyder	Total
	(Rupees in '000)					
Audit fee	1,036	1,036	2,072	900	900	1,800
Fee for review of half yearly financial statements	350	350	700	300	300	600
Fee for review of statement of compliance with best practices of the code of corporate governance	100	100	200	80	80	160
Fee for audit of consolidated financial statements	125	125	250	110	110	220
Tax advisory services fee	-	-	-	2,280	-	2,280
CDC share holding verification	-	15	15	-	15	15
Out of pocket expenses	250	250	500	279	210	489
	1,861	1,876	3,737	3,949	1,615	5,564

40. FINANCE COSTS

	Note	2013	2012
		(Rupees in '000)	
Interest on long-term financing		964,854	1,137,801
Gain on cross currency interest rate swap derivative	40.1	(254,344)	(69,726)
Interest on Workers' Profits Participation Fund		-	168
Bank charges		1,423	1,036
		711,933	1,069,279

40.1 This relates to the amount received during the year on account of interim exchanges under the swap arrangement as explained in note 28.3 amounting to Rs 254.344 million (2012: Rs 69.726 million).

	2013	2012
	(Rupees in '000)	
41. TAXATION		
Tax charge for:		
- current year	265,562	184,691
- prior years	76,084	(120,378)
	341,646	64,313
Deferred	72,662	(141,399)
	414,308	(77,086)
Taxes paid abroad relating to current year	-	1
	414,308	(77,085)
41.1 Relationship between tax expense and accounting profit		
Accounting (loss) / profit before tax	1,073,865	(241,632)
Tax rate	35%	35%
Tax on accounting (loss) / profit	375,853	(84,571)
Tax effect in respect of income / expenses not admissible for calculation of taxable profit	70,729	151,551
Effect of charging deferred tax on different ratio than current tax	2,368	-
Tax effect of lower tax rates on certain incomes:		
- Tax saving due to lower tax rates	(15,201)	(27,020)
- Tax liability under final tax regime	(100,465)	(10,328)
	(115,666)	(37,348)
Others (including the impact arising as a consequence of change in allocation ratio of revenue chargeable under FTR and non-FTR tax regime)	4,940	13,661
	(37,629)	127,864
	338,224	43,293
Tax effects of adjustments in respect of taxes paid abroad	-	-
Tax effects of adjustments in respect of prior years	76,084	(120,378)
Tax expense for the year	414,308	(77,085)

	2013	2012
	(Rupees in ‘000)	

42. EARNINGS / (LOSS) PER SHARE

	2013	2012
Profit / (loss) after taxation attributable to ordinary shareholders	659,557	(164,547)
	(No. of Shar)	
Weighted average ordinary shares in issue during the year	132,063,380	132,063,380
	(Rupees)	
Earnings / (loss) per share - basic	4.99	(1.25)

There are no dilutive potential ordinary shares outstanding as at June 30, 2013 and 2012.

43. CASH GENERATED FROM OPERATIONS

	Note	2013	2012
		(Rupees in ‘000)	
Profit / (loss) before taxation		1,073,865	(241,632)
Adjustments for non-cash charges and other items:			
Depreciation	6.6	48,586	105,589
Profit on disposal of fixed assets		(1,388)	(8,837)
Provision in respect of damage claims		7,663	4,771
Provision for employees’ gratuity	27.1.7	51,991	86,137
Provision for post retirement medical benefits	27.1.7	40,166	22,774
Provision for employees’ compensated absences	27.2.5	97,500	85,987
Dividend income		(1,233)	(235,889)
Provision for impairment on doubtful receivables		3,165	-
Provision reversed in respect of doubtful receivables		-	(16)
Provisions no longer required written back		(7,680)	(9,903)
Liabilities no longer payable written back		-	(12,074)
Interest / mark-up income		(250,866)	(203,307)
Interest / mark-up expense		966,277	1,137,801
(Gain) / loss on revaluation of long-term investments		(15,758)	4,430
(Gain) / loss on cross currency interest rate swap derivative		(421,668)	213,159
Gain on revaluation of investment properties		-	(82,968)
Long term advance rent earned		(11,349)	-
Working capital changes	43.1	1,445,000	1,727,424
		3,024,271	2,593,446

