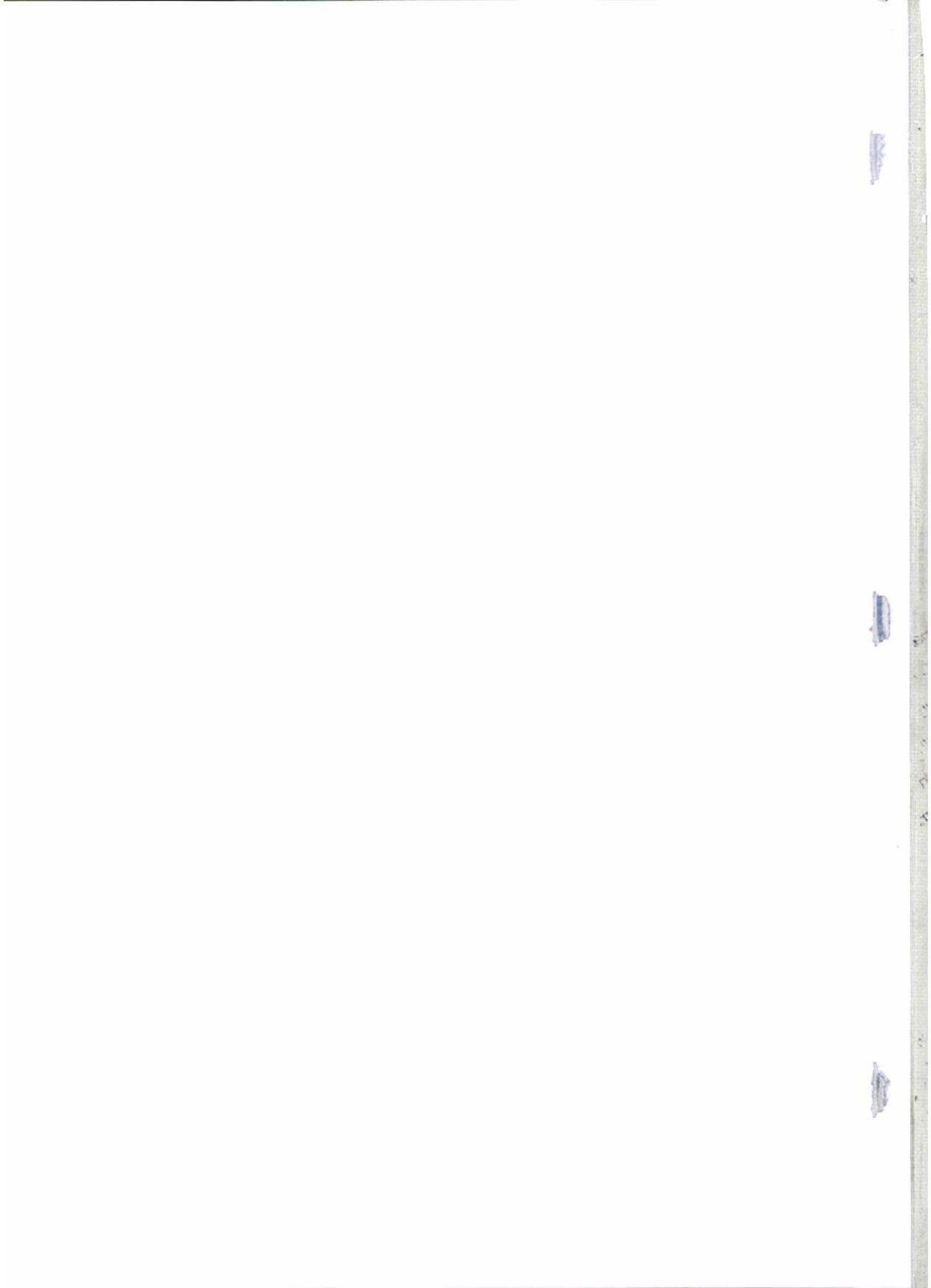


SAILING TOWARDS SUCCESS



Pakistan National Shipping Corporation

A N N U A L R E P O R T 2 0 1 5



Contents

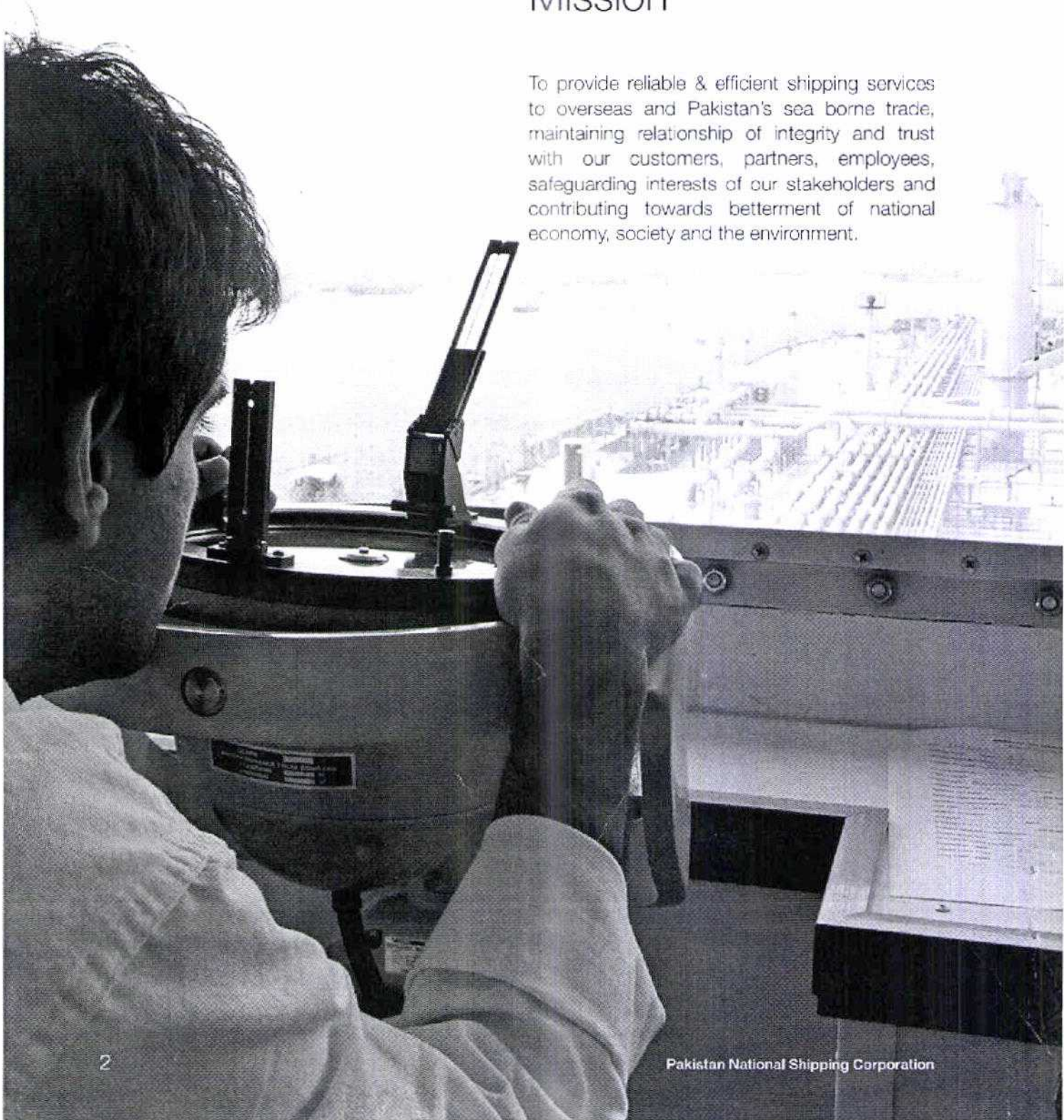
Vision & Mission	2	Auditor's Report on Consolidated Accounts	51
Strategic Objectives	3	Consolidated Report and Accounts of Pakistan National Shipping Corporation Group of Companies	52
Corporate Information	5	Auditor's Report on Holding Company	102
Code of Conduct	6	Report and Accounts of Pakistan National Shipping Corporation (Holding Company)	104
Board of Directors' Profile	8	Pattern of Shareholding	151
PNSC Leadership Team	15	Categories of Shareholders	152
Regulatory Appointments	22	Notice of Annual General Meeting	153
Fleet Strength	23	Proxy Form	
Directors' Report	24		
Value Added Statement	32		
Financial Ratios	33		
Graphical Analysis	34		
Horizontal Analysis (Group)	38		
Vertical Analysis (Group)	40		
Six Years At A Glance (PNSC)	43		
Auditor's Review Report on Compliance with The Code of Corporate Governance	44		
Statement of Compliance with the Code of Corporate Governance	46		

Vision

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

Mission

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



Strategic Objectives

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



Corporate Information

Board of Directors

1. Mr. Arif Elahi
2. Mr. M. Anwar Malik
3. Mr. Haque Nawaz
4. Ms. Ava A. Cowasjee
5. Mr. Akbar Adil
6. Capt. Anwar Shah
7. Mr. Khowaja Obaid Imran Ilyas

Audit Committee of the Board

1. Mr. Khowaja Obaid Imran Ilyas
2. Capt. Anwar Shah
3. Mr. Akbar Adil
4. Ms. Zainab Suleman

HR Committee

1. Capt. Anwar Shah
2. Ms. Ava A. Cowasjee
3. Mr. Akbar Adil

Commercial Committee

1. Mr. Akbar Adil
2. Capt. Anwar Shah
3. Ms. Ava A. Cowasjee

Chief Financial Officer

Mr. Imtiaz C. Agboatwala

Secretary

Ms. Zainab Suleman

Chief Internal Auditor

Mr. Babar Jamal Zubairi

Head Office

PNSC Building, Moulvi Tamizuddin Khan Road,
Karachi - 74000

Chairman

Member

Member

Member

Member

Member

Member

Chairman

Member

Member

Secretary

Chairman

Member

Member

Chairman

Member

Member

Regional Office

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

Auditors

1. A. F. Ferguson & Co., Chartered
Accountants
2. 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 Alfalah, Bahrain

Bank Al-Habib Bahrain

Faysal Bank Limited

Habib Bank Limited

Habib Bank Limited, New York

JS Bank Limited

Mashreq Bank, UAE

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

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, trust- worthiness, 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 derive 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.

Board Of Directors' Profile



Mr. Arif Elahi P.A.S.

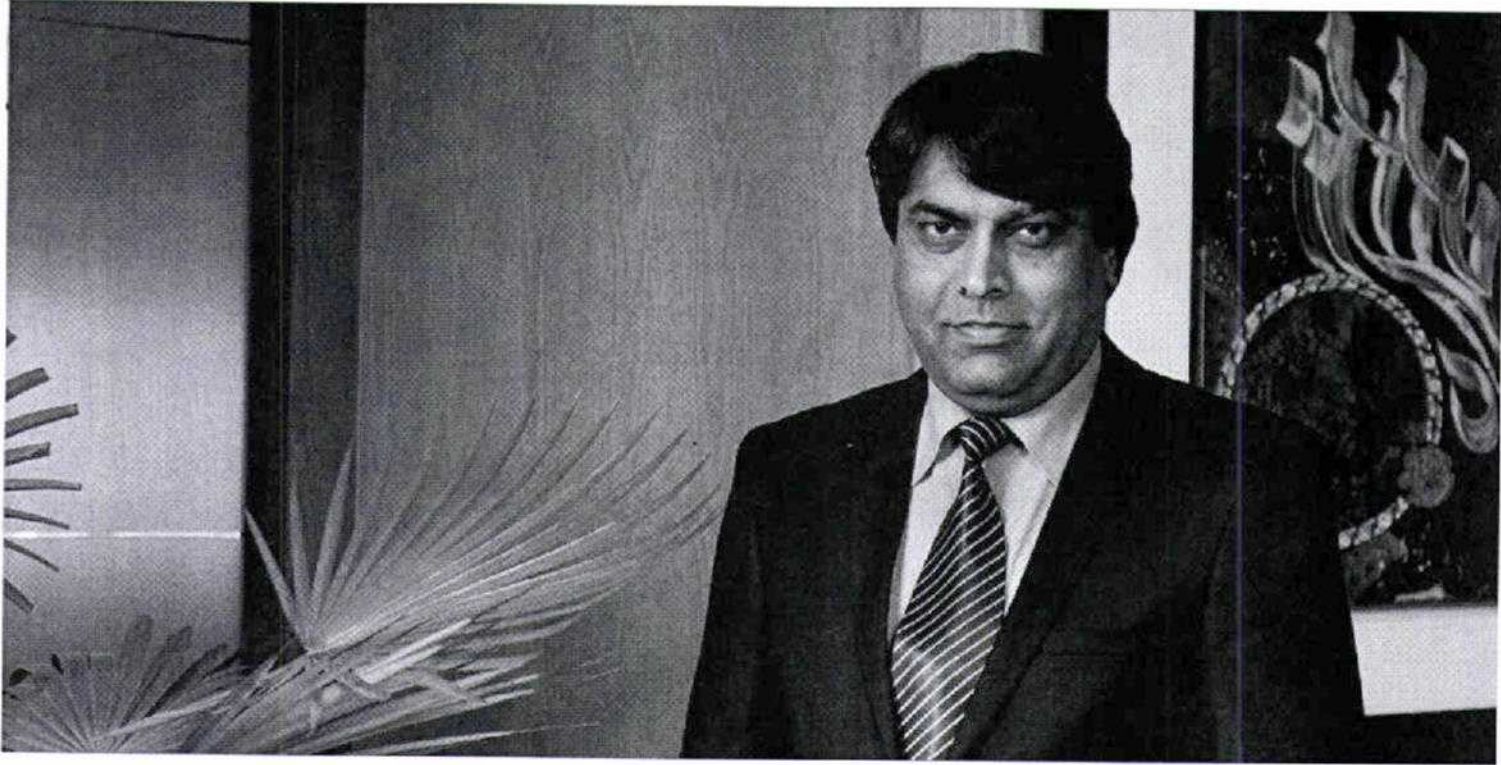
Mr. Arif Elahi is an experienced Civil Servant. He did his graduation from D.J Science College and Master in Business Administration (MBA) from Institute of Business Administration (I.B.A) with Majors in Marketing & Finance.

Mr. Elahi joined the civil services in 1984 in DMG group, now known as PAS. In his illustrious career he has worked as AC Mirpur Mathelo, AC Eidgah (Karachi) & AC Saddar (Karachi) and Deputy Commissioner Karachi - Sindh & Deputy Commissioner - Quetta - Baluchistan. Among his other assignments with the Government of Baluchistan & Sindh he has also served as Head of Excise & Taxation Department, Secretary/ DG Investment and Secretary Labor, Chairman Sindh Workers Welfare Board and Secretary Tourism, Secretary Industries & Commerce. He has also served in the Federal Government as Director General Federal Board of Investment (BOI) and Chairman Export processing Zone Authority (EPZA).

He has organized the 21st Islamic Foreign Ministers Conference, the 1992 Pakistan vs Zimbabwe Series and many national and international Investment conferences, series of labour related conferences, and managed local, national and international events, exhibitions and conferences. Conducted numbers foreign potential investment delegations.

He has had the honour of representing Pakistan and read papers at many national and international forums and performed as Manager of the National Boxing Team at the Pre-Olympics winning two gold medals for Pakistan.

He assumed the charge of PNSC from March 13, 2015.



Mr. M. Anwar Malik

Mr. M. Anwar Malik is a Director General, Privatization Commission Ministry of Finance and Member of PNSC Board. He is a renowned and visionary professional, having served on various key positions in Federal & Provincial setups. He holds Master Degrees in Business Administration as well as Political Science, besides being a Law graduate from University of the Punjab.

He has versatile working experience at National & International fora, spread over more than 25 years. He has vast exposure of Corporate Sector by virtue of which he possesses high business/commercial acumen.

He is known for his integrity, dedication and hard work.



Mr. Haque Nawaz

Mr. Haque Nawaz is currently posted as Additional Finance Secretary (HRM/IGF/Regulations) Finance Division Islamabad. He joined Government Service in 1982. He has a vast experience in the fields of Management, Accounts and Audit in Finance Division, AGPR and various other Government Departments.

Besides he has also got international exposure during his posting at United Nations Peacekeeping Mission in Kosovo (Sep. 1999 - Nov. 2008).

He did his masters in Chemistry. In addition, he also holds MBA degree with major in Finance.

During his service period he has attended several training programs and professional courses at local as well as international institutes.



Ms. Ava A. Cowasjee

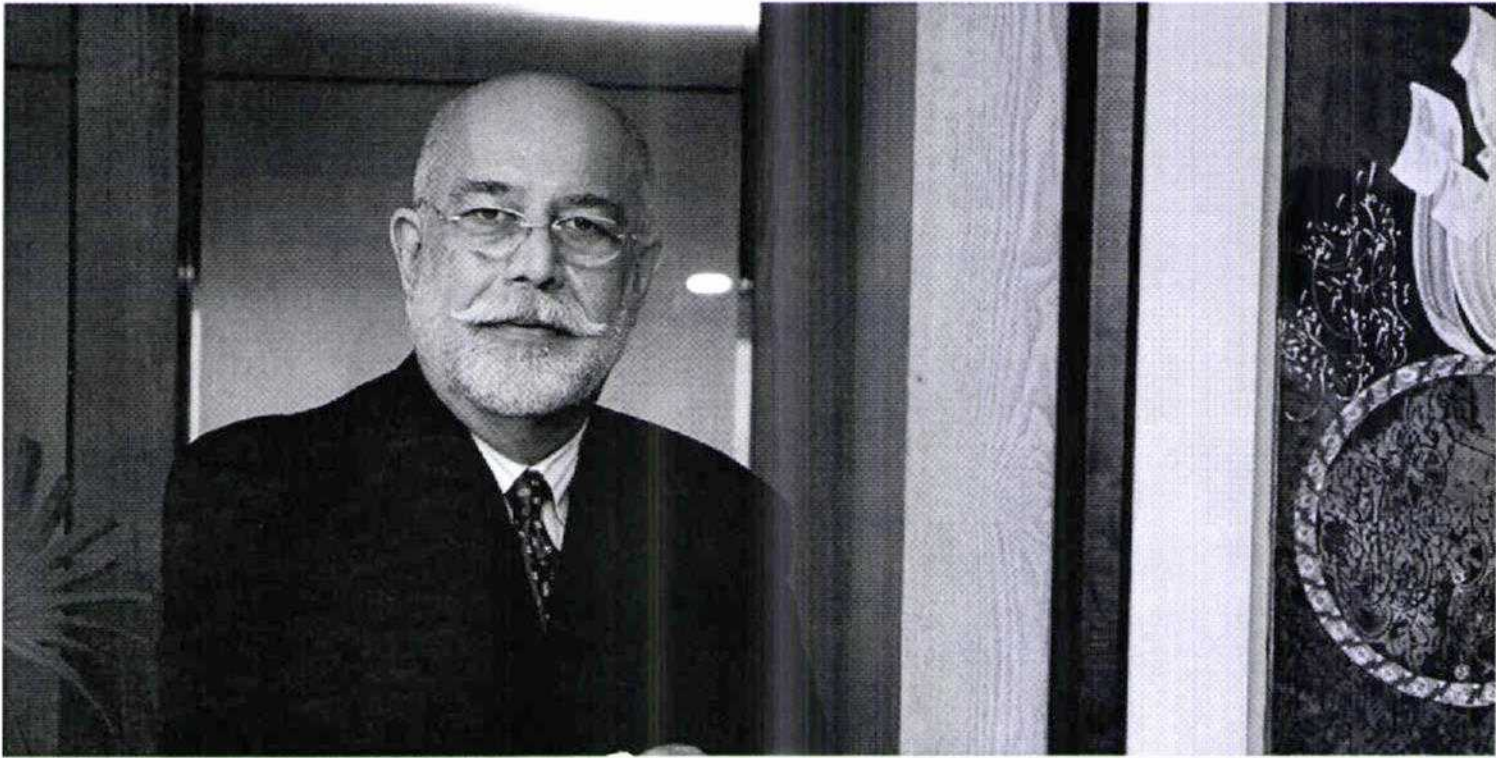
Ms. Ava Ardeshir Cowasjee is a prominent person in the shipping industry of Pakistan. She did her schooling at Convent of Jesus and Mary, Karachi, and higher education at Roedean School, England. Thereafter she pursued Management training at Hyde Park Hotel, London, Intercontinental Hotel, Karachi, and got her diploma in Hotel Management from the Ecole Hotelier, Switzerland. She worked as Manager, Manpower Development at Intercontinental Hotel, Karachi, for four years before joining the family business.