	Note	2013	2012
		(Rupees in '000)	

43.1 Working capital changes

		2013	2012
Decrease / (increase) in current assets			
Stores and spares		(101,697)	3,692
Trade debts		(582,127)	82,393
Agents' and owners' balances		(8,462)	5,914
Loans and advances		(34,897)	29,737
Deposits and short-term prepayments		(10,477)	902
Other receivables		(23,045)	(1,182)
Incomplete voyages		13,294	(45,004)
Insurance claims		47	(17)
		(747,364)	76,435
Increase in current liabilities			
Trade and other payables		2,192,364	1,650,989
		1,445,000	1,727,424

44. CASH AND CASH EQUIVALENTS

	Note	2013	2012
Short-term investments	21	1,995,450	1,525,475
Cash and bank balances	22	1,778,997	1,740,027
		3,774,447	3,265,502

45. 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	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Managerial remuneration and allowances	2,099	2,855	19,464	17,260	198,085	178,506
Retirement benefits	-	-	-	-	925	4,674
House rent	600	1,067	2,679	2,387	70,955	56,921
Conveyance	-	-	-	-	4,976	3,685
Entertainment	121	111	547	436	1,937	1,094
Medical	318	96	1,252	1,009	8,477	4,574
Utilities	136	168	1,844	1,696	26,971	25,416
Personal staff subsidy	22	-	-	-	127	137
Club membership fee and expenses	249	21	737	90	-	64
Bonus	-	-	1,550	1,355	17,168	15,256
Other allowances	203	-	-	-	162,135	143,227
	3,748	4,318	28,073	24,233	491,756	433,554
Number of persons	2	1	5	5	207	197

45.1 Retirement benefits represent amount contributed towards various retirement benefit plans. The executives of the Corporation are entitled to retirement benefits as outlined in note 4.13 and 4.14 to these financial statements. The Chairman and Chief Executive, Executive Directors and certain Executives are provided with Corporation owned and maintained cars.

45.2 The aggregate amount charged in the financial statements for fee to 5 (2012: 5) non-executive directors was Rs 0.955 million (2012: Rs 0.530 million).

45.3 During the year the former chairman left the Corporation on February 26, 2013 and the incoming chairman joined office on February 26, 2013.

46. FINANCIAL INSTRUMENTS BY CATEGORY

	2013	2012
	(Rupees in '000)	
FINANCIAL ASSETS		
Financial assets at fair value through profit or loss		
Long term investments - listed companies	38,111	22,353
Loans and receivables		
Loans - employees	59	178
Trade debts	771,219	189,732
Agents' and owners' balances	8,991	529
Deposits	8,250	6,043
Interest / mark-up accrued	19,836	9,390
Other receivables	35,450	12,234
Insurance claims	-	47
Short-term investments	1,995,450	1,525,475
Cash and bank balances	1,778,997	1,740,027
	4,618,252	3,483,655
Available-for-sale financial assets		
Long-term investments - other entity	100	100
	4,656,463	3,506,108
FINANCIAL LIABILITIES		
Financial liabilities at fair value through profit or loss		
Derivative instruments	105,237	424,801
Financial liabilities at amortised cost		
Trade and other payables	17,199,670	15,033,935
Long-term financing	7,190,168	6,958,633
Accrued mark-up on long-term financing	91,087	105,963
	24,586,162	22,523,332

47. FINANCIAL RISK MANAGEMENT

47.1 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.

47.1.1 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, 2013, out of the total financial assets of Rs 4,656.463 million (2012: Rs 3,506.108 million) the financial assets which are subject to credit risk amounted to Rs 4,655.455 million (2012: Rs 3,505.200 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:

	2013	2012
	(Rupees in '000)	
Public Sector	789,381	207,176
Private Sector	51,042	27,376
	840,423	234,552

Out of Rs 840.423 million (2012: Rs 234.552 million), the Corporation has provided Rs 23.087 million (2012: Rs 22.447 million) as the amounts being doubtful to be recovered from them.

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 corporation faces foreign currency risk on receivable, payable transactions at foreign ports and the derivative cross currency interest rate swap.