She became Partner of Cowasjee Group of Companies and has served for 29 years.

She has been the Chairperson of Pakistan Ships Agents Association 'PSAA' having already served PSAA for ten years as a Managing Committee Member. She has attended a number of conferences on shipping locally and abroad. She has participated in advanced courses offered by Pakistan Institute of Management Sciences.

She has been a Member on the Management Committee of Pakistan International Freight Forwarders Association.

She is the Vice Chairman of SOS Children's Village of Sindh for the last ten years. She is a Member, Managing Committee Herrmann Gmeiner School. She is the Trustee of Cowasjee Foundation.



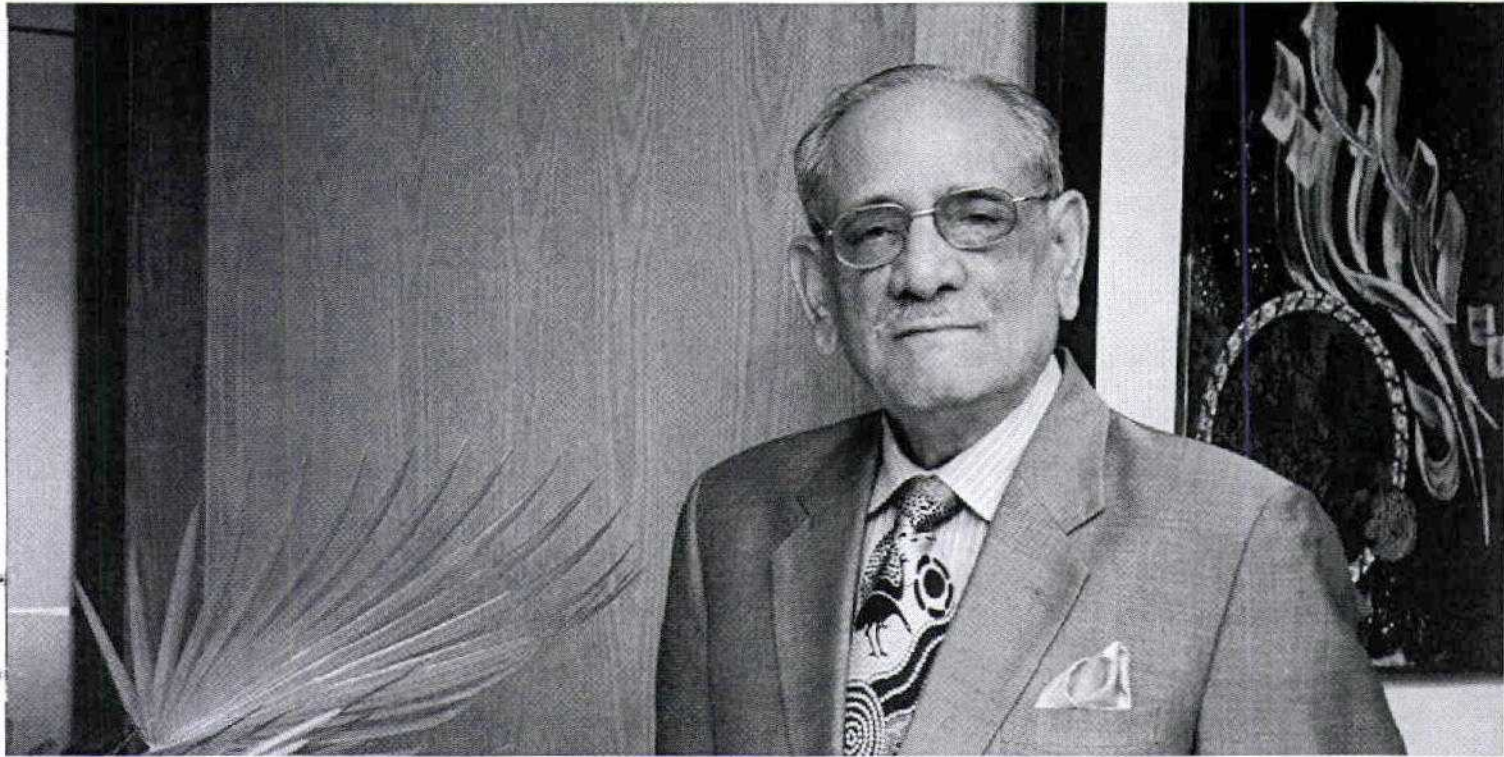
Mr. Akbar Adil

Mr. Akbar Adil, a technology person at the core, has 38 years experience of working with IBM in Pakistan and Middle East. During his career he has held various leading management positions in Systems Engineering, Marketing, Communications, Sales, Human Resources and Services. His last position was Business Development Executive for IBM in Saudi Arabia and Pakistan.

Mr. Adil's experience include deep interaction with organizations in diversified sectors including Banking, Telecommunication, Airline, Manufacturing, etc. in Pakistan and Middle East and has participated in advising them in strategizing to deploy innovate technology solutions to improve controls, enhance customer experience and reduce costs. He also has to his credit of setting up a few new lines of Business for IBM Pakistan.

He has served on several committees of Overseas Chamber of Commerce & Industry (OICCI) and American Business Council (ABC). He holds an Engineering Degree in Electronics and has received formal and informal training in Systems, Sales, Business Administration, and Marketing & Communications at different IBM centers in Middle East, Africa Europe and USA.

He has travelled extensively and is a keen photographer.



Capt. Anwar Shah

Capt. 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.

He 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 Malmö (Sweden), Member IMO Secretary General's Panel of Experts (London) and Maritime Advisor to KCCI.

He is an elected member of PNSC's Board of Directors.



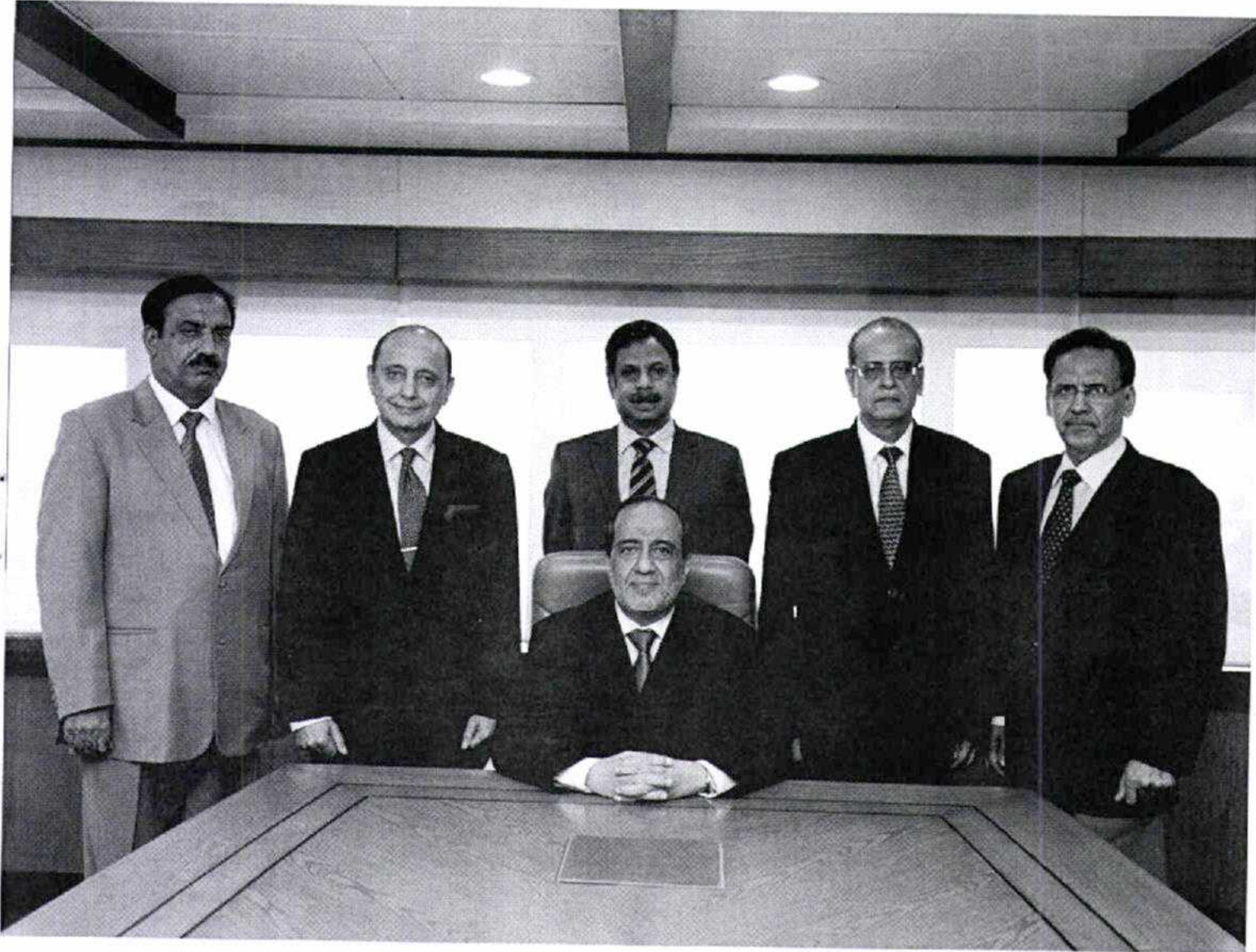
Khowaja Obaid Imran Ilyas

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.

he is serving as an elected director on the board of directors of PNSC and also as Chairman of The Audit Committee.

PNSC Leadership Team



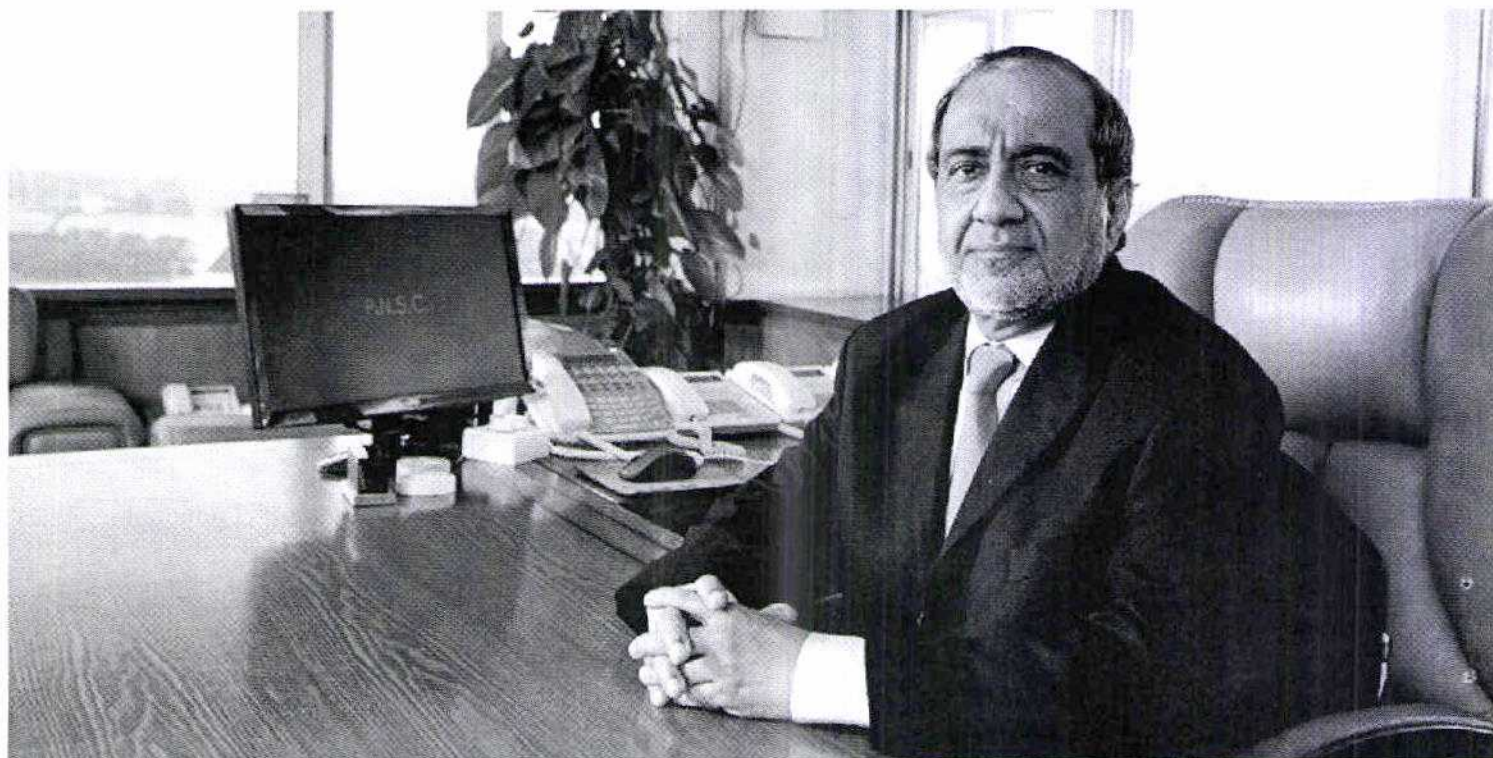
Sitting in middle:
Mr. Arif Elahi

Chairman / CEO

Standing from left to right:
Capt. Muhammad Sarfaraz
Brig (R) Rashid Siddiqi, SI (M)
Mr. Zaheer Babar Qureshi
Mr. Imtiaz C. Agboatwala
Capt. Irfan Qayum

Executive Director (Commercial)
Executive Director (Administration)
Executive Director (Ship Management)
Executive Director (Finance)
Executive Director (Special Projects and Plans)

PNSC Leadership Team



Chairman / CEO

Mr. Arif Elahi P.A.S.

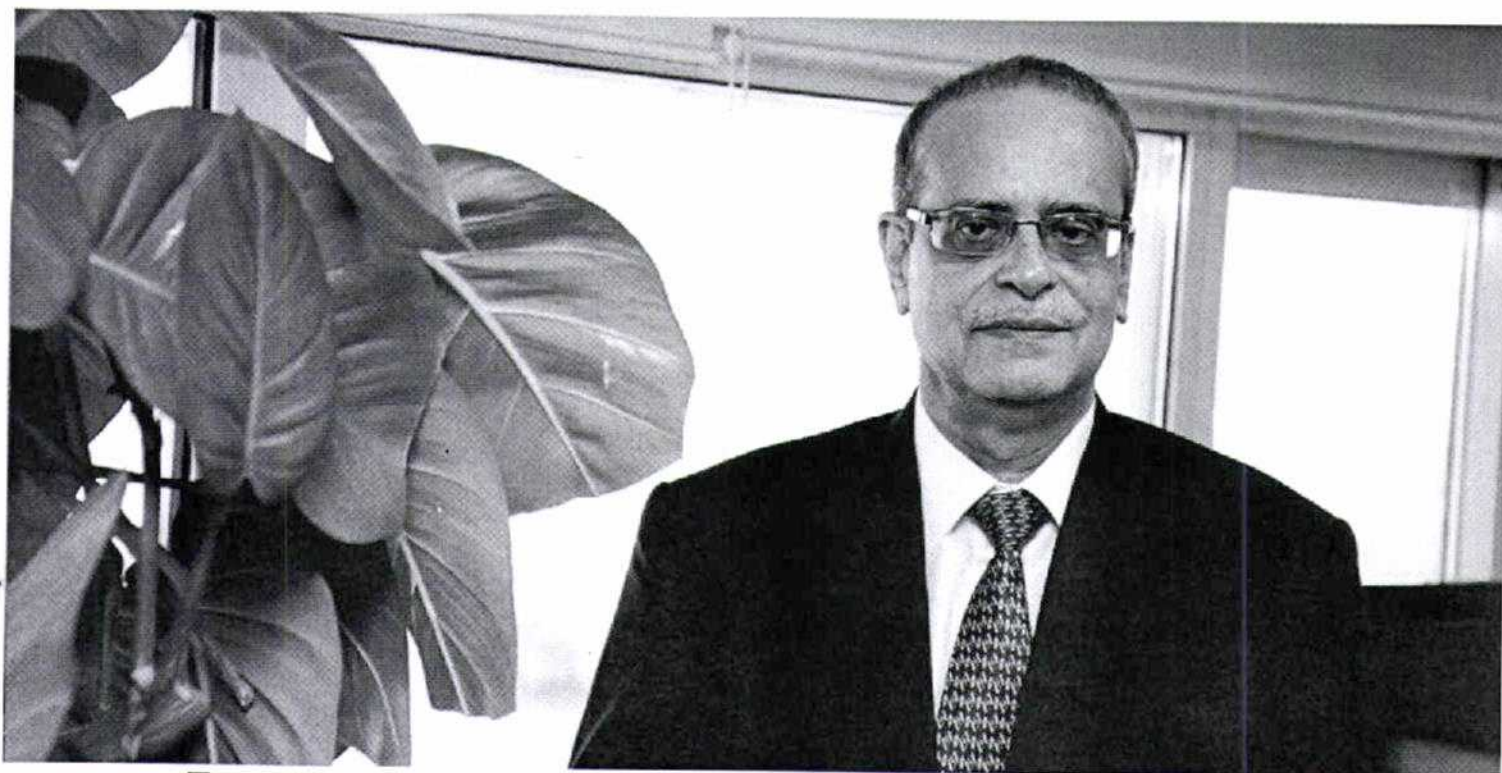
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He has organized the 21st Islamic Foreign Ministers Conference, the 1992 Pakistan vs Zimbabwe Series and many national and international Investment conferences , series of labour related conferences, and managed local , national and international events, exhibitions and conferences. Conducted numbers foreign potential investment delegations.

He has had the honour of representing Pakistan and read papers at many national and international forums and performed as Manager of the National Boxing Team at the Pre-Olympics winning two gold medals for Pakistan.

He assumed the charge of PNSC from March 13, 2015.