As at June 30, 2013, if the currency had weakened / strengthened by 5% against the US dollar with all other variables held constant, profit before taxation for the year would have been higher / lower by Rs 165.146 million (2012: Rs 8.380 million), mainly as a result of foreign exchange gains / losses on translation of US dollar denominated assets and liabilities.

As at June 30, 2013, 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 long term financing (note 26). 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 28) under which the Corporation receives KIBOR on the PKR notional in exchange for payment of LIBOR on the USD notional. During the year ended June 30, 2012, 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, 2013, 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 higher / lower by Rs 30.480 million (2012: Rs 30.192 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.

47.1.3 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 1 to 2 years	Between 2 to 5 years	More than 5 years
	---------------------------	-----	(Rupees in '000)	-----	---------------------------
Long term financing	9,694,388	2,109,536	1,956,723	4,940,387	687,742
Trade and other payables	17,199,670	17,199,670	-	-	-
Derivative instruments	105,237	105,237	-	-	-
Accrued mark-up on long-term financing	91,087	91,087	-	-	-
	27,090,382	19,505,530	1,956,723	4,940,387	687,742

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 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 38.111 million (2012: Rs 22.353 million) and level 3 financial liabilities amounting to Rs 105.237 million (2012: 424.801).

47.2 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, 2013 and 2012 were as follows:

	2013	2012
	(Rupees in '000)	
Long-term financing (note 26)	7,190,168	6,958,633
Total equity	6,953,902	6,427,712
Total	14,144,070	13,386,345
	51:49	53:47

48. ENTITY WIDE INFORMATION

48.1 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.

48.2 Information about services

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

	2013	2012
	(Rupees in '000)	
Transportation of dry cargo	2,121,883	1,493,380
Transportation of liquid cargo	2,955,610	704,156
Rental income	123,348	81,079
Services fee	262,051	263,848
	5,962,892	2,542,463

48.3 Information about geographical areas

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

48.4 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:

	--------------2013--------------	
	Revenue	
	Amount (Rupees in '000)	% of Total
Client 1	1,388,572	23%
Client 2	1,075,042	18%
Client 3	1,052,957	18%
Client 4	807,995	14%
	4,324,566	73%

	--------------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%
	1,638,772	74%

49. 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 28 to these financial statements. Particulars of remuneration to key management personnel are disclosed in note 45 of these financial statements. Investments in related parties are disclosed in note 9 of these financial statements.

Related party	Relationship with the Corporation	2013	2012
		(Rupees in '000)	
Service fee charged			
Chitral Shipping (Private) Limited	Subsidiary	13,784	15,691
Hyderabad Shipping (Private) Limited	Subsidiary	13,706	17,916
Islamabad Shipping (Private) Limited	Subsidiary	6,278	12,736
Kaghan Shipping (Private) Limited	Subsidiary	8,967	9,318
Karachi Shipping (Private) Limited	Subsidiary	58,591	53,755
Lahore Shipping (Private) Limited	Subsidiary	61,859	57,358
Malakand Shipping (Private) Limited	Subsidiary	12,435	15,625
Multan Shipping (Private) Limited	Subsidiary	7,952	6,932
Quetta Shipping (Private) Limited	Subsidiary	64,435	57,647
Sargodha Shipping (Private) Limited	Subsidiary	-	2,745
Sibi Shipping (Private) Limited	Subsidiary	14,044	14,125
		262,051	263,848
Rental expense			
Pakistan Co-operative Ship Stores (Private) Limited	Subsidiary	559	539
Transfer of stores and spares			
Bolan Shipping (Private) Limited	Subsidiary	-	-
Chitral Shipping (Private) Limited	Subsidiary	140	101
Hyderabad Shipping (Private) Limited	Subsidiary	222	1,281
Islamabad Shipping (Private) Limited	Subsidiary	866	2,087
Johar Shipping (Private) Limited	Subsidiary	-	-
Kaghan Shipping (Private) Limited	Subsidiary	110	147
Karachi Shipping (Private) Limited	Subsidiary	4,464	3,204
Khairpur Shipping (Private) Limited	Subsidiary	-	-
Lahore Shipping (Private) Limited	Subsidiary	4,420	2,968
Makran Shipping (Private) Limited	Subsidiary	-	-
Malakand Shipping (Private) Limited	Subsidiary	101	128
Multan Shipping (Private) Limited	Subsidiary	1,953	14
Quetta Shipping (Private) Limited	Subsidiary	5,693	4,077
Sargodha Shipping (Private) Limited	Subsidiary	-	1,238
Sibi Shipping (Private) Limited	Subsidiary	154	81
Swat Shipping (Private) Limited	Subsidiary	-	-
		18,123	15,326