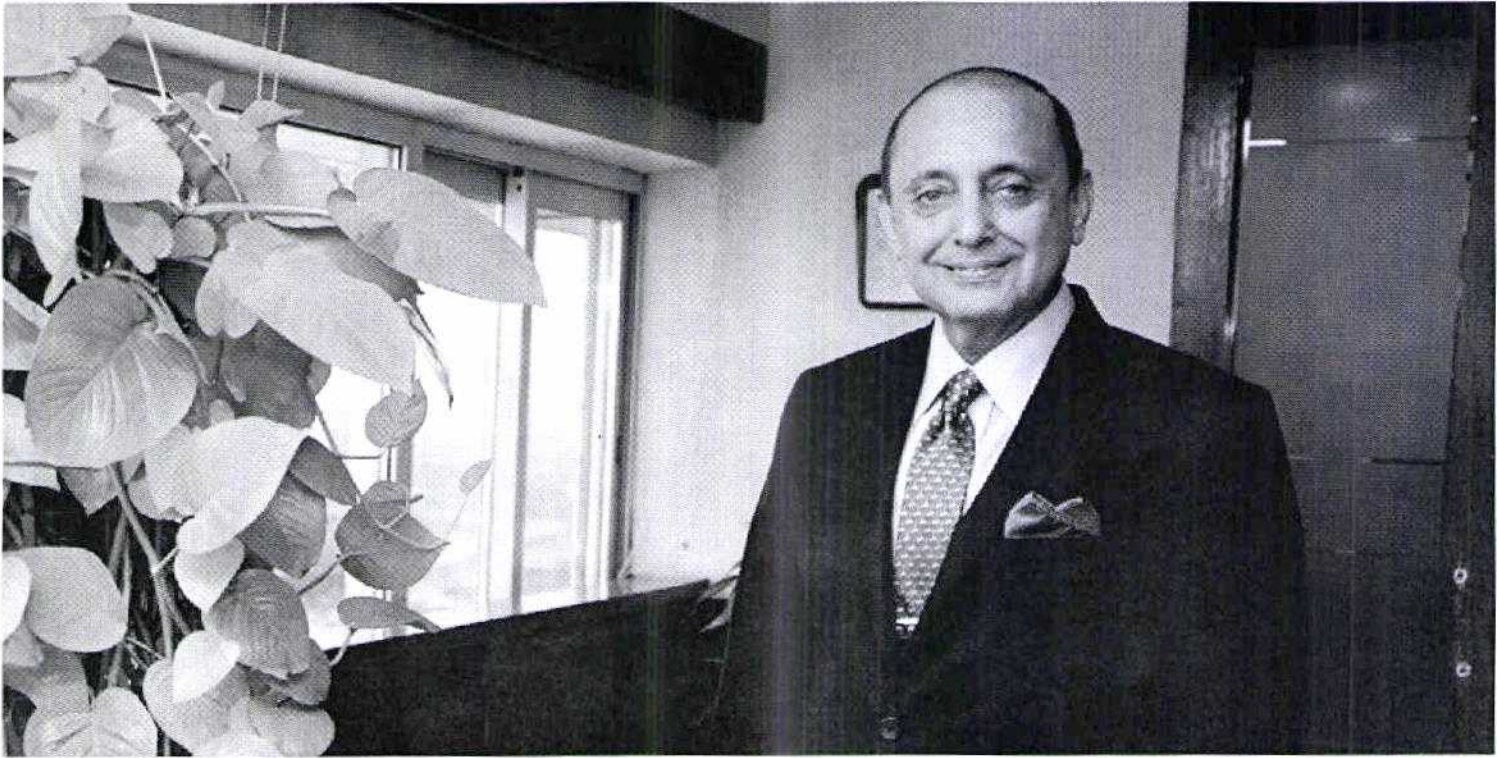


Executive Director (Finance) / CFO
Mr. Imtiaz C. Agboatwala

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 39 years professional experience includes working with national and multinational pharmaceutical companies/organizations as Chief Financial Officer.

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

He joined Pakistan National Shipping Corporation on 02 January 2006 as Executive Director/Chief Financial Officer. He is also a Director on the Board of 19 subsidiary companies of PNSC Group.



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

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

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

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

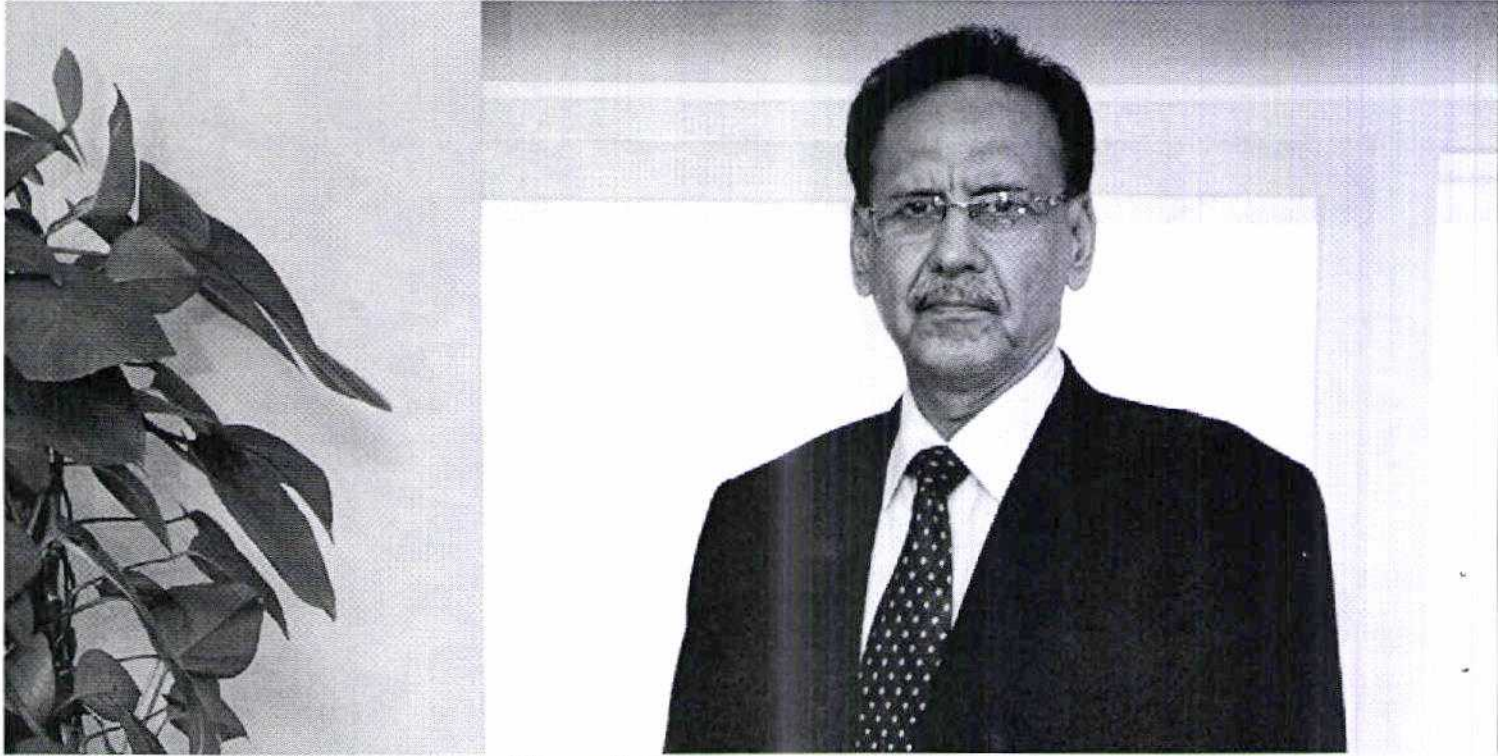
He has widely traveled and is a keen Golfer and an ardent jogger and loves sports.



Executive Director (Ship Management)
Mr. Zaheer Babar Qureshi

Mr. Zaheer Babar Qureshi Executive Director (Ship Management) has over 41 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, Malmö Sweden established by the International Maritime Organization. Besides these qualifications, he is also a law graduate and member of the Middle East Region Technical Advisory Committee of American Bureau of Shipping, ClassNK and Lloyd's Register.



Executive Director (Special Projects and Plans)
Capt. Irfan Qayum

Capt. Irfan Qayum is a Master Mariner; he also holds Certificate in Chartering from Lloyd's Maritime Academy London and is a member of the Chartered Institute of Logistics and Transport (MCILT), UK. He has more than 39 years of Maritime Experience, both afloat as well as ashore. He has had more than 8 years command experience on several types of ships before his induction in the shore-based operations of PNSC.

He has acquired tremendous hands-on expertise in various aspects of ship chartering, slot business and liner trade and extensive knowledge of charter-parties, contracts of affreightment, Marine Insurance and Arbitration. He has also attended several workshops/conferences on the maritime trade and logistics, port development, freighting and commercial aspects of shipping and has represented the Corporation in several such conferences. He attended various courses and training sessions on the project and Managerial skills.



Executive Director (Commercial)
Capt. Muhammad Sarfaraz

Capt. Muhammad Sarfaraz is a Master Mariner, a Fellow of Institute of Chartered Ship Brokers (FICS) UK, Member of Chartered Institute of Logistics and Transport (MCILT) UK and Lloyds accredited Auditor for Internal Safety Management System.

He has more than 39 years of maritime experience, both afloat as well as ashore and more than 11 years of command experience on several types of ships before induction in the shore establishment of PNSC. While serving ashore he was actively involved in developing procedures for Sale & Purchase of ships, reworking of Vision and Mission statement of PNSC, Annual and Five yearly Fleet Development Plans, Business Development Plans and Vision - 2025.

He has participated in development of ILO's Maritime Labor Convention (MLC-2006) and has hand on knowledge on IMO work. He has also attended training workshops organized by UNCTAD, IMO and reputed organizations, which greatly enhanced his professional competence and managerial skills.

Regulatory Appointments



**Corporation & Board Secretary
Ms. Zainab Suleman**

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



**Chief Accountant
Syed Jarar Haider Kazmi**

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 13 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.

He has attended various workshops and seminar, internationally and locally.

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
M.T SHALAMAR	JAPAN 2006	105,315	228.60	55,894
BULK CARRIERS				
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		681,806		371,100



Directors' Report



The Board of Directors of Pakistan National Shipping Group is pleased to present the thirty-seventh Annual Report together with the audited financial statements for the year ended June 30, 2015.

OUR PERFORMANCE

SUSTAINABLE FINANCIAL RESULTS

PNSC achieved satisfactory results in the year 2014-15, despite a slowdown in economic growth globally. The Group aims to gradually increase its reliance on owned vessels and with implementation of fleet expansion plan, PNSC inducted a new aframax tanker M.T Shalamar in the mid-year which positively influenced Owned Vessel business margins and reduced reliance on Chartering Vessels.

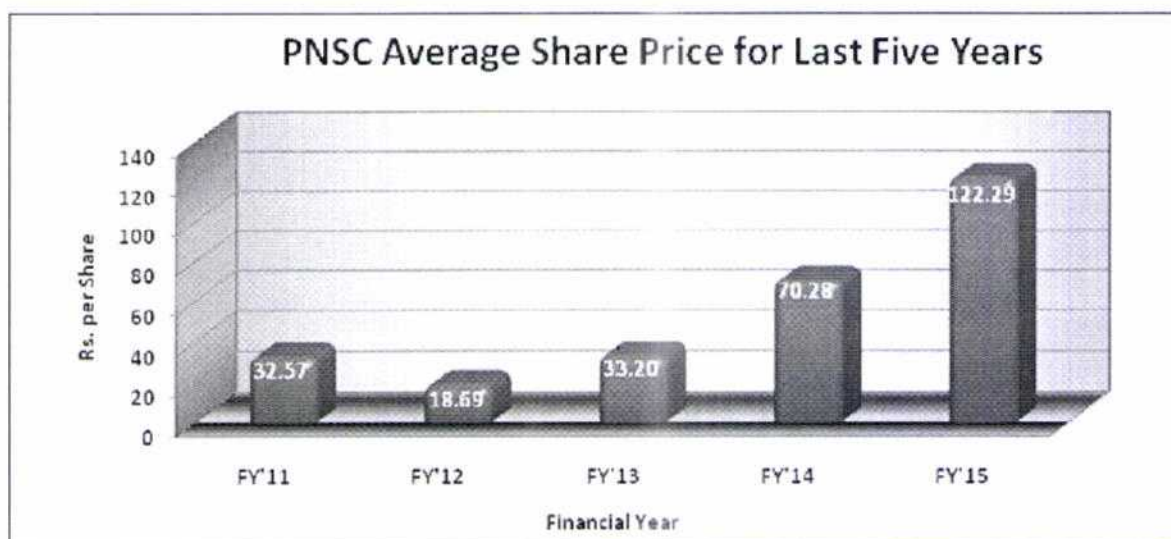
KEY FINANCIAL HIGHLIGHTS FOR THE YEAR 2014-15

Year	2015	2014
	Rupees in '000	
Revenue	15,536,288	15,726,546
Expenses	12,369,348	12,345,060
Gross Profit	3,166,940	3,381,486
Operating Profit	2,882,997	2,951,075
Profit before tax	2,213,048	2,402,230
Profit after tax	2,116,410	2,149,057
EPS	16.02	16.27

The main factors influencing our results in the year were as follows:

- Overall PNSC group has reported slight decline in revenue of 1%. However, Group has improved revenue in liquid cargo from owned vessels by 11% and dry cargo from slot charter business by 62%. While the business from the dry-bulk carrier was weak as compared to last year reason being significant fluctuations in bulk freight market rates. Further the Group has sold out its vessel M.V Kaghan during the year 2014-15. Revenue from the real estate business also raised by 10% in the current year.
- Direct Fleet Expenses almost remained steady in the current year. While PNSC reaped the benefit of global reduction in diesel and fuel prices on voyages conducted by PNSC's own vessels, this impact was suppressed by higher charter cost of hiring foreign chartered tankers, containing the overall direct fleet expenses at the same level.
- Gross Profit of Rs. 3,167 million was achieved as against Rs. 3,381 million last year.
- Administration expenses and other operating expenses increased by 49% from Rs. 1,616 million to Rs. 2,405 million in the year 2014-15 due to significant demurrage expenditures incurred on foreign chartered vessels. The said expenditures was also passed on to PNSC customer's under the terms of Contract of Affreightments, which is reflected in other operating income.
- Significant Gain on revaluation of investment properties of PNSC's was recorded of Rs. 687 million, further group vessel M.V Kaghan was also disposed off, at a book gain of Rs. 103 million.
- Overall Group has achieved Net Profit of Rs. 2,116 million as against Rs. 2,149 million last year.
- Earnings Per Share of the Group were Rs. 16.02 in the year 2014-15 as against an EPS of Rs. 16.27 last year.
- The group maintains a healthy balance sheet and strong cash and investments position that enables us to actively participate in the next stage of the shipping cycle.
- Thus, the stable financial health of the Group despite slow global economic activity and subdued freight rates is mainly attributable to its business strategy, fleet mix and exploiting of new opportunities.

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



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 16,277 million freight tons of cargo as compared to 17,914 million freight tons of cargo in the previous year.

SECTOR	2014-2015 FREIGHT TONS (MILLIONS)	2013-2014 FREIGHT TONS (MILLIONS)	2012-2013 FREIGHT TONS (MILLIONS)
Dry-bulk	1,595	2,486	2,606
Liquid Bulk (Tanker)	14,447	15,369	10,863
Slot Charter	0,235	0,059	0,119

OUR MOST SIGNIFICANT RISKS INCLUDING STRATEGIC, COMMERCIAL AND OPERATIONAL RISKS

Pakistan National Shipping Group, 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 worldwide. 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 four major oil refineries in Pakistan under Contracts of Affreightment (CoA). In addition, PNSC transported Refined Oil for a major Oil Marketing Company in Pakistan.

MARKET RISK

The Company is exposed to the volatility inherent in the 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 assumed 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 & post fixture due diligence SOP.

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 unfavorable 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.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

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

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

FUND INVESTMENTS

Investments made by the Pakistan National Shipping Group Employees Contributory Provident Fund, based on the unaudited financial statements for the year ended June 30, 2015 stood at Rs 651 million (2014: Rs 841 million), whereas investment made in Employees Gratuity Fund Trust based on unaudited financial statements the year ended June 30, 2015 stood at Rs 256 million (2014: Rs 275 million - audited).

During the year ended June 30, 2015, a total of seven meetings of the Board of Directors were held. The position of attendance during respective tenure was as follows:

BOARD MEETINGS HELD FROM JULY 1, 2014 TO JUNE 30, 2015

A total of seven meetings of the Board of Directors were held

S. No.	Directors	Meeting	
		Held	Attended
1	Mr. Arif Elahi (From 13 th March, 2015)	3	3
2	Mr. Muhammad Siddique Memon (Left 12 th March, 2015)	4	4
3	Mr. Anwar Malik	7	1
4	Mr. Shabbir Ahmed (left 3 rd December, 2014)	3	1
5	Mr. Haque Nawaz (From 04 th December, 2014)	4	1
6	Ms. Ava A. Cowasjee	7	5
7	Mr. Akbar Adil	7	6
8	Mr. Khawaja Obaid Imran Ilyas	7	6
9	Capt. Anwar Shah	7	7

HR COMMITTEE MEETINGS HELD
FROM JULY 1, 2014 TO JUNE 30, 2015

S. No.	Name of Directors	Meeting	
		Held	Attended
1	Capt. Anwar Shah	6	6
2	Ms. Ava A. Cowasjee	6	4
3	Mr. Akbar Adil	6	5

AUDIT COMMITTEE MEETINGS HELD
FROM JULY 1, 2014 TO JUNE 30, 2015

S/N	Name of Directors	Meeting	
		Held	Attended
1	Mr. Khowaja Obaid Imran Ilyas	7	7
2	Capt. Anwar Shah	7	7
3	Mr. Akbar Adil	7	7

COMMERCIAL COMMITTEE MEETINGS HELD
FROM JULY 1, 2014 TO JUNE 30, 2015

S/N	Name of Directors	Meeting	
		Held	Attended
1	Mr. Akbar Adil	5	5
2	Capt. Anwar Shah	5	4
3	Ms. Ava A. Cowasjee	5	3

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

Mr. Arif Elahi was appointed Chairman by the Federal Government on March 13, 2015.

Further, one new director was nominated by the Federal Government, Mr. Haque Nawaz who joined the Board on December 4, 2014, in place of Mr. Shabbir Ahmed. (Ministry of Finance Nominee)

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, 2016.

STRATEGIES, OBJECTIVES AND FUTURE PROSPECTS

Every shipping segment continued to struggle during 2015, 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. Mean while new ordering activity continued despite pressure of unhealthy freight earnings.

The Group'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 Group 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 Group has developed the strategic fleet development plan 2025, acquisition of two LR-1 Product Tankers has been approved by the Board and procurement / acquisition process will be finalized in FY 2015-16. This development plan is kept under continuous review and is revised/updated on the basis of trade & freight market trends in global shipping industry.

The Group has taken steps to cut down its current finance cost by refinancing its current financing facilities from a Commercial Bank, this will help to significantly reduce interest burden on current debts financing.

PNSC is exploring new business opportunities, including starting of a ferry service to Iran Coastal Cities and Oil Storage Facilities (Ullago).

DIRECTOR'S TRAINING PROGRAM

Director's training program was conducted in June 2015 under the training program of Pakistan Institute of Corporate Governance (PICG). Five of the directors attended the director's training program that was held for 3 days and entail guidelines on the Board composition, structure and Code of Corporate Governance. These key issues and other international best practices are addressed in the director training program. Now six Board Directors are Certified Directors by PICG.

ACKNOWLEDGMENT

The Board wishes to thank the officers and staff of the Group 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

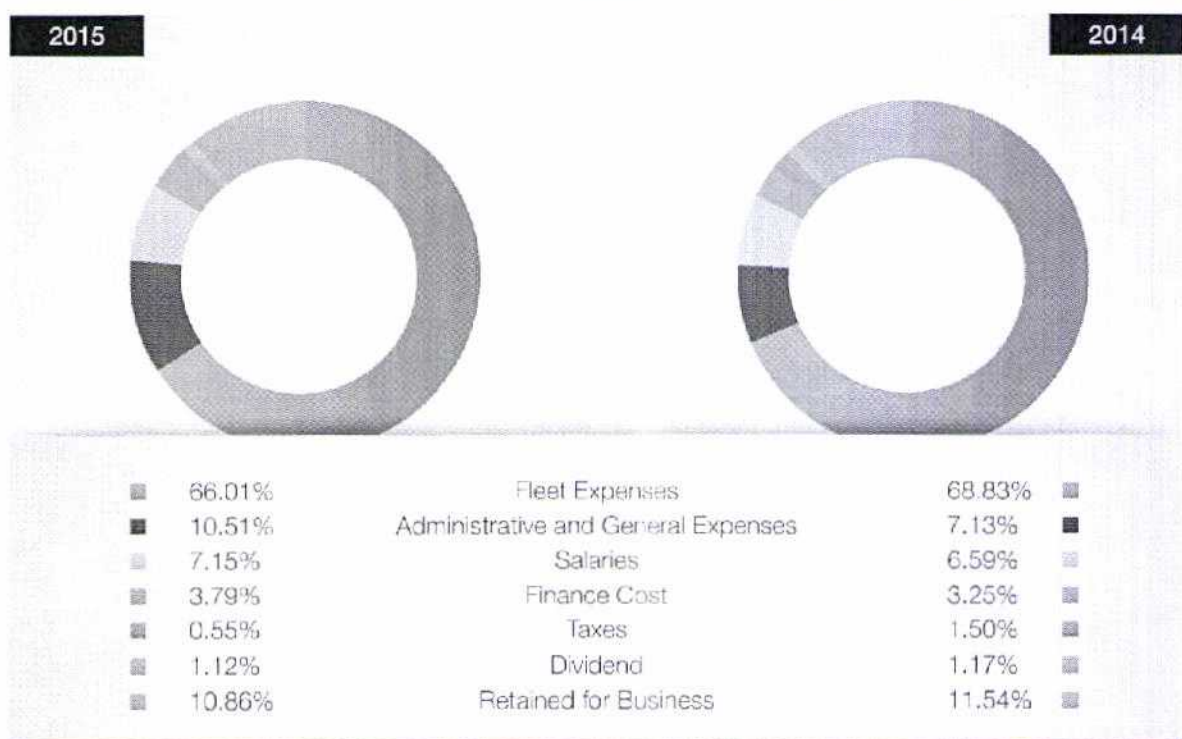


Arif Elahi P.A.S.
CHAIRMAN



Value Added Statement

	2015		2014	
	Rs. in '000	%	Rs. in '000	%
Wealth Generated				
Income from Shipping Business	15,381,351	87.11%	15,585,416	92.15%
Rental Income	154,937	0.88%	141,130	0.83%
Other operating income	2,121,287	12.01%	1,185,721	7.01%
	<u>17,657,575</u>	<u>100%</u>	<u>16,912,267</u>	<u>100%</u>
Wealth Distributed				
Fleet Expenses	11,656,625	66.01%	11,640,815	68.83%
Administrative and General Expenses	1,854,929	10.51%	1,206,228	7.13%
Salaries	1,263,024	7.15%	1,114,149	6.59%
Finance Cost	669,949	3.79%	548,845	3.25%
Taxes	96,638	0.55%	253,173	1.50%
Dividend	198,095	1.12%	198,095	1.17%
Retained for Business	1,918,315	10.86%	1,950,962	11.54%
	<u>17,657,575</u>	<u>100%</u>	<u>16,912,267</u>	<u>100%</u>

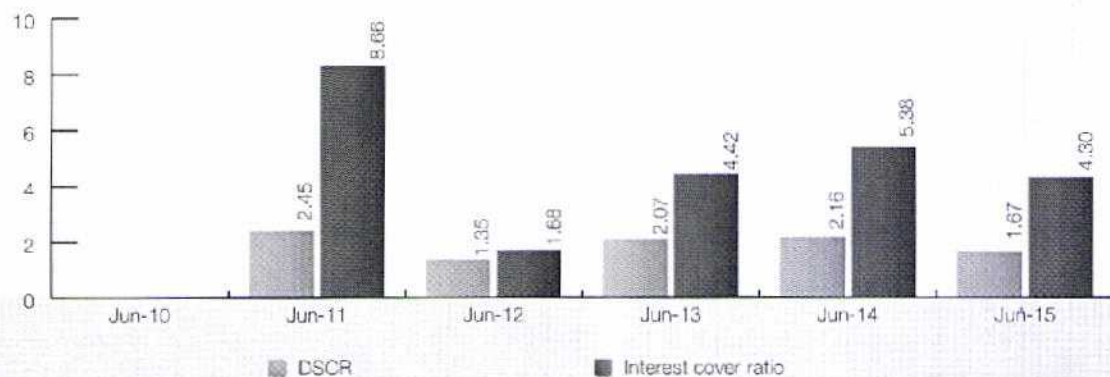


Financial Ratios

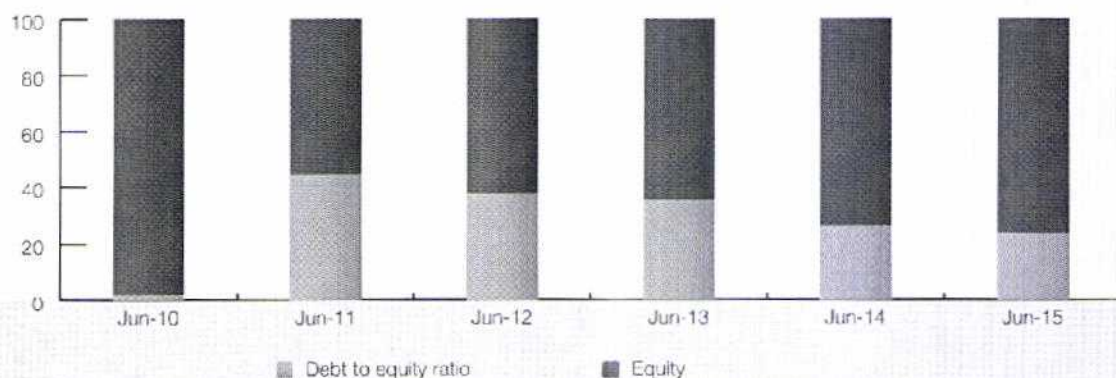
	LOM	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010
Profitability Ratios							
Profit before tax	%	14.2%	15.3%	19.9%	8.2%	21.8%	18.4%
GP ratio	%	20.38%	21.50%	26.86%	23.61%	22.18%	18.48%
Profit after tax	%	13.6%	13.7%	16.3%	8.5%	17.6%	12.3%
EBITDA margin to sales	%	25.4%	25.6%	34.3%	32.8%	35.5%	31.2%
Operating leverage ratio	%	190.7%	-23.0%	199.0%	479.1%	313.2%	165.7%
Return on equity	%	8.72%	9.57%	9.74%	4.05%	9.04%	5.74%
Return on capital employed	%	6.61%	7.56%	7.20%	2.91%	6.25%	5.43%
Liquidity Ratios							
Current Ratio	Times	2.15	2.17	1.99	1.73	1.59	2.96
Cash to Current liabilities	Times	0.66	0.47	0.54	0.63	0.78	1.02
Cash flow from operations to Sales	Times	0.13	0.13	0.13	0.17	0.17	0.66
Activity/Turnover Ratios							
Debtor Turnover Ratio	Times	6.61	8.70	15.22	16.34	16.64	12.52
Asset Turnover ratio	Times	0.45	0.50	0.41	0.31	0.39	0.42
Fixed Assets turnover ratio	Times	0.57	0.66	0.50	0.37	0.38	0.52
Market Ratios							
Earnings per share	Rs.	16.03	16.27	15.08	5.70	12.35	7.33
P/E Ratio	Times	6.63	4.37	3.05	2.70	1.94	5.44
Price to book ratio	Times	3.87	2.90	1.96	0.71	1.10	2.76
Dividend Yield ratio	%	1.41%	2.11%	2.17%	3.24%	4.17%	3.76%
Dividend Payout ratio	Times	0.09	0.09	0.07	0.09	0.08	0.20
Dividend cover ratio	Times	10.68	10.85	15.08	11.41	12.36	4.89
Cash dividend	Rs.	1.5	1.5	1.0	0.50	1.0	1.5
Breakup value/share with surplus	Rs.	192.38	175.96	180.73	146.70	141.85	132.73
Breakup value/share without surplus	Rs.	183.82	170.12	154.83	140.79	136.80	127.59
Share Price at year end	Rs.	106.25	73.12	46.00	15.41	24.00	39.69
Share Price- High	Rs.	167.90	94.57	52.00	25.89	41.74	75.54
Low	Rs.	56.68	46.00	14.41	11.50	23.40	38.00
Capital Structure Ratio							
Financial Leverage ratio	Times	0.31	0.26	0.35	0.37	0.44	0.00
Debt Service Coverage Ratio	Times	1.67	2.16	2.07	1.35	2.45	0.00
Debt to equity ratio	Times	0.24	0.20	0.29	0.32	0.38	0.00
Interest cover ratio	Times	4.30	5.38	4.42	1.68	8.66	0.00

Graphical Analysis

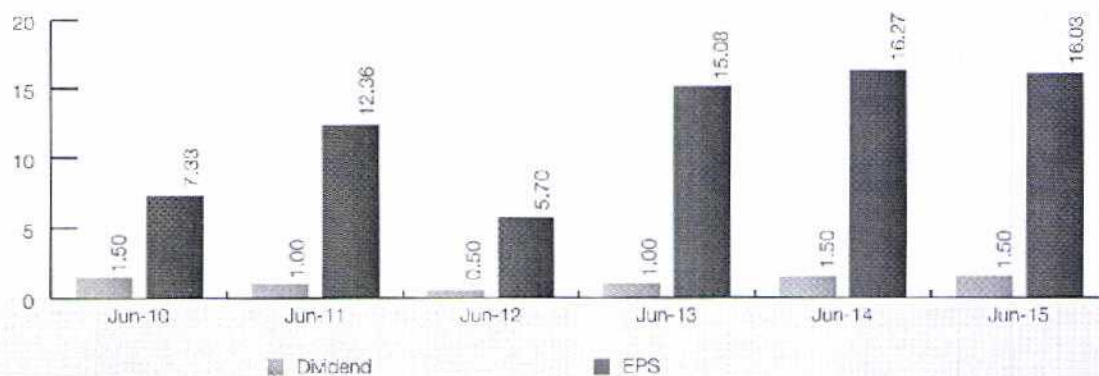
Debt Management



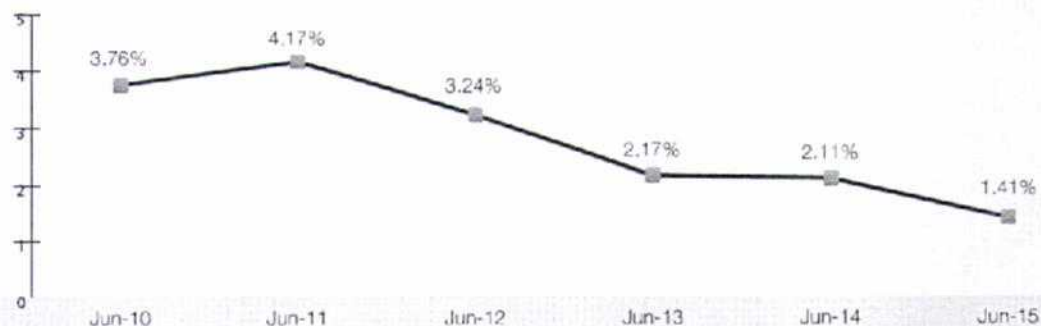
Debt to Equity Ratio



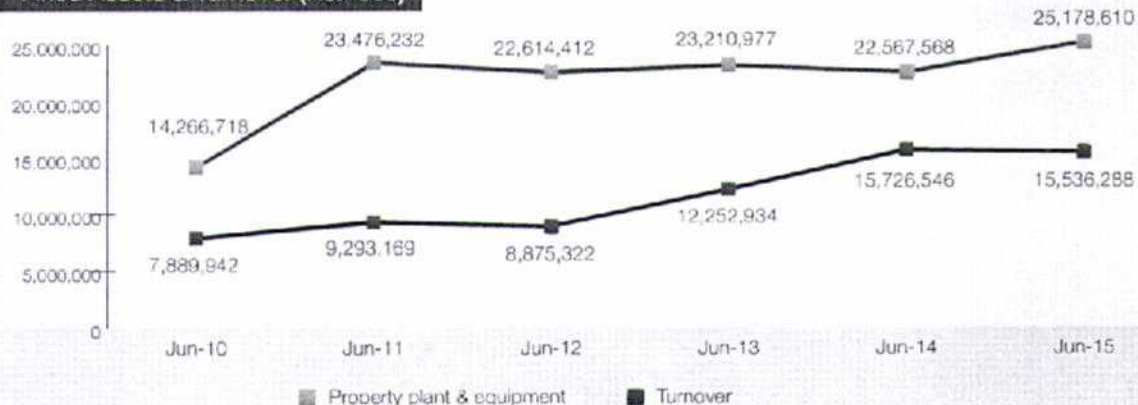
Dividend Payout (Rs. Per share)



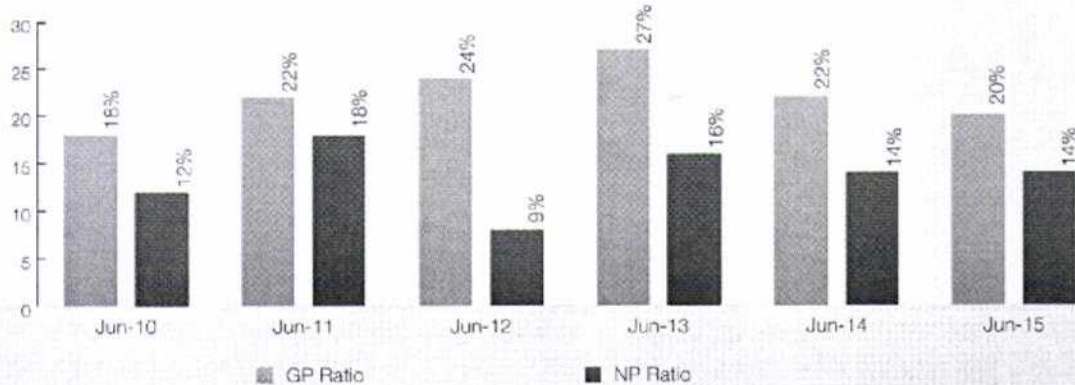
Dividend Yield ratio



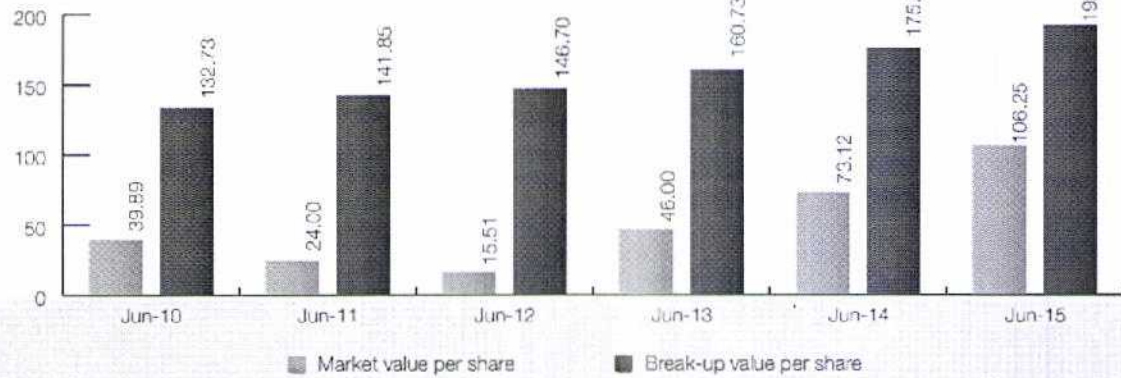
Fixed Assets & Turnover (Rs. '000)



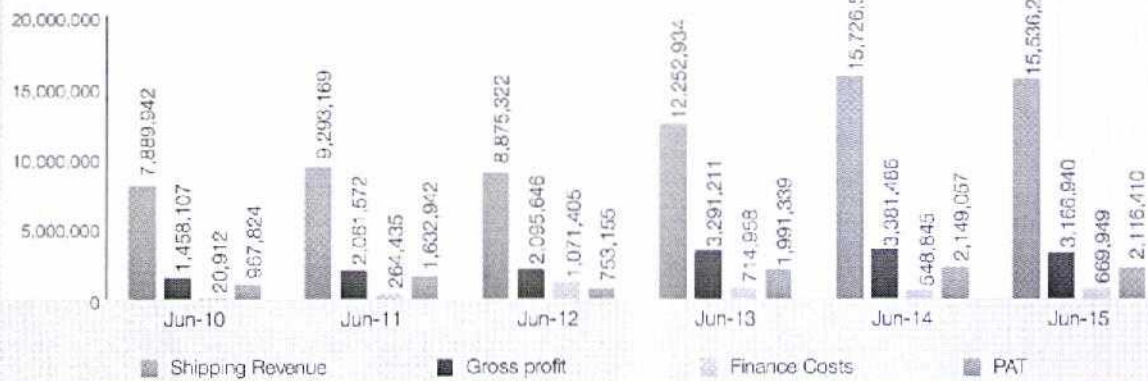
GP & NP Ratio



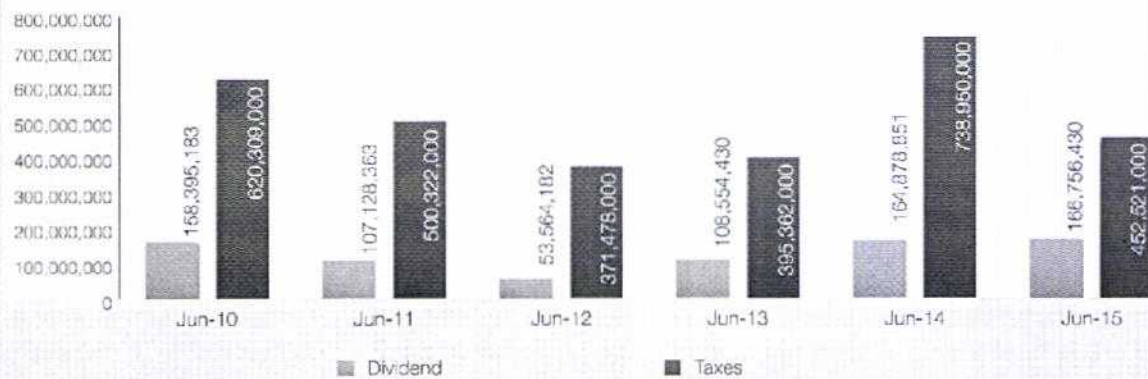
Market / Break-up value per share (Rs./ share)



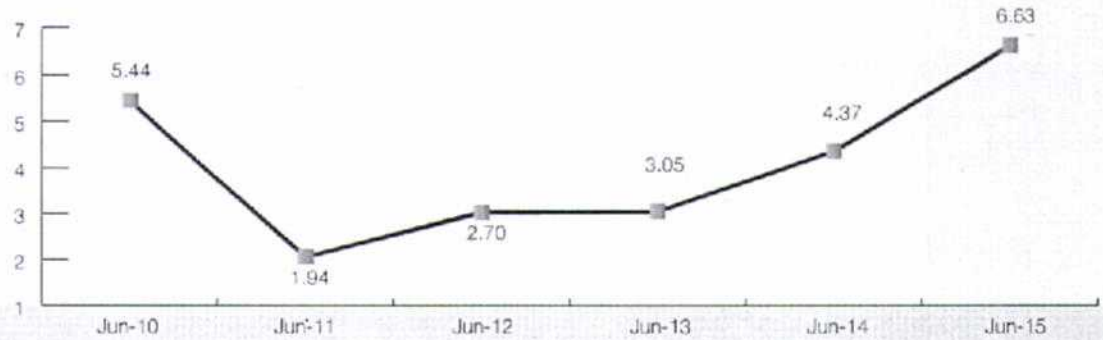
Turnover & Profitability



Payments to Federal Government



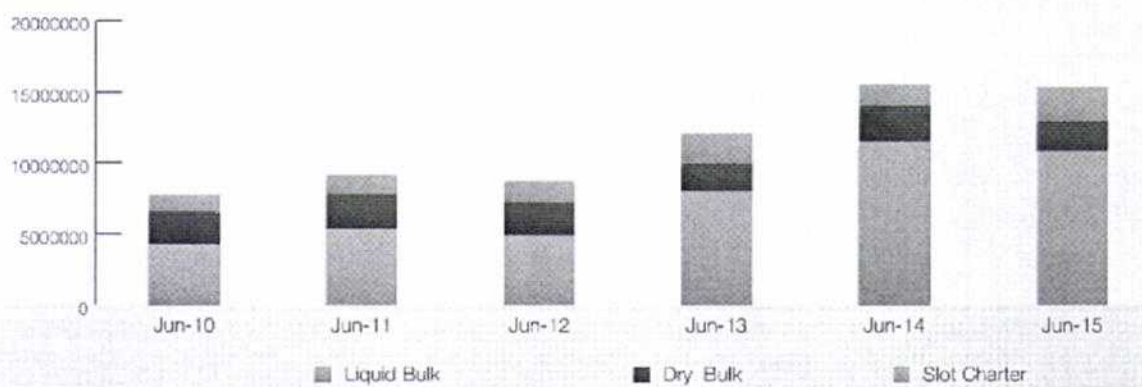
PE Ratio



Revenue & Operating Expenses (Rs. '000)



Sector-wise revenue



Horizontal Analysis (Group)

	2015		2014	
	'000	% change	'000	% change
Profit & Loss				
Revenues	15,536,288	-1%	15,726,546	28%
Expenditure	12,369,348	0%	12,345,060	38%
Gross Profit	3,166,940	-6%	3,381,486	3%
Administrative and General Expenses	1,038,073	27%	816,516	-1%
Other operating expenses	1,367,157	71%	799,616	277%
Finance costs	669,949	22%	548,845	-23%
Other income	2,121,287	79%	1,185,721	32%
Profit before Taxation	2,213,048	-8%	2,402,230	-2%
Taxation	96,638	-62%	253,173	-44%
Profit after Taxation	<u>2,116,410</u>	-2%	<u>2,149,057</u>	8%
Balance Sheet				
Property, plant and equipment	25,178,610	12%	22,567,568	-3%
Other Non-Current Assets	1,918,724	57%	1,225,190	2%
Trade debts	2,263,510	-7%	2,439,569	107%
Cash and bank balances	2,819,419	52%	1,852,441	4%
Other Current Assets	4,089,919	-5%	4,299,171	20%
Total Assets	<u>36,270,182</u>	12%	<u>32,383,939</u>	5%
Shareholder's Equity				
Surplus on Revaluation of Fixed Assets	24,275,607	8%	22,467,167	10%
Deferred liabilities	1,131,132	47%	771,073	-1%
Long Term Financing	851,561	38%	617,483	9%
Other Non Current Liabilities	5,748,035	26%	4,568,861	-22%
Current portion of long term financing	-	-	-	-
Other Current Liabilities	1,702,054	29%	1,316,882	0%
Total Equity and Liabilities	<u>2,561,793</u>	-3%	<u>2,642,473</u>	34%
Total Equity and Liabilities	<u>36,270,182</u>	12%	<u>32,383,939</u>	5%
Cash Flow Statement				
Cash Flows from Operating Activities	2,084,453	4%	2,001,668	22%
Cash Flows from Investing Activities	(2,825,631)	69%	(1,675,472)	30%
Cash Flows from Financing Activities	1,403,727	-196%	(1,460,066)	996%
Net (decrease) / increase in Cash and cash equivalents	<u>662,549</u>	-158%	<u>(1,133,870)</u>	-320%
Others				
Profit before tax	2,213,048	-8%	2,402,230	-2%
Finance Costs	669,949	22%	548,845	-23%
Depreciation	1,069,500	-1%	1,078,662	4%
EBITDA	<u>3,952,497</u>	-2%	<u>4,029,737</u>	-4%
Profit before tax	2,213,048	-8%	2,402,230	-2%
Finance Costs	669,949	22%	548,845	-23%
EBIT	<u>2,882,997</u>	-2%	<u>2,951,075</u>	-7%

2013		2012		2011		2010	
'000	% change	'000	% change	'000	% change	'000	% change
12,252,934	38%	8,875,322	-4%	9,293,169	18%	7,889,942	-31%
8,961,723	32%	6,779,676	-6%	7,231,597	12%	6,431,835	-24%
3,291,211	57%	2,095,646	2%	2,061,572	41%	1,458,107	-52%
823,137	35%	608,494	-4%	631,646	1%	623,353	20%
211,876	-59%	514,133	162%	196,303	-22%	253,206	-21%
714,958	-33%	1,071,405	305%	264,435	1165%	20,912	-61%
900,918	9%	823,344	-22%	1,055,964	19%	888,895	8%
2,442,158	237%	724,958	-64%	2,025,152	40%	1,449,531	-52%
450,819	-1699%	(28,197)	-107%	392,210	-19%	481,707	-29%
<u>1,991,339</u>	<u>164%</u>	<u>753,155</u>	<u>-54%</u>	<u>1,632,942</u>	<u>69%</u>	<u>967,824</u>	<u>-58%</u>
23,210,977	3%	22,614,412	-4%	23,476,232	65%	14,266,718	73%
1,199,507	-3%	1,237,337	18%	1,051,143	1%	1,037,733	2%
1,177,691	173%	432,070	-34%	654,580	42%	462,272	-42%
1,788,301	3%	1,742,306	-17%	2,100,797	60%	1,314,633	-41%
3,576,655	39%	2,572,424	70%	1,513,423	-25%	2,023,878	-67%
<u>30,953,131</u>	<u>8%</u>	<u>28,598,549</u>	<u>-1%</u>	<u>28,796,175</u>	<u>51%</u>	<u>19,105,234</u>	<u>4%</u>
20,447,185	10%	18,593,130	3%	18,066,178	7%	16,850,410	6%
778,889	0%	780,110	17%	667,582	-2%	678,837	13%
566,574	-3%	583,701	35%	433,440	49%	291,028	32%
5,873,286	0%	5,878,871	-15%	6,941,693	-	-	-
-	-	11,349	-	-	-	-	-
1,316,882	22%	1,079,763	0%	1,079,763	100%	-	-
1,970,315	18%	1,671,626	4%	1,607,519	25%	1,284,959	-23%
<u>30,953,131</u>	<u>8%</u>	<u>28,598,549</u>	<u>-1%</u>	<u>28,796,175</u>	<u>51%</u>	<u>19,105,234</u>	<u>4%</u>
1,644,579	6%	1,547,467	-1%	1,582,377	-70%	5,242,579	249%
(1,291,551)	-442%	377,914	-104%	(9,278,524)	61%	(5,762,074)	183%
162,942	-113%	(1,230,297)	-116%	7,766,987	-2088%	(390,752)	-43%
<u>515,970</u>	<u>-25%</u>	<u>695,084</u>	<u>1267%</u>	<u>50,840</u>	<u>-106%</u>	<u>(910,247)</u>	<u>-25%</u>
2,442,158	237%	724,958	-64%	2,025,152	40%	1,449,531	-52%
714,958	-33%	1,071,405	305%	264,435	1165%	20,912	-61%
1,040,093	-6%	1,111,501	10%	1,009,936	2%	994,772	-44%
-	0%	-	0%	-	0%	-	0%
<u>4,197,209</u>	<u>44%</u>	<u>2,907,864</u>	<u>-12%</u>	<u>3,299,523</u>	<u>34%</u>	<u>2,465,215</u>	<u>-49%</u>
2,442,158	237%	724,958	-64%	2,025,152	40%	1,449,531	-52%
714,958	-33%	1,071,405	305%	264,435	1165%	20,912	-61%
3,157,116	78%	1,796,363	-22%	2,289,587	56%	1,470,443	-52%

Vertical Analysis (Group)

	2015		2014	
	'000	%	'000	%
Profit & Loss				
Revenues	15,536,288	100%	15,726,546	100%
Expenditure	12,369,348	80%	12,345,060	78%
Gross Profit	3,166,940	20%	3,381,486	22%
Administrative and General Expenses	1,038,073	7%	816,516	5%
Other operating expenses	1,367,157	9%	799,616	5%
Finance costs	669,949	4%	548,845	3%
Other operating income	2,121,287	14%	1,185,721	8%
Profit before Taxation	2,213,048	14%	2,402,230	15%
Taxation	96,638	1%	253,173	2%
Profit after Taxation	<u>2,116,410</u>	14%	<u>2,149,057</u>	14%
Balance Sheet				
Property, plant and equipment	25,178,610	69%	22,567,568	70%
Other Non-Current Assets	1,918,724	5%	1,225,190	4%
Trade debts	2,263,510	6%	2,439,569	8%
Cash and bank balances	2,819,419	8%	1,852,441	6%
Other Current Assets	4,089,919	11%	4,299,171	13%
Total Assets	<u>36,270,182</u>	100%	<u>32,383,939</u>	100%
Shareholder's Equity	24,275,607	67%	22,467,167	69%
Surplus on Revaluation of Fixed Assets	1,131,132	3%	771,073	2%
Deferred liabilities	851,561	2%	617,483	2%
Long Term Financing	5,748,035	16%	4,568,861	14%
Other Non Current Liabilities	-	-	-	-
Current portion of long term financing	1,702,054	5%	1,316,882	4%
Other Current Liabilities	2,561,793	7%	2,642,473	8%
Total Equity and Liabilities	<u>36,270,182</u>	100%	<u>32,383,939</u>	100%
Cash Flow Statement				
Cash Flows from Operating Activities	2,084,453	315%	2,001,668	-177%
Cash Flows from Investing Activities	(2,825,631)	-426%	(1,675,472)	148%
Cash Flows from Financing Activities	1,403,727	212%	(1,460,066)	129%
Net Increase/Decrease in Cash and cash equivalents	<u>662,549</u>	100%	<u>(1,133,870)</u>	100%
Others				
Profit before tax	2,213,048	55%	2,402,230	60%
Finance Costs	669,949	17%	548,845	14%
Depreciation	1,069,500	27%	1,078,662	27%
EBITDA	<u>3,952,497</u>	98%	<u>4,029,737</u>	100%
Profit before tax	2,213,048	75%	2,402,230	81%
Finance Costs	669,949	23%	548,845	19%
EBIT	<u>2,882,997</u>	98%	<u>2,951,075</u>	100%

2013		2012		2011		2010	
'000	%	'000	%	'000	%	'000	%
12,252,934	100%	8,875,322	100%	9,293,169	100%	7,889,942	100%
8,961,723	73%	6,779,676	76%	7,231,597	78%	6,431,835	82%
3,291,211	27%	2,095,646	24%	2,061,572	22%	1,458,107	18%
823,137	7%	608,494	7%	631,646	7%	623,353	8%
211,876	2%	514,133	6%	196,303	2%	253,206	3%
714,958	6%	1,071,405	12%	264,435	3%	20,912	0%
900,918	7%	823,344	9%	1,055,964	11%	888,895	11%
2,442,158	20%	724,958	8%	2,025,152	22%	1,449,531	18%
450,819	4%	(28,197)	0%	392,210	4%	481,707	6%
<u>1,991,339</u>	16%	<u>753,155</u>	8%	<u>1,632,942</u>	18%	<u>967,824</u>	12%
23,210,977	75%	22,614,412	79%	23,476,232	82%	14,266,718	75%
1,199,507	4%	1,237,337	4%	1,051,143	4%	1,037,733	5%
1,177,691	4%	432,070	2%	654,580	2%	462,272	2%
1,788,301	6%	1,742,306	6%	2,100,797	7%	1,314,633	7%
3,576,655	12%	2,572,424	9%	1,513,423	5%	2,023,878	11%
<u>30,953,131</u>	100%	<u>28,598,549</u>	100%	<u>28,796,175</u>	100%	<u>19,105,234</u>	100%
20,447,185	66%	18,593,130	65%	18,066,178	63%	16,850,410	88%
778,889	3%	780,110	3%	667,582	2%	678,837	4%
566,574	2%	583,701	2%	433,440	2%	291,028	2%
5,873,286	19%	5,878,871	21%	6,941,693	24%	-	0%
-	-	11,349	-	-	-	-	-
1,316,882	4%	1,079,763	4%	1,079,763	4%	-	0%
1,970,315	6%	1,671,626	6%	1,607,519	6%	1,284,959	7%
<u>30,953,131</u>	100%	<u>28,598,549</u>	100%	<u>28,796,175</u>	100%	<u>19,105,234</u>	100%
1,644,579	319%	1,547,467	223%	1,562,377	3073%	5,242,579	-576%
(1,291,551)	-250%	377,914	54%	(9,278,524)	-18251%	(5,762,074)	633%
162,942	32%	(1,230,297)	-177%	7,766,987	15277%	(390,752)	43%
<u>515,970</u>	100%	<u>695,084</u>	100%	<u>50,840</u>	100%	<u>(910,247)</u>	100%
2,442,158	58%	724,958	25%	2,025,152	61%	1,449,531	59%
714,958	17%	1,071,405	37%	264,435	8%	20,912	1%
1,040,093	25%	1,111,501	38%	1,009,936	31%	994,772	40%
-	0%	-	0%	-	0%	-	0%
<u>4,197,209</u>	100%	<u>2,907,864</u>	100%	<u>3,299,523</u>	100%	<u>2,465,215</u>	100%
2,442,158	77%	724,958	40%	2,025,152	88%	1,449,531	99%
714,958	23%	1,071,405	60%	264,435	12%	20,912	1%
<u>3,157,116</u>	100%	<u>1,796,363</u>	100%	<u>2,289,587</u>	100%	<u>1,470,443</u>	100%



Six Years At A Glance (PNSC)

	2014-2015	2013-2014	2012-2013	2011-2012	2010-2011	2009-2010
-----[Rupees in '000]-----						
Profit & Loss						
Revenue	8,896,385	8,727,685	5,962,892	2,777,932	3,084,361	2,077,947
Expenditure	7,350,551	7,051,185	4,228,202	1,845,685	1,945,834	1,351,580
Gross profit	1,545,834	1,676,500	1,734,690	932,247	1,138,527	726,367
Administrative, general & other expenses	1,840,286	1,183,539	479,587	609,673	310,042	402,621
Other income	1,914,465	1,073,431	530,695	505,073	317,110	834,377
Finance Costs	667,235	546,681	711,933	1,069,279	261,994	19,161
Profit / loss before taxation	952,778	1,019,711	1,073,865	(241,632)	883,601	1,138,962
Taxation	60,005	216,435	414,308	(77,085)	287,199	427,429
Profit / loss after taxation	892,773	803,276	659,557	(164,547)	596,402	711,533
Balance Sheet						
Non-current assets	29,209,792	28,057,057	27,923,891	26,617,392	26,312,254	15,698,168
Current assets	11,378,044	7,383,084	5,117,827	3,859,841	3,309,308	2,826,872
Total Assets	40,587,826	35,440,141	33,041,718	30,477,233	29,621,562	18,525,040
Paid-up Capital	1,320,634	1,320,634	1,320,634	1,320,634	1,320,634	1,320,634
Reserves	6,898,954	6,314,151	5,633,268	5,107,078	5,460,726	5,144,962
Share-holders' equity	8,219,588	7,634,785	6,953,902	6,427,712	6,781,360	6,465,596
Surplus on revaluation of fixed assets	1,128,307	768,246	776,064	777,265	662,817	671,928
Non-current liabilities	6,599,598	5,188,344	6,439,860	6,473,920	7,375,134	291,028
Current liabilities	24,640,335	21,850,764	16,871,892	16,798,316	14,802,251	11,096,468
	40,587,826	35,440,141	33,041,718	30,477,233	29,621,562	18,525,040
RATIOS						
Profitability Ratios						
Gross Profit/ Operating Revenue (%)	17%	19%	29%	34%	37%	35%
Profit Before Tax/Operating Revenue (%)	10.71%	11.68%	18.01%	-8.70%	28.85%	54.81%
Profit after Tax/Operating Revenue (%)	10.04%	9.20%	11.06%	-5.92%	19.34%	34.24%
Return on Capital Employed	5.60%	5.91%	4.65%	-1.20%	4.02%	9.58%
Liquidity / Leverage Ratios						
Current Ratio	0.46	0.34	0.27	0.23	0.22	0.25
Fixed Assets Turnover Ratio (Times)	0.30	0.31	0.21	0.10	0.12	0.13
Equity / Total Assets (%)	23%	24%	23%	24%	25%	39%
Return to Shareholders						
Earnings per share (Rs.)	6.76	6.08	4.99	(1.25)	4.52	5.39
Price Earning Ratio (Rs.)	15.72	12.02	9.21	(12.37)	5.31	7.40
Cash Dividend (Rs. / share)	1.5	1.5	1	0.5	1.00	1.50
Break-up Value per share	70.78	63.63	58.53	54.56	56.37	54.05
Share prices in Rupees						
High	187.90	94.57	52.00	25.89	41.74	75.54
Low	56.68	46	14.41	11.5	23.40	38.00

Review Report To The Members

On The Statement Of Compliance With The Code Of Corporate Governance

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Pakistan National Shipping Corporation (the Corporation) for the year ended June 30, 2015 to comply with the requirements of Listing Regulation No. 35 of the Karachi Stock Exchange Limited where the Corporation is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Corporation's corporate governance procedures and risks.

The Code requires the Corporation to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of 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.

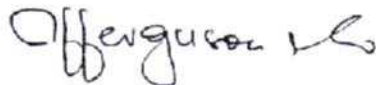
Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Corporation's compliance, in all material respects, with the best practices contained in the Code as applicable to the Corporation for the year ended June 30, 2015.

A. F. FERGUSON & CO.
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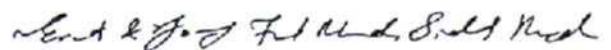
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Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

S. No	Paragraph reference	Description
I.	23	The mechanism for development of an annual evaluation plan to evaluate the Board of Directors' own performance is currently in process.
II.	23	Formulation of whistle blowing policy.



A. F. FERGUSON & CO.
Chartered Accountants
Karachi: September 28, 2015



ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Karachi: September 28, 2015

Statement Of Compliance With The Code Of Corporate Governance

Pakistan National Shipping Corporation
(Established under the Pakistan National Shipping Corporation Ordinance, 1979)
Year Ended: June 30, 2015

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in Regulation 35 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 (the Board) 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 Board of Directors	I. Mr. Arif Elahi
Non – Executive Directors (Appointed by Federal Government)	II. Mr. M. Anwar Malik III. Mr. Haque Nawaz IV. Ms. Ava A. Cowasjee V. Mr. Akbar Adil
Non – Executive Directors (Elected by Shareholders)	VI. Mr. Khawaja Obaid Imran Ilyas VII. Capt. Anwar Shah

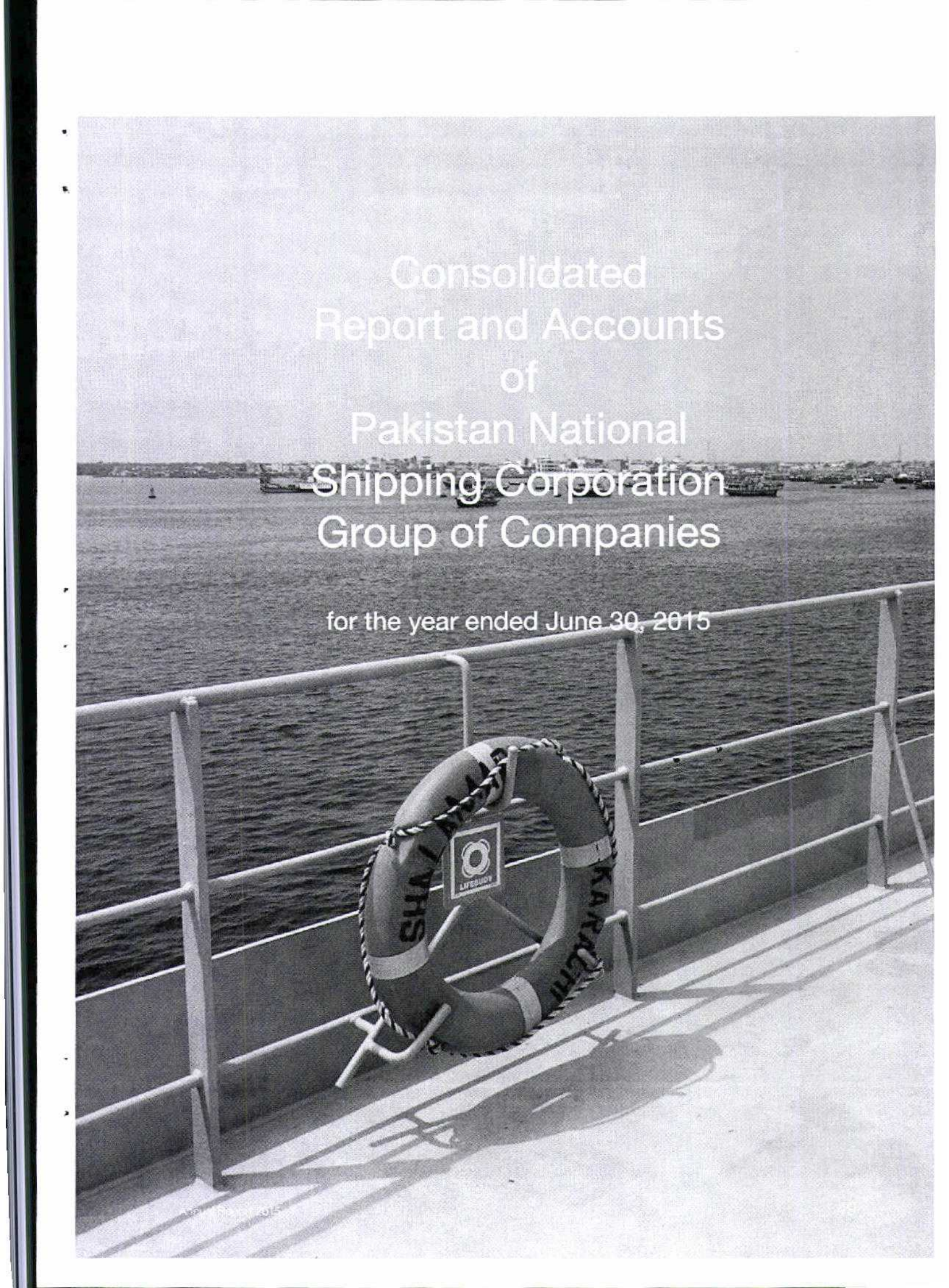
2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Corporation.
3. All the resident directors of the Corporation are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred on the Board and were duly filled on the same date by another appointments by the Federal Government.
5. The Corporation has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout 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. During the year the Board has approved governance, risk management and compliance issues, and human resource management policies. While the policies for write off of bad debts and capital expenditure have already been approved and defined in the financial statements. Further, the Corporation follows the directions of the Federal Government for investment of funds and borrowing of monies. A complete record of particulars of significant policies along with the dates on which they were approved has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. However the appointment and remuneration of the Chairman/Chief Executive Officer (CEO) has been determined by the Federal Government.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met atleast once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated atleast seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Corporation has arranged approved training program for its directors during the year.
10. There have been no fresh appointments of Chief Financial Officer (CFO) and Company Secretary. However, during the year the Board has approved the terms and conditions of employment and remuneration of Head of Internal Audit.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Corporation were duly endorsed by CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Corporation other than that disclosed in the pattern of shareholding.
14. The Corporation has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee (the Committee). The Committee comprises of three members, of whom all are non-executive directors and the Chairman of the Committee is also a non-executive director.
16. The meetings of the Committee were held at least once every quarter prior to approval of interim and final results of the Corporation and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance. All the requirements of the Code with respect to the Committee were complied.
17. The Board has formed a Human Resource and Remuneration (HR) Committee. It comprises of three members, of whom all are non-executive directors and the Chairman of the HR Committee is a non-executive director.
18. The Board has set up an 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 Corporation have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold any 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 the Corporation's securities, was determined and intimated to directors, employees and stock exchange.
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 Code have been complied with except for the following, towards which reasonable progress is being made by the Corporation to seek compliance by the end of next accounting year.
 - Formulation of mechanism to evaluate the Board's own performance. [Non-compliance of clause (v)(e) of the Code].
 - Formulation of whistle blowing policy by the Board. [Non-compliance of clause (v)(c) of the Code].



Arif Elahi P.A.S.
Chairman / CEO
Dated: September 28, 2015

A black and white photograph of a ship's deck. In the foreground, a lifebuoy is mounted on a metal railing. The lifebuoy has the text 'SHALIMAR' on the left side and 'KARACHI' on the right side. A small square logo with a circular emblem and the word 'LIFEBUOY' is attached to the center of the lifebuoy. The deck is made of light-colored material, possibly concrete or metal, and shows shadows from the railing. In the background, a large body of water stretches to the horizon, with several ships and buildings visible in the distance under a clear sky.

Consolidated
Report and Accounts
of
Pakistan National
Shipping Corporation
Group of Companies

for the year ended June 30, 2015



SHALAMAR

Auditors' Report to the Members

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
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PROGRESSIVE PLAZA
BEAUMONT ROAD
KARACHI


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, 2015 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, 2015 and the results of their operations for the year then ended.



A. F. FERGUSON & CO.
Chartered Accountants
Karachi: September 28, 2015
Audit Engagement Partner: Khurshid Hasan



ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Karachi: September 28, 2015
Audit Engagement Partner: Riaz A. Rahman Chamdia


Consolidated Balance Sheet

As at June 30, 2015

Note	2015	2014	
	(Rupees in '000)		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	25,178,610	22,567,568
Intangible asset	5	-	-
Investment properties	6	1,767,473	1,080,596
Long-term investments in:			
- Related party (associate)	7	-	-
- Listed companies and another entity	8	53,434	53,669
Long-term loans and advances		58	58
Long-term deposits		90	90
Deferred taxation	9	97,669	90,777
		27,097,334	23,792,758
CURRENT ASSETS			
Stores and spares	10	624,542	637,847
Trade debts - unsecured	11	2,263,510	2,439,569
Agents' and owners' balances - unsecured	12	18,065	124,824
Loans and advances	13	102,562	58,564
Trade deposits and short-term prepayments	14	54,754	47,664
Interest / mark-up accrued on bank deposits and investments		38,271	35,009
Other receivables	15	277,309	343,625
Insurance claims	16	393	7,032
Taxation-net		1,019,637	749,726
Short-term investments	17	1,961,375	2,294,880
Cash and bank balances	18	2,812,430	1,852,441
		9,172,848	8,591,181
TOTAL ASSETS		36,270,182	32,383,939
EQUITY AND LIABILITIES			
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE HOLDING COMPANY			
Share capital	19	1,320,634	1,320,634
Reserves	20	22,952,012	21,144,018
		24,272,646	22,464,652
NON-CONTROLLING INTEREST	21	2,961	2,515
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE GROUP		24,275,607	22,467,167
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX	22	1,131,132	771,073
NON-CURRENT LIABILITIES			
Long-term financing - secured	23	5,748,035	4,568,861
Deferred liabilities	24	851,561	617,483
		6,599,596	5,186,344
CURRENT LIABILITIES			
Trade and other payables	25	2,440,420	2,520,301
Provision against damage claims	26	20,223	31,973
Current portion of long-term financing	23	1,702,054	1,316,882
Incomplete voyages	27	18,452	11,684
Accrued mark-up on long term financing		82,698	78,515
		4,263,847	3,959,355
TOTAL EQUITY AND LIABILITIES		36,270,182	32,383,939
CONTINGENCIES AND COMMITMENTS			
	28		

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


Anil Elahi P.A.S.
Chairman & Chief Executive


Capt. Anwar Shah
Director

Consolidated Profit and Loss Account

For the year ended June 30, 2015

	Note	2015	2014
		------(Rupees in '000)-----	
REVENUE			
Income from shipping business	29	15,381,351	15,585,416
Rental income		154,937	141,130
		<u>15,536,288</u>	<u>15,726,546</u>
EXPENDITURE			
Fleet expenses - direct	30	(12,240,228)	(12,243,641)
Fleet expenses - indirect	31	(30,277)	(33,878)
Real estate expenses	32	(98,843)	(67,541)
		<u>(12,369,348)</u>	<u>(12,345,060)</u>
GROSS PROFIT		3,166,940	3,381,486
Administrative expenses	33	(1,038,073)	(816,516)
Other expenses	34	(1,367,157)	(799,616)
Other income	35	2,121,287	1,185,721
		<u>(283,943)</u>	<u>(430,411)</u>
OPERATING PROFIT		2,882,997	2,951,075
Finance costs	36	(669,949)	(548,845)
PROFIT BEFORE TAXATION		2,213,048	2,402,230
Taxation	37	(96,638)	(253,173)
PROFIT FOR THE YEAR		2,116,410	2,149,057
Attributable to:			
Equity holders of the Holding Company		2,115,964	2,148,674
Non-controlling interest		446	383
		<u>2,116,410</u>	<u>2,149,057</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Items that will not be reclassified to profit and loss account			
Remeasurement of post-retirement benefits obligation		(131,004)	1,307
Tax on remeasurement of post-retirement benefits obligation		14,621	914
		<u>(116,383)</u>	<u>2,221</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,000,027	2,151,278
------(Rupees)-----			
EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY	38	16.02	16.27

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

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


Arif Dalvi
Chairman & Chief Executive


Capt. Anwar Shah
Director

Consolidated Statement of Changes in Equity

For the year ended June 30, 2015

	Attributable to the share holders of the Holding Company						Non-controlling interest	Total
	Issued subscribed and fully paid-up share capital (Note 13)	Capital reserve	General reserves	Re-measurement of post retirement benefits obligation - net of tax	Unappropriated profit	Total		
	(Rupees in '000)							
Balance as at July 1, 2013	1,320,634	131,344	129,307	(228,742)	19,092,511	18,993,075	2,132	20,447,185
Final cash dividend for the year ended June 30, 2013 paid to shareholders of the Holding Company @ Re 1 per ordinary share	-	-	-	-	(132,063)	(132,063)	-	(132,063)
Profit for the year	-	-	-	-	2,148,674	2,148,674	383	2,149,057
Other comprehensive income for the year	-	-	-	2,221	-	2,221	-	2,221
Total comprehensive income for the year	-	-	-	2,221	2,148,674	2,150,895	383	2,151,278
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax (note 22)	-	-	-	-	7,449	7,449	-	7,449
Transaction cost incurred for issue of further share capital of subsidiary	-	-	-	-	(6,682)	(6,682)	-	(6,682)
Balance as at June 30, 2014	1,320,634	131,344	129,307	(276,521)	21,109,889	21,012,674	2,515	22,467,167
Final cash dividend for the year ended June 30, 2014 paid to shareholders of the Holding Company @ Rs 1.5 per ordinary share	-	-	-	-	(198,095)	(198,095)	-	(198,095)
Profit for the year	-	-	-	-	2,115,964	2,115,964	446	2,116,410
Other comprehensive income for the year	-	-	-	(116,383)	-	(116,383)	-	(116,383)
Total comprehensive income for the year	-	-	-	(116,383)	2,115,964	1,999,581	446	2,000,027
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax (note 22)	-	-	-	-	6,508	6,508	-	6,508
Balance as at June 30, 2015	1,320,634	131,344	129,307	(392,905)	23,034,296	22,820,688	2,961	24,275,607

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


Arif Elahi B.A.S.
Chairman & Chief Executive


Capt. Anwar Shah
Director

Consolidated Cash Flow Statement

For the year ended June 30, 2015

Note	2015	2014
------(Rupees in '000)-----		
Cash flows from operating activities		
Cash generated from operations	39 3,351,122	3,419,104
Employees' gratuity paid	(57,015)	(7,474)
Employees' compensated absences paid	(85,475)	(60,241)
Post-retirement medical benefits paid	(32,401)	(25,938)
Finance costs paid	(850,326)	(793,788)
Receipt under cross currency interest rate swap	211,069	208,955
Taxes paid	(452,521)	(738,950)
Net cash generated from operating activities	2,084,453	2,001,668
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,643,869)	(435,253)
Proceeds from disposal of property, plant and equipment	481,236	-
Short term investments redeemed / (made) during the year	36,065	(1,497,440)
Interest / mark-up received	298,913	256,400
Dividends received	2,024	821
Net cash used in investing activities	(2,825,631)	(1,675,472)
Cash flows from financing activities		
Long-term financing obtained	3,081,375	(1,323,158)
Long-term financing repaid	(1,482,700)	-
Transaction costs paid for issue of ordinary share capital	-	(6,882)
Dividends paid	(194,948)	(130,226)
Net cash generated / (used in) from financing activities	1,403,727	(1,460,066)
Net increase / (decrease) in cash and cash equivalents	662,549	(1,133,870)
Cash and cash equivalents at the beginning of the year	2,649,881	3,783,751
Cash and cash equivalents at the end of the year	40 3,312,430	2,649,881

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


Arif Elahi *MD*
Chairman & Chief Executive


Capt. Anwar Shah
Director

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

1. GENERAL INFORMATION

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, Mouvi 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% (2014: 73%) of the share capital of Pakistan Co-operative Ship Stores (Private) Limited and 100% (2014: 100%) of the share capital of the remaining eighteen subsidiary companies. All the wholly owned subsidiaries 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, Kaghan 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. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

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

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984 (the Ordinance), provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail. These consolidated financial statements have been prepared under the historical cost convention unless otherwise specifically stated.

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3 of these consolidated financial statements.

2.2 New standards, amendments to published approved accounting standards and interpretations

2.2.1 New amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2015

There were certain new amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the year but are considered not to be relevant or have any significant effect on the Group's operations and are, therefore, not disclosed in these consolidated financial statements.

2.2.2 New standard, amendments to approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the Group

There are certain amendments to the approved accounting standards and new interpretation issued by IFRIC which will be effective after July 1, 2015 but are considered not to be relevant or are expected to have any significant effect on the Groups's operations and are, therefore, not disclosed in these financial statements except for IFRS 13, "Fair value measurement", which aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirement do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will affect the determination of fair value and its related disclosures in the financial statements of the Group. The Group is yet to assess the full impact of the amendments.

2.3 Basis of consolidation

2.3.1 Subsidiaries

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

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

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

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

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.

2.3.2 Associates

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

2.4 Property, plant and equipment

These are initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses, if any, except for leasehold land, buildings on leasehold land, beach huts and workshop machinery and equipment which are carried at revalued amounts less accumulated depreciation and any subsequent impairment losses, if any. 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 profit and loss account 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.

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

Full month's depreciation is charged in the month of acquisition and no depreciation is charged in 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.

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

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

A revaluation deficit is recognised in profit and loss account, except that a deficit directly offsetting a previous surplus on any asset, in which case the deficit is recognised in surplus on revaluation of property, plant and equipment 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 property, plant and equipment account to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and the depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets. Upon disposal, any revaluation reserve relating to the particular assets being sold is transferred to retained earnings.

Major spare parts and stand-by equipment qualify for recognition as property, plant and equipment when the Group expects to use them during more than one year.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals, replacements and improvements are capitalised and assets so replaced, if any, are retired.

2.5 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.

2.6 Intangible assets

Intangible assets are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and impairment losses, if any.

Amortisation is charged to profit and loss account by applying straight-line method whereby the cost less residual value, if not insignificant, of an asset is written off over its estimated useful life to the Group. Full month's amortisation is charged in the month of acquisition and no amortisation is charged in the month of disposal.

2.7 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 measured initially at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at their fair values based on market value determined by professional independent valuers with sufficient regularity. Fair values are 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.

Additions to investment properties consist of costs of a capital nature. The profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period.

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

2.8 Impairment of non-financial assets

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

2.9 Financial instruments

2.9.1 Financial assets

The Group classifies its financial assets in the following categories:

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.

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.

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.

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 or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transactions costs are expensed in the profit and loss account.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables 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 the risks and rewards of ownership.

2.9.2 Impairment

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

2.9.3 Financial liabilities

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

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

2.9.4 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 receivables' 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 recognised directly to the profit and loss account.

2.9.5 Off-setting of financial assets and financial liabilities

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

2.10 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 the usage pattern and physical form.

2.11 Trade debts and other receivables

Trade and other debts are recognised at the fair value of consideration to be received against goods and services and are carried at amortised cost. Provision is made in respect of doubtful debts, if any. Debts, considered irrecoverable, are written off, as and when identified.

2.12 Taxation

2.12.1 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. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years. For certain subsidiaries owning and operating vessels, the charge for current taxation is based on Final Tax Regime (FTR) under clause 21(a) of Part II of the Second Schedule to the Income Tax Ordinance, 2001.

2.12.2 Deferred

Deferred income tax is provided using the liability method for all temporary differences arising at the balance sheet date, between tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available which these can be utilised.

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

2.13 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 recognised to insurance claims receivable.

2.14 Trade and other payables

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

2.15 Provisions

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

2.16 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 consolidated financial statements in the period in which such dividends are declared / transfers are made.

2.17 Staff retirement benefits

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

2.17.2 Defined benefit gratuity scheme

The Group operates a funded retirement gratuity scheme for its permanent employees other than those who joined the Group on or after October 16, 1984. Further, the Group also operates an unfunded retirement gratuity scheme for contractual employees. Provisions are made in the consolidated financial statements to cover obligations on the basis of actuarial valuation carried out annually under the projected unit credit method. The remeasurement of defined benefit contribution is recognised directly to equity through other comprehensive income.

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

Actuarial valuation is carried out annually and the latest valuation was carried out as at June 30, 2015 using the projected unit credit method.

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

2.17.3 Post-retirement medical benefits

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

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

Provisions are made in the consolidated financial statements to cover obligations on the basis of actuarial valuation carried out annually using the projected unit credit method. The remeasurement of post-retirement benefit obligation is recognised directly to equity through other comprehensive income.

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

Actuarial valuation is carried out annually and the latest valuation was carried out as at June 30, 2015 using the projected unit credit method.

2.18 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 account currently. The remeasurement of defined benefit obligation arising at each valuation date is recognised immediately.

Actuarial valuation is carried out annually and the latest valuation was carried out as at June 30, 2015 using the projected unit credit method.

2.19 Cash and cash equivalents

Cash and cash equivalents include cash in hand, cheques in hand, deposits held with banks and other short-term highly liquid investments with maturities of three months or less.

2.20 Foreign currency translation

These consolidated financial statements are presented in Pakistani Rupee, which is the Group's functional and presentation currency.

Transactions in foreign currencies are recorded in Pakistani Rupee at the exchange rates approximating those prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are reported in Pakistani Rupee at the exchange rates approximating those prevalent at the balance sheet date. Gains and losses on translation are recognised to profit and loss account.

2.21 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 and completes discharge of entire cargo 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.

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

2.22 Contingent liabilities

Consistent with prior year contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

2.23 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 SOEs need to be accounted for by the covered entities, including the Group, 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.

During the year ended June 30, 2015, the shares have not been transferred to the respective Trust Fund under the Scheme as the matter is pending with the Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatisation (Privatisation Commission). The Scheme is being revamped by GoP and all claims and disbursements to the employees are kept in abeyance.

Had the exemption not been granted, the retained earnings would have been lower by Rs 631,142 million (2014: Rs 631,142 million) and reserves would have been higher by Rs 631,142 million (2014: Rs 631,142 million) based on the independent actuarial valuations conducted as on June 30, 2014. However the impact of staff cost and profit for the year is immaterial for the purpose of these consolidated financial statements.

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

3. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of 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;
- (b) Determination of the residual values and useful lives of property, plant and equipment;
- (c) Recognition of taxation and deferred taxation;
- (d) Accounting for provision for impairment against loans and advances, trade debts, agents and owners balances, deposits and other receivables;
- (e) Accounting for provision against damage claims;
- (f) Accounting for defined benefit plans;
- (g) Measuring fair value of cross currency swap and interest rate swap;
- (h) Recoverable amount of investment in related parties; and
- (i) Determination of contingent assets and liabilities.

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	2015	2014
------(Rupees in '000)-----			
4. PROPERTY, PLANT AND EQUIPMENT			
- Operating fixed assets	4.1	24,480,366	21,894,357
- Major spare parts and stand-by equipment	4.6	221,523	218,731
- Capital work-in-progress - buildings on leasehold land	4.8	476,721	454,480
		<u>25,178,610</u>	<u>22,567,568</u>

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

4.1 The following is a statement of operating fixed assets:

	Leasehold and land		Buildings on leasehold		Vehicles		Office equipment and fittings		Furniture and fittings		Motor boats and other		Equipment on board		Dental fittings		Boathub		Workshop machinery and equipment		Computer equipment		Total	
	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Cost	Accumulated depreciation	Cost	Accumulated depreciation		
As at June 30, 2013	649,060	578,028	24,442,702	493,107	25,375,809	68,045	40,370	31,311	18	16,840	3,468	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	26,640,780	
Cost or revalued amount	74,067	3,776,068	659,630	65,116	16,920	18	8,041	3,468	1,298	13,690	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	41,36,985	
Less: Accumulated depreciation	649,060	503,371	21,196,636	273,409	21,370,045	2,529	26,058	14,481	10,739	13,690	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	27,703,824	
Net book value																								
Year ended June 30, 2014																								
Opening net book value	3,081	3,357	229,871	229,871	229,871	229,871	229,871	229,871	229,871	229,871	229,871	229,871	229,871	229,871	229,871	229,871	229,871	229,871	229,871	229,871	229,871	229,871	229,871	22,703,824
Additions																								
Transfers from CMP																								
Write off																								
Cost																								
Accumulated depreciation																								
Depreciation charge for the year																								
Closing net book value																								
As at June 30, 2014																								
Cost or revalued amount	643,060	586,676	34,472,702	1,132,778	25,605,480	68,045	50,396	31,447	20,938	20,938	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	27,004,440	
Less: Accumulated depreciation	101,820	1,118,221	4,115,103	795,547	4,912,850	66,223	29,171	20,451	13,988	2,667	10,988	10,988	10,988	10,988	10,988	10,988	10,988	10,988	10,988	10,988	10,988	10,988	5,190,001	
Net book value	643,060	464,855	29,356,999	336,231	20,692,630	1,522	21,225	10,996	7,322	18,271	3,488	3,999	3,999	3,999	3,999	3,999	3,999	3,999	3,999	3,999	3,999	3,999	21,814,439	
Year ended June 30, 2015																								
Additions																								
Transfers from CMP																								
Write off																								
Cost																								
Accumulated depreciation																								
Depreciation charge for the year																								
Closing net book value																								
As at June 30, 2015																								
Cost or revalued amount	862,352	712,586	27,106,593	1,034,482	28,140,875	68,045	52,176	31,639	23,988	23,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	14,988	29,973,591	
Less: Accumulated depreciation	3,673	4,563,453	719,505	5,302,958	67,103	35,207	23,665	3,226	3,226	3,226	3,226	3,226	3,226	3,226	3,226	3,226	3,226	3,226	3,226	3,226	3,226	3,226	5,493,134	
Net book value	862,352	708,023	26,387,088	314,527	22,837,917	942	17,969	7,774	20,762	20,762	11,762	11,762	11,762	11,762	11,762	11,762	11,762	11,762	11,762	11,762	11,762	11,762	24,480,457	
Annual rate of depreciation (%)	3 to 20	3 to 20	3 to 20	20 to 40	20 to 40	20	15	10 to 15	10 to 15	10 to 15	10	5 to 10	5 to 10	5 to 10	5 to 10	5 to 10	5 to 10	5 to 10	5 to 10	5 to 10	5 to 10	5 to 10	25	
Annual rate of depreciation (%)	3 to 20	3 to 20	3 to 20	20 to 40	20 to 40	20	15	10 to 15	10 to 15	10 to 15	10	5 to 10	5 to 10	5 to 10	5 to 10	5 to 10	5 to 10	5 to 10	5 to 10	5 to 10	5 to 10	5 to 10	25	

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

4.2 The revaluation of the 'leasehold land', 'buildings on leasehold land' and 'beach huts' was carried out as of June 30, 2015 by FairWater Property Valuers & Surveyors (Pvt.) Limited on the basis of their professional assessment of present market values. The revaluation resulted in a surplus of Rs 460,268 million on the written down values of Rs 1,121,228 million which were incorporated in the books of the Group as at June 30, 2015. Out of the total revaluation surplus arisen, Rs 1,257.662 million (2014: Rs 806.965 million) remains undepreciated at June 30, 2015.

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

	2015	2014
	------(Rupees in '000)-----	
Leasehold land, buildings on leasehold land and beach huts	275,426	285,874
Workshop machinery and equipment	3,864	4,290
	<u>279,290</u>	<u>290,164</u>

4.4 Cost and accumulated depreciation of vessel amounting to Rs 1,440 million relates to M.V Ilyas Bux. This vessel was seized by the Indian authorities during the 1965 war and the Group does not have physical possession or control over the vessel.

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

Particulars	Mode of disposal	Cost	Accumulated depreciation	Written down value	Sale proceeds	Gain on disposal	Particulars of purchaser
------(Rupees in '000)-----							
Vessel Fleet - MV Kaghan	Tender sale through broker						
Vessel cost		772,636	(419,638)	352,998			
Dry docking		228,678	(228,678)	-			
Equipment on board		4,872	(4,193)	679			Messrs. Vincente Investments Inc.
Major spare parts and stand-by equipments		96,209	(71,976)	24,233			
Total		<u>1,102,395</u>	<u>(724,485)</u>	<u>377,910</u>	<u>481,177</u>	<u>103,267</u>	

4.6 Major spare parts and standby equipment

Net carrying value

	2015	2014
	------(Rupees in '000)-----	
Balance at beginning of the year	218,731	191,893
Additions during the year	39,271	48,888
Disposals made during the year	(24,233)	-
Balance at end of the year	<u>233,769</u>	<u>240,781</u>
Depreciation	(12,246)	(22,050)
Net book value	<u>221,523</u>	<u>218,731</u>

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015	2014
------(Rupees in '000)-----			
4.7	The depreciation charge for the year has been allocated as follows:		
	Fleet expenses - direct	30 1,025,416	1,026,798
	Fleet expenses - indirect	31 499	474
	Real estate expenses	32 21,973	21,816
	Administrative expenses	33 21,612	24,860
	Incomplete voyages	27 29,724	4,714
		<u>1,099,224</u>	<u>1,078,662</u>
4.8	Capital work-in-progress - buildings on leasehold land		
	Balance at the beginning of the year	454,480	315,260
	Additions during the year	32,279	144,777
	Transferred to operating fixed assets during the year	(10,038)	(5,557)
	Balance at the end of the year	<u>476,721</u>	<u>454,480</u>

5. INTANGIBLE ASSET

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

6. INVESTMENT PROPERTIES

	Note	Leasehold land	Buildings on leasehold land	Total
------(Rupees in '000)-----				
Balance as at July 1, 2014		1,043,560	37,036	1,080,596
Gain on revaluation of investment properties	6.1	682,430	4,447	686,877
Balance as at June 30, 2015		<u>1,725,990</u>	<u>41,483</u>	<u>1,767,473</u>

6.1 The revaluation of the Group investment properties was carried out by FairWater Property Valuers & Surveyors (Pvt.) Limited as of June 30, 2015 on the basis of their professional assessment of present market value. As a result, a revaluation gain of Rs 686.877 million was determined in respect of leasehold land whereas a revaluation gain amounting to Rs 4.447 million was determined on buildings.

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

Equity method

No. of shares - ordinary	Name of the company	Country of incorporation	Share of net assets		Latest available audited financial statements for the year ended	Percentage holding	Face value per share		
			2015	2014				2015	2014
			(Rupees in '000)			%	(Rupees)	---(Rupees '000)---	
	Associate - unlisted								
12,250	Muhammadi Engineering Works Limited Pakistan	Pakistan	1,600	1,600	December 31, 1982 (unaudited)	49	100	1,600	1,600
	Less: Accumulated impairment losses							1,600	1,600
								-	-

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

9.1 The management of the Group is confident that sufficient future taxable profits will be available against which deferred tax asset will be adjusted.

	Note	2015	2014
------(Rupees in '000)-----			
10. STORES AND SPARES			
Stores			
- at depots		11,343	9,495
- at buildings		742	845
- on board		26,693	22,991
		<u>38,778</u>	<u>33,331</u>
Spares			
- at buildings		1,063	1,062
- in transit		169	169
- on board		264,164	193,449
		<u>265,396</u>	<u>194,680</u>
Bunker on board		320,368	409,836
		<u>624,542</u>	<u>637,847</u>
11. TRADE DEBTS - unsecured			
Considered good	11.1	2,263,470	2,439,569
Considered doubtful		232,503	242,749
		<u>2,495,973</u>	<u>2,682,318</u>
Less: Provision for impairment	11.2	232,463	242,749
		<u>2,263,510</u>	<u>2,439,569</u>

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

	Note	2015	2014
------(Rupees in '000)-----			
Upto 1 month		482,820	1,031,717
1 to 6 months		470,338	933,226
More than 6 months		1,310,312	474,626
		<u>2,263,470</u>	<u>2,439,569</u>
11.2 Provision for impairment			
Balance at the beginning of the year		242,749	252,814
Provision made during the year	34	2,543	-
Provision reversed during the year		-	(9,961)
Provision written off during the year		(12,829)	(104)
Balance at the end of the year	11.3	<u>232,463</u>	<u>242,749</u>

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

11.3 As at June 30, 2015, trade debts of Rs 232.463 million (2014: Rs 242.749 million) were impaired and provided for. These balances have been outstanding for more than three years.

Note	2015	2014
	------(Rupees in '000)-----	

12. AGENTS' AND OWNERS' BALANCES - unsecured

Considered good	12.1	18,065	124,824
Considered doubtful		4,453	4,453
		<u>22,518</u>	<u>129,277</u>
Less: Provision for impairment		4,453	4,453
		<u>18,065</u>	<u>124,824</u>

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

	2015	2014
	------(Rupees in '000)-----	

Upto 1 month	3,528	60,128
1 to 6 months	8,256	64,033
More than 6 months	6,281	663
	<u>18,065</u>	<u>124,824</u>

13. LOANS AND ADVANCES - considered good

Loans		
To employees	1	1
Advances		
- employees	40,731	46,738
- contractors and suppliers	38,124	3,197
- others	23,706	8,628
	<u>102,562</u>	<u>58,564</u>

14. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Deposits		
- considered good	15,960	9,914
- considered doubtful	369	369
	<u>16,329</u>	<u>10,283</u>
Less: Provision for impairment	369	369
	<u>15,960</u>	<u>9,914</u>
Prepayments	38,794	37,750
	<u>54,754</u>	<u>47,664</u>

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015	2014
------(Rupees in '000)-----			
15. OTHER RECEIVABLES			
Rent receivable			
- considered good	15.1	11,322	10,335
- considered doubtful		3,801	3,801
		<u>15,123</u>	<u>14,136</u>
Less: Provision for impairment		3,801	3,801
		<u>11,322</u>	<u>10,335</u>
Amount held by lawyer in respect of a guarantee provided to the court		4,952	4,952
Derivative cross currency interest rate swap	15.6 & 15.7	62,991	147,209
Others			
- considered good	15.2	198,044	181,129
- considered doubtful		10,832	12,659
	15.3	<u>208,876</u>	<u>193,788</u>
Less: Provision for impairment	15.4	10,832	12,659
		<u>198,044</u>	<u>181,129</u>
		<u>277,309</u>	<u>343,625</u>

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

	2015	2014
------(Rupees in '000)-----		
Upto 1 month	(526)	890
1 to 6 months	2,111	1,952
More than 6 months	9,737	7,493
	<u>11,322</u>	<u>10,335</u>

15.2 As at June 30, 2015, an amount of Rs 198,044 million (2014: Rs 181,129 million) that are past due but not impaired. These receivables have been outstanding for less than one year.

	2015	2014
------(Rupees in '000)-----		
15.3 This includes the following:		
Receivable from sundry debtors	177,127	128,226
Sales tax refund claims	25,865	26,017
Insurance claims receivable	-	29
Others	5,884	39,516
	<u>208,876</u>	<u>193,788</u>

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

15.4 Provision for impairment

	2015	2014
	----- (Rupees in '000) -----	
Balance at the beginning of the year	12,659	12,659
Provision reversed during the year	(1,827)	-
Balance at the end of the year	<u>10,832</u>	<u>12,659</u>

15.5 As at June 30, 2015, other receivables of Rs 10.832 million (2014: Rs 12.659 million) were impaired and provided for. These receivables have been outstanding for more than three years.

15.6 The Holding Company has entered into a cross currency interest rate swap of Rs 9,995.300 million in respect of its borrowing (note 23). 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. Furthermore, 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 and interest rate swap as determined by the bank were Rs 30.048 million (favourable) (2014: Rs 86.851 million (favourable) and Rs 9.022 million (favourable) (2014: Rs 14.015 million (favourable)) respectively to the Holding Company as of the balance sheet date which has been reduced by the net interest receivable and exchange loss aggregating Rs 23.920 million (2014: Rs 46.343 million) as at June 30, 2015.

15.7 On September 26, 2013, the Holding Company has early terminated one of its cross currency swap contract having a notional amount aggregating Rs 1,244.880 million. The early termination resulted in the payment by the Holding Company to the arranging bank aggregating Rs 87.624 million comprising of net effects of interest received aggregating Rs 7.982 million, exchange loss and swap spread paid amounting to Rs 60.565 million and Rs 35.041 million respectively.

16. INSURANCE CLAIMS

In addition to these, general average claims aggregating to Rs 0.393 million (2014: Rs 6.5 million) are receivable from cargo owners and charterers. These amounts are determined on the basis of adjustment book received from independent adjuster. The Group has not recognised these claims as receivable pending acceptance from the counter parties or underwriter.

	Note	2015	2014
		----- (Rupees in '000) -----	
17. SHORT-TERM INVESTMENTS			
Term deposits with banks having maturity of			
- more than six months	17.1	300,000	-
- three to six months	17.2	1,161,375	1,497,440
- three months or less	17.3	500,000	797,440
		<u>1,961,375</u>	<u>2,294,880</u>

17.1 The mark-up on these term deposits denominated in local currency ranges from 8.5 % to 8.75 % (2014 : Nil) per annum.

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

17.2 The mark-up on these term deposits denominated in local currency ranges from 8.10% to 8.80% (2014: 10% to 10.50%) per annum, whereas mark-up on term deposits denominated in foreign currency is 2.05% to 2.10 % (2014: 2%) per annum.

17.3 The mark-up on these term deposits denominated in local currency ranges from 6.70% to 7.00% (2014: 9.75% to 10.50%) per annum, whereas mark-up on term deposits denominated in foreign currency is Nil (2014: 1.6% to 2%) per annum.

	Note	2015	2014
----- (Rupees in '000) -----			
18. CASH AND BANK BALANCES			
Cash at bank			
- in current accounts			
- local currency		783,996	413,495
- foreign currency		516,021	145,426
		1,300,017	558,921
- in saving accounts			
- local currency	18.1 & 18.2	1,510,442	1,290,962
- foreign currency	18.3	1,423	1,579
		1,511,865	1,292,541
Cash in hand		548	979
		<u>2,812,430</u>	<u>1,852,441</u>

18.1 This includes Rs 2.126 million (2014: Rs 2.126 million) and Rs 3 million (2014: Rs 3 million) 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.

18.2 The mark-up on savings accounts in local currency ranges from 4.5% to 6.75% (2014: 4.8% to 9.4%) per annum.

18.3 The mark-up on savings accounts in foreign currency ranges from 0.15% to 0.50% (2014: 0.15% to 0.50%) per annum.

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

19. SHARE CAPITAL

19.1 Issued, subscribed and fully paid-up capital

2015	2014		2015	2014
------(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 National Shipping Corporation (NSC) and Pakistan Shipping Corporation (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 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 the financial restructuring of the Holding Company in the year 1989-90	643,098	643,098
17,722,791	17,722,791	Ordinary shares of Rs 10 each issued as fully paid bonus shares	177,228	177,228
<u>132,063,380</u>	<u>132,063,380</u>		<u>1,320,634</u>	<u>1,320,634</u>

19.2 As at June 30, 2015, the GoP held 109,919,234 (2014: 109,919,234) ordinary shares of the Holding Company.

	Note	2015	2014
		------(Rupees in '000)-----	
20. RESERVES			
Capital reserves	20.1	131,344	131,344
Revenue reserves			
- remeasurement of post-retirement benefits obligation - net of tax		(342,905)	(226,522)
- unappropriated profit (including general reserves)		23,163,573	21,239,196
		<u>22,952,012</u>	<u>21,144,018</u>

20.1 This includes amount transferred from shareholders' equity at the time of merger of former NSC and PSC.

	2015	2014
	------(Rupees in '000)-----	
21. NON-CONTROLLING INTEREST		
Share of non-controlling interest in:		
- share capital	59	59
- general reserve	10	10
- unappropriated profit	2,446	2,063
- profit for the year	446	383
	<u>2,961</u>	<u>2,515</u>

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015	2014
		----- (Rupees in '000) -----	
22.			
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX			
Balance at the beginning of the year		806,965	816,603
Add : Surplus arising on revaluation of fixed assets during the current year		460,268	-
Less: Transferred to unappropriated profit:			
Surplus relating to incremental depreciation charged during the current year on related assets - net of tax		6,508	7,449
Related deferred tax liability		3,063	2,189
		9,571	9,638
		1,257,662	806,965
Less: Related deferred tax liability on:			
- Revaluation at the beginning of the year		35,892	37,714
- Incremental depreciation charged during the current year on related assets transferred to profit and loss account		(3,063)	(2,189)
- Surplus arising on revaluation of fixed assets during the current year		79,032	-
- Effect of change in statutory tax rate for next year		(3,076)	1,109
- Effect of allocation of revenue between presumptive tax regime and normal tax regime		17,745	(742)
	9	126,530	35,892
Balance at the end of the year		1,131,132	771,073
23.			
LONG-TERM FINANCING - secured			
Financing under syndicate term finance agreement	23.1	5,907,129	5,142,882
Less: Current portion		1,407,455	1,150,674
		4,499,674	3,992,208
Financing under term finance certificates agreement	23.1	580,030	742,861
Less: Current portion		166,208	166,208
		413,822	576,653
Financing under musharika agreement	23.2	962,930	-
Less: Current portion		128,391	-
		834,539	-
		5,748,035	4,568,861

23.1 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 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 quarterly basis with the last repayment date is November 23, 2018. The facility is secured by a first mortgage charge over certain vessels owned by subsidiary companies, all present and future receivables of the Holding Company from three major customers and its investment properties.

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

As at June 30, 2015, the Holding Company has drawn Rs 8,733.757 million (2014: Rs 8,733.757 million) and Rs 1,261.543 million (2014: Rs 1,261.543 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 Nil (2014: Rs Nil) 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 on September 7, 2012.

- 23.2 During the year ended June 30, 2015, the Holding Company has obtained a financing facility of Rs 4,500 million. The financing was obtained in the form of syndicated term finance loan of Rs 3,000 million, with the remaining amount of Rs 1,500 million through a musharika agreement.

The financing carries mark-up at the rate of KIBOR+1.60%. The loan along with the mark-up is repayable on a quarterly basis with the last repayment date on November 6, 2022. The facility is secured by a first mortgage charge over certain vessels owned by the subsidiary companies of the Holding Company.

During the year ended June 30, 2015, the Holding Company has drawn Rs 2,054.250 million (June 30, 2014: Rs Nil) and Rs 1,027.125 million (June 30, 2014: Rs Nil) from syndicated term finance and musharika respectively. The Holding Company has also paid loan arrangement fee amounting to Rs 45 million which was included fully in the amortised cost of the long term financing, whereas an amount of Rs 315,000 (June 30, 2014: Nil) is expensed out at the time of drawdown.

	Note	2015	2014
------(Rupees in '000)-----			
24. DEFERRED LIABILITIES			
Employees' gratuity			
- funded	24.1.3	142,289	86,899
- unfunded	24.1.3	167,304	100,995
Post retirement medical benefits	24.1.3	309,593	187,894
Employees' compensated absences	24.2.3	200,989	194,581
		340,979	235,008
24.1 Retirement benefit schemes		851,561	617,483

- 24.1.1 The disclosures made in note 24.1.2 to 24.1.15 are based on the information included in the actuarial valuation report as of June 30, 2015.

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

24.1.2 As stated in notes 2.18.2 and 2.18.3 of these consolidated financial statements, the Group operates a funded retirement gratuity scheme for those permanent employees who joined the Group before October 16, 1984, an unfunded retirement gratuity scheme for contractual employees and an unfunded post retirement medical benefit scheme for permanent and contractual employees. Liability is maintained against these schemes based on the actuarial recommendations. The following significant assumptions were used for the actuarial valuation of the defined benefit obligation schemes:

	2015			2014		
	Employees' gratuity		Post retirement medical benefits	Employees' gratuity		Post retirement medical benefits
	Funded	Unfunded		Funded	Unfunded	
Discount rate	9.75%	10.50%	9.75%	13.25%	13.25%	13.25%
Future salary increases						
- for permanent employees						
For the year 2014-15	N/A	-	-	40.00%	-	-
For the year 2015-16	2.00%	-	-	2.00%	-	-
For the year 2016-17	40.00%	-	-	40.00%	-	-
For the year 2017-18	2.00%	-	-	2.00%	-	-
For the year 2018-19	40.00%	-	-	40.00%	-	-
For the year 2019-20	2.00%	-	-	2.00%	-	-
For the year 2020-21	40.00%	-	-	13.25%	-	-
For the year 2022-23 and onwards	9.75%	-	-	13.25%	-	-
Future salary increases						
- for contractual employees						
For the year 2014-15	-	-	-	15.00%	-	-
For the year 2015-16	-	15.00%	-	15.00%	-	-
For the year 2016-17	-	15.00%	-	15.00%	-	-
For the year 2017-18	-	15.00%	-	15.00%	-	-
For the year 2018-19	-	15.00%	-	15.00%	-	-
For the year 2019-20	-	15.00%	-	13.25%	-	-
For the year 2020-21	-	10.50%	-	13.25%	-	-
For the year 2022- and onwards	-	10.50%	-	13.25%	-	-
Medical escalation rate	-	-	9.75%	-	-	13.25%
Death rate						

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

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

	2015			2014			
	Employees' gratuity Funded	Employees' gratuity Unfunded	Post-retirement medical benefits	Employees' gratuity Funded	Employees' gratuity Unfunded	Post-retirement medical benefits	
------(Rupees in '000)-----							
24.1.3 Balance sheet reconciliation							
Present value of defined benefit obligation	432,113	167,304	200,989	397,045	100,995	194,581	
Fair value of plan assets	(289,824)	-	-	(310,146)	-	-	
Net liability in the balance sheet	142,289	167,304	200,989	86,899	100,995	194,581	
24.1.4 Movement in present value of defined benefit obligation							
Balance at the beginning of the year	397,045	100,995	194,581	435,454	67,166	200,957	
Current service cost	9,256	20,648	7,717	11,991	11,416	7,232	
Interest cost	47,025	14,407	23,671	44,414	6,890	21,032	
Benefits paid	(93,763)	(7,015)	(32,401)	(83,717)	(7,474)	(25,938)	
Recognised prior service cost	-	-	-	-	-	10,273	
Remeasurements on obligation	72,550	38,269	7,421	(11,097)	22,997	(18,975)	
Balance at the end of the year	432,113	167,304	200,989	397,045	100,995	194,581	
24.1.5 Movement in fair value of plan assets							
Balance at the beginning of the year	310,146	-	-	362,802	-	-	
Expected return on plan assets	36,205	-	-	36,829	-	-	
Contribution	50,000	-	-	-	-	-	
Benefits paid	(93,763)	-	-	(83,717)	-	-	
Remeasurement on plan asset	(12,764)	-	-	(5,768)	-	-	
Balance at the end of the year	289,824	-	-	310,146	-	-	
24.1.6 Movement in net liability in the balance sheet							
Balance at the beginning of the year	86,899	100,995	194,581	72,652	67,166	200,957	
Expense recognised for the year	20,076	35,055	31,388	19,576	18,306	38,537	
Contributions made by the Holding Company / payments	(50,000)	(7,015)	(32,401)	-	(7,474)	(25,938)	
Remeasurements recognised in other comprehensive income	85,314	38,269	7,421	(5,329)	22,997	(18,975)	
	142,289	167,304	200,989	86,899	100,995	194,581	
24.1.7 The amounts recognised in the income statement							
Current service cost	9,256	20,648	7,717	11,991	11,416	7,232	
Net interest amount	10,820	14,407	23,671	7,585	6,890	21,032	
Prior service cost	-	-	-	-	-	10,273	
Expense	20,076	35,055	31,388	19,576	18,306	38,537	
24.1.8 Remeasurements recognised in Other Comprehensive Income							
Losses / (gains) from changes in demographic assumptions	45,200	15,902	-	(24,281)	9,952	-	
Experience losses / (gains)	27,350	22,367	7,421	13,184	13,045	(1,381)	
Remeasurement of fair value of plan assets	12,764	-	-	5,768	-	(17,594)	
	85,314	38,269	7,421	(5,329)	22,997	(18,975)	
				Rupees in '000	%	Rupees in '000	%
24.1.9 Major categories / composition of plan assets							
Cash and cash equivalents	138,133		47.66%	33,530		10.81%	
Term deposit receipts of private commercial banks (unquoted)	151,691		52.34%	276,616		89.19%	
	289,824		100%	310,146		100%	

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

24.1.10 Actual gain on plan assets during the year ended June 30, 2015 was Rs 23.481 million (2014: Rs 31.33 million).

24.1.11 Assumed future salary increase rate and discount rate have a significant effect on the employee's gratuity. A one percentage point change in assumed future salary increase rate and discount rate would have the following effects:

Change in assumption	Increase / (decrease) in defined benefit obligation of				
	Funded Gratuity Scheme		Unfunded Gratuity Scheme		
	Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption	
Discount Rate	1%	(10,689)	11,281	(18,178)	22,081
Salary increase rate	1%	11,560	(11,174)	22,025	(18,464)

24.1.12 The weighted average duration of the defined benefit obligations funded and unfunded gratuity scheme is 2.57 and 10.57 years.

24.1.13 Assumed medical cost escalation rate and discount rate have a significant effect on the post-retirement medical benefit. A one percentage point change in assumed medical cost escalation rate and discount rate would have the following effects:

Change in assumption	Increase / (decrease) in defined benefit obligation of				
	Post Retirement Medical Benefits				
	Permanent Employees		Contractual Employees		
Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption		
Medical Cost Escalation Rate	1%	3,907	(3,712)	3,139	(2,599)
Discount Rate	1%	(3,579)	3,944	(2,577)	3,171

24.1.14 The weighted average duration of the defined benefit obligations post medical retirement benefit scheme for permanent and contractual employees is 4.93 years.

24.1.15 The employee gratuity funded and unfunded scheme and post retirement medical benefit plans exposes the Corporation to the following risks:

Investment risk: The risk of the investment underperforming and not being sufficient to meet the liabilities.

Mortality risk: The risk that the actual mortality rate is different. The effect depends on the beneficiaries service/age distribution and the benefit.

Medical cost escalation risks – The risk that the hospitalisation cost could be higher than what we assumed.

Final salary risk: The risk that the final salary at the time of cessation of service is greater than what is assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Withdrawal risk: The risk of higher or lower withdrawal experienced than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

24.2 Employees' compensated absences

24.2.1 The disclosures made in notes 24.2.2 to 24.2.8 are based on the information included in the actuarial valuation as of June 30, 2015.

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

24.2.2 As stated in note 2.18, the Group operates an employees' compensated absences scheme. Provision is maintained against this scheme based on the actuarial recommendations. The following significant assumptions were used for the actuarial valuation of the scheme:

	2015	2014
Discount rate	9.75%	13.25%
Future salary increases - for permanent employees		
For the year 2015-16	-	40.00%
For the year 2016-17	40.00%	2.00%
For the year 2017-18	2.00%	40.00%
For the year 2018-19	40.00%	2.00%
For the year 2019-20	2.00%	40.00%
For the year 2020-21	40.00%	2.00%
For the year 2021-22 and onwards	2.00%	13.25%
For the year 2023 and onwards	13.25%	13.25%
Future salary increases - for contractual employees		
For the year 2016-17 till 2017-18	15.00%	15.00%
For the year 2018-19	15.00%	15.00%
For the year 2019-20	15.00%	13.25%
For the year 2020-21	15.00%	13.25%
For the year 2022 and onwards	9.75%	13.25%

24.2.3 Balance sheet reconciliation

------(Rupees in '000)-----

	2015	2014
Present value of defined benefit obligation (recognised)	340,979	235,008

24.2.4 Movement in present value of defined benefit obligation

	2015	2014
Balance at the beginning of the year	235,008	225,799
Current service cost	57,227	58,268
Interest cost	32,277	25,413
Remeasurements of obligation	101,942	(14,231)
Benefits paid	(85,475)	(60,241)
Balance at the end of the year	340,979	235,008

24.2.5 Expenses

	2015	2014
Current service cost	57,227	58,268
Interest cost	32,277	25,413
Remeasurements of obligation	101,942	(14,231)
	191,446	69,450

24.2.6 Amounts for the current period and prior period of the present value of defined benefit obligation are as follows:

	2015	2014
	------(Rupees in '000)-----	
Present value of defined benefit obligation	340,979	235,008
Experience gain on defined benefit obligation	101,942	(14,231)

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

24.2.7 Assumed future salary increase rate and discount rate have a significant effect on the employee's compensated absences. A one percentage point change in assumed future salary increase rate and discount rate would have the following effects:

	Change in assumption	Increase / (decrease) in defined benefit obligation of			
		Employees Compensated Absences			
		Permanent Employees		Contractual Employees	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(7,453)	7,993	(12,831)	16,022
Salary growth rate	1%	8,035	(7,647)	15,940	(13,006)

24.2.8 The risks to which the scheme exposes the Group are disclosed in note 24.1.15.

24.3 Expected retirement benefits costs for the year ending June 30, 2016 are as follows:

	(Rupees in '000)
Gratuity	
-Funded	24,512
-Unfunded	58,235
Post-retirement medical benefits	25,838
Compensated absences	126,757

24.4 During the year, the Group contributed Rs 12.550 million (2014: Rs 10.589 million) to the provident fund.

	Note	2015	2014
		----- (Rupees in '000) -----	
25. TRADE AND OTHER PAYABLES			
Creditors		157,468	102,188
Agents' and owners' balances		396,500	804,063
Accrued liabilities		1,523,053	1,262,344
Deposits	25.1	38,187	68,614
Unclaimed dividends		33,063	29,916
Sales tax payable		-	186
Bills payable		762	1,364
Advance from customers		110,899	128,305
Other liabilities			
- amounts retained from contractors		27,411	23,695
- others		153,077	99,626
		180,488	123,321
		2,440,420	2,520,301

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

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

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 (2014: Rs 1,300 million) and Rs 66,800 million (2014: Rs 66,800 million) respectively.

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

- 28.4 Certain other claims have been filed against the Holding Company in respect of employees' matters for an aggregate amount of approximately Rs 97,817 million (2014: Rs 108,817 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.
- 28.5 While framing the tax assessment for the income year ended June 30, 1990, the assessing officer had made an addition to income of Rs 3,974,455 million, being the remission of liabilities due to the Federal Government under the scheme of financial restructuring of the 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 the Holding Company. The Income Tax Appellate Tribunal (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.
- 28.6 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 (ITO, 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 363,421 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 170 million under protest and filed an appeal with the Commissioner of Income Tax (Appeals). During the year, Commissioner Income Tax (Appeals) in his order has upheld certain additions and has given decisions in favour of the Holding Company on certain matters resulting in refund of Rs 90,579 million. 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.
- 28.7 During the year ended June 30, 2012, the OIR issued assessment orders under section 122 (5A) of the ITO, 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 (2014: Rs 160,513 million) and adjusted Rs 90,579 million against refunds relating to tax year 2008, 2009 and 2010 under protest. 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, and has worked out refund of Rs 15,068 million. The Holding Company and the tax department have filed appeals with the ITAT in respect of aforementioned disallowances. The management of the Holding Company is confident that the subject matter in respect of tax year 2011 will eventually be decided in favour of the Holding Company.

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

- 28.8 During the year ended June 30, 2013, the OIR issued assessment orders under section 122 (5A) of the ITO, 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 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 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, and has worked out refund of Rs 24,022 million. The Holding Company and the department have filed appeals with the ITAT in respect of aforementioned disallowances. 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.
- 28.9 During the year ended June 30, 2014, the OIR has issued assessment orders under section 122 (5A) of the ITO, 2001 in respect of tax year 2013. According to the orders, the OIR has made certain additions and determined additional tax demand of Rs 303,333 million. OIR has disallowed a portion of retirement benefit 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. Moreover, OIR disallowed the basis of apportionment of expenses. The Holding Company has paid Rs 288,265 million under protest and adjusted Rs 15,068 million against refunds available for the tax year 2011. Further the management has filed an appeal with the 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, and worked out a Nil demand. The Holding Company and the department have filed appeals with the ITAT in respect of aforementioned disallowances.
- 28.10 During the year ended June 30, 2015, ACIR issued assessment order under section 122 (5A) of the ITO, 2001 in respect of tax year 2014. According to the order the ACIR made certain additions and determined additional tax demand of Rs. 170,436 million in respect of certain disallowances regarding financial expenses, administrative costs and post retirement benefits. The Holding Company has paid Rs. 83,438 million under protest and adjusted Rs. 86,996 million against refunds available for tax year 2008, 2009, 2010 and 2013. The management 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 2014 will eventually be decided in favour of the Holding Company. The Commissioner (Appeals) in his order has upheld certain additions and has given addition in favour of the Holding Company on certain matters, however, the appeal effect order has not been passed by the ACIR. The Holding Company and the department have filed appeals with the ITAT in respect of aforementioned order of the Commissioner (Appeals).
- 28.11 During the year ended June 30, 2014, the Deputy Commissioner Inland Revenue (DCIR) has issued orders under section 161 of the ITO, 2001 in respect of tax years 2008 to 2013. According to the orders, the DCIR has held that the Holding Company was required to withhold tax under section 152 (2) of the ITO, 2001 while making payments to non-resident shipping Companies, and the failure to deduct tax at source renders it personally liable to pay tax along with default surcharge on the unpaid amount of tax, under section 161 and 205 of the ITO, 2001. By virtue of above orders a total tax demand of Rs 2,895,502 million was raised by the tax authorities. The Holding Company filed an appeal with the Commissioner of Income Tax (Appeals) who maintained the orders passed by the DCIR and consequently an appeal was filed before the ATIR. The ATIR, in the appellate order, has held that the payments made by the Holding Company to the non-resident shipping companies are in the nature of "Royalty" and the rate of tax withholding applicable on such payments would be 15 per cent. Accordingly, the tax demand originally raised has been reduced to Rs 1,659,485 million. The Holding Company Legal Counsel has filed a reference in the Honorable High Court against the order passed by the ATIR. A rectification application has also been filed with ATIR which is pending for hearing.

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

28.12 Further, during the year ended June 30, 2015, the DCIR has issued show cause notice under section 161 of the Ordinance in respect of tax year 2014 proposing to raise tax demand of Rs 1,324.077 million on the aforementioned matter. The Holding Company took up the matter to the Honourable High Court and the Court has suspended the show cause notice till further notice. The management of the Holding Company is confident that the subject matter in respect of tax years 2008 to 2013 will eventually be decided in favour of the Holding Company, and hence no provision has been recorded in the consolidated financial statements in respect of the said matter.

28.13 During the year ended June 30, 2014, the Assistant Commissioner Sindh Revenue Board (AC) has passed an order under Sindh Sales Tax on Services Act, 2011 for the tax period July 2011 to June 2012. The AC has held the Holding Company liable to pay sales tax on 'Administrative and Financial Services' provided to its subsidiaries and has also levied sales tax on the services that are provided by the Holding Company outside Sindh. By virtue of above order an additional tax demand of Rs 12.654 million, along with default surcharge of Rs 1.012 million was raised by the taxation authorities. The Holding Company paid the amount under protest and filed Appeal with Commissioner Appeals - SRB (CA) which was decided against the Holding Company. The Holding Company has filed another appeal against the decision of CA with the Appellate Tribunal, SRB which is pending for hearing.

28.14 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) with respect to the said matter. During the year ended June 30, 2009 the ADRC upheld the decision of TO and decided the matter against 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.

28.15 While framing tax assessment for the income year ended June 30, 2005, the Taxation Officer (TO) issued order under section 122 (5A) of the the Income Tax Ordinance, 2001 whereby demand of Rs 139.118 million was raised by the tax department against Lalazar Shipping (Private) Limited (LSPL). 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 Income Tax Ordinance, 2001. LSPL had filed appeals with 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 OIR 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.

Commitments

28.16 Commitments in respect of capital expenditure amount to Rs 86.023 million (2014: Rs 193.057 million).

28.17 Outstanding letters of guarantee amount to Rs 5.126 million (2014: Rs 5.126 million).

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015	2014
------(Rupees in '000)-----			
29.			
INCOME FROM SHIPPING BUSINESS			
Owned vessels			
- combi vessels		-	25,771
- bulk carriers		2,099,858	2,512,075
- oil tankers		5,267,928	4,751,035
		<u>7,367,786</u>	<u>7,288,881</u>
Chartered vessels			
- slot charter revenue		2,432,556	1,503,241
- voyage charter revenue		5,581,009	6,793,294
		<u>8,013,565</u>	<u>8,296,535</u>
		<u>15,381,351</u>	<u>15,585,416</u>
30.			
FLEET EXPENSES - DIRECT			
Diesel, fuel and lubricants consumed		2,053,987	2,394,434
Stevedoring and transhipment expenses		22,969	13,900
Ocean loss		16,092	21,793
Port, light, canal and customs dues		797,407	651,194
Salaries and allowances		594,281	621,866
Charter hire and related expenses	30.1	6,766,067	6,620,384
Fleet communication expenses		25,281	24,018
Agency commission and brokerage		120,728	140,384
Victualling expenses		63,089	66,991
Insurance		257,603	276,105
Claim charges		16,753	-
Stores and spares consumed		203,128	153,751
Repairs, maintenance and special surveys		184,415	150,056
Depreciation on opening incomplete voyage	27	4,714	25,068
Depreciation	4.7	1,025,416	1,026,798
		<u>1,030,130</u>	<u>1,051,866</u>
Exchange loss / (gain)		7,131	(39,940)
Services sales tax expense		7,928	8,447
Additional war risk		14,923	15,771
Sundry expenses		58,316	72,621
		<u>12,240,228</u>	<u>12,243,641</u>
30.1			
Charter hire and related expenses			
Foreign flag vessels			
- voyage charter expenses		5,510,305	5,854,181
- slot charter expenses		1,255,762	766,203
		<u>6,766,067</u>	<u>6,620,384</u>
31.			
FLEET EXPENSES - INDIRECT			
Salaries and allowances	31.1	19,599	14,838
Agents' and other general expenses	31.2	7,279	15,881
Legal and professional charges		2,130	1,931
Depreciation	4.7	499	474
General establishment expenses		770	754
		<u>30,277</u>	<u>33,878</u>

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

31.1 This includes Rs 2,081 million (2014: Rs 1,756 million) in respect of provident fund contribution.

	Note	2015	2014
------(Rupees in '000)-----			
31.2 Agents' and other general expenses			
Legal and professional charges		8	5,094
Printing and stationery		1,163	57
Advertisement and publicity		1,157	1,185
Telephone, telex and postage		3,204	3,172
Air freight		1,396	1,328
Bank charges and commission		342	382
Sundry expenses		9	4,663
		<u>7,279</u>	<u>15,881</u>
32. REAL ESTATE EXPENSES			
Salaries and allowances	32.1	39,723	8,658
General establishment expenses	32.2	26,358	25,752
Rent, rates and taxes		6,015	7,286
Insurance		4,024	4,008
Depreciation	4.7	21,973	21,816
Legal and professional charges		750	21
		<u>98,843</u>	<u>67,541</u>

32.1 This includes Rs 0,292 million (2014: Rs 0,246 million) in respect of provident fund contribution.

	Note	2015	2014
------(Rupees in '000)-----			
32.2 General establishment expenses			
Repairs and maintenance