Related party	Relationship with the Corporation	2013	2012
		(Rupees in '000)	
Retirement benefit costs charged			
Chitral Shipping (Private) Limited	Subsidiary	788	303
Hyderabad Shipping (Private) Limited	Subsidiary	1,455	127
Islamabad Shipping (Private) Limited	Subsidiary	1,261	718
Kaghan Shipping (Private) Limited	Subsidiary	287	736
Karachi Shipping (Private) Limited	Subsidiary	157	152
Lahore Shipping (Private) Limited	Subsidiary	66	122
Malakand Shipping (Private) Limited	Subsidiary	1,212	173
Multan Shipping (Private) Limited	Subsidiary	-	660
Quetta Shipping (Private) Limited	Subsidiary	88	658
Sargodha Shipping (Private) Limited	Subsidiary	-	987
Sibi Shipping (Private) Limited	Subsidiary	1,613	183
		6,927	4,819
Dividend income			
Sibi Shipping (Private) Limited	Subsidiary	-	67,452
Malakand Shipping (Private) Limited	Subsidiary	-	50,402
Hyderabad Shipping (Private) Limited	Subsidiary	-	62,546
Chitral Shipping (Private) Limited	Subsidiary	-	55,069
		-	235,469
Contribution to provident fund		11,881	10,227
Key management personnel compensation	45	31,821	28,551
Investment in subsidiary companies	Subsidiary	1,336,115	4,655,158

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

49.2 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.

50. PROVIDENT FUND RELATED DISCLOSURES

The following information is based on latest un-audited financial statements of the Fund:

	2013	2012
	(No of employees)	
Size of the fund - Total assets	916,676	869,418
Cost of investments made	769,480	630,000
Percentage of investments made	92.75%	74.41%
Fair value of investments	850,181	646,916

Notes to and Forming Part of the Financial Statements For the year ended June 30, 2013

50.1 The break-up of fair value of investments is

	-----------2013-----------		-----------2012-----------	
	(Rs in '000)	----%----	(Rs in '000)	----%----
Government securities	95,785	12%	9,829	2%
Debt securities	300,000	35%	300,000	46%
Mutual funds	454,396	53%	337,087	52%
	850,181	100%	646,916	100%

50.2 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose except for in case of investments made by the Provident Fund in a mutual fund which is more than the aurthorised 50% of total investments as per the rules of the Fund.

51. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2013 and 2012 respectively are as follows:

	2013	2012
	No of employees	
Average number of employees during the year	981	1,032
Number of employees as at June 30, 2013 / 2012	972	989

52. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors at their meeting held on September 24, 2013 have proposed for the year ended June 30, 2013 cash dividend of Re 1 per share (2012: Re 0.5 per share), amounting to Rs 132.063 million (2012: Rs 66.032 million) subject to the approval of the members at the annual general meeting to be held on October 25, 2013. The financial statements for the year ended June 30, 2013 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

53. GENERAL

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

54. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 24, 2013 by the Board of Directors of the Corporation.

Muhammad Siddique Memon
Chairman & Chief Executive

Khowaja Obaid Imran Ilyas
Director

Pattern of Shareholding

No. of Shareholders	Shareholdings			Total Shares Held
11167	Shareholding From	1	To 100	365,404
3061	Shareholding From	101	To 500	699,535
815	Shareholding From	501	To 1000	588,462
634	Shareholding From	1001	To 5000	1,349,026
84	Shareholding From	5001	To 10000	616,362
17	Shareholding From	10001	To 15000	214,285
20	Shareholding From	15001	To 20000	360,654
13	Shareholding From	20001	To 25000	300,153
8	Shareholding From	25001	To 30000	226,941
3	Shareholding From	30001	To 35000	97,108
7	Shareholding From	35001	To 40000	274,189
2	Shareholding From	40001	To 45000	81,800
4	Shareholding From	45001	To 50000	200,000
2	Shareholding From	50001	To 55000	105,802
2	Shareholding From	55001	To 60000	119,865
1	Shareholding From	60001	To 65000	61,000
1	Shareholding From	65001	To 70000	70,000
2	Shareholding From	70001	To 75000	146,071
2	Shareholding From	75001	To 80000	159,500
1	Shareholding From	85001	To 90000	87,500
3	Shareholding From	95001	To 100000	300,000
1	Shareholding From	100001	To 105000	105,000
1	Shareholding From	105001	To 110000	105,488
1	Shareholding From	110001	To 115000	110,600
1	Shareholding From	115001	To 120000	117,500
1	Shareholding From	135001	To 140000	136,970
1	Shareholding From	140001	To 145000	141,252
1	Shareholding From	145001	To 150000	150,000
1	Shareholding From	155001	To 160000	158,812
1	Shareholding From	175001	To 180000	179,620
1	Shareholding From	180001	To 185000	180,103
2	Shareholding From	190001	To 195000	386,123
3	Shareholding From	195001	To 200000	594,478
1	Shareholding From	225001	To 230000	225,100
2	Shareholding From	260001	To 265000	528,500
1	Shareholding From	335001	To 340000	337,508
1	Shareholding From	435001	To 440000	436,564
1	Shareholding From	605001	To 610000	608,707
1	Shareholding From	810001	To 815000	813,000
1	Shareholding From	1230001	To 1235000	1,230,173
1	Shareholding From	1385001	To 1390000	1,387,500
1	Shareholding From	9150001	To 9155000	9,152,294
1	Shareholding From	108550001	To 108555000	108,554,430
15,875				132,063,379

Categories of Shareholders

	No.	Shares Held	Percentage %
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.	72	720,980	0.55
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	9,152,294	
MOHAMMADI ENGG. WORKS LTD	1	4,766	
Sub-Totals :		9,157,060	6.93
MODARABAS AND MUTUAL FUNDS.	12	1,582,674	1.20
NIT AND ICP	15	527,681	0.40
FOREIGN INVESTORS	9	93,809	0.07
DIRECTOR GENERAL PORT & SHIPPING	1	108,554,430	82.20
OTHERS	89	1,637,350	1.24
INDIVIDUALS*	15,660	8,540,627	6.47
Grand-Totals :	15,875	132,063,379	100.00

*Including 3656 shareholders whose current domicile is not known
N.B.:- The above two statements include 1479 shareholders holding 11,510,749 Shares through Central Depository Company of Pakistan Limited.

Notice of Annual General Meeting

Notice is hereby given that the 35th 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 25th October, 2013 at 09:00 a.m. to transact the following business:

ORDINARY BUSINESS:

1. To confirm the Minutes of 34th Annual General Meeting of the shareholders held on 29th November, 2012.

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 2013.

3. To consider and approve Board's recommendation to pay 10% Cash Dividend (i.e. Re. 1 per share) to the shareholders.

4. To consider Board's recommendation to re-appoint the retiring auditors A. F. Ferguson & Co., Chartered Accountants, and Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as joint auditors of the Corporation for the year 2013–2014 and to fix their remuneration.

5. To elect two directors for a period of three years in accordance with the provisions of section 14(1) (b) of the Pakistan National Shipping Corporation Ordinance, 1979 (XX of 1979) in place of the following retiring directors:
   a. Mr. Khowaja Obaid Imran Ilyas
   b. Capt. Anwar Shah

   The retiring directors are eligible for re-election.

6. To transact any other business that may be placed before the meeting with the permission of the chair.

By Order of the Board

ZAINAB SULEMAN
COMPANY SECRETARY
Dated: 24th September, 2013

Note:

1. The Share Transfer Books of the Corporation will remain closed from 18th October, 2013 to 25th October, 2013 (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.

   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 25th day of October 2013 at 09:00 am. and at any adjournment thereof.

Dated this ______________________ day of ______________________ 2013

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@pnsc.com.pk
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YCOM 35810392-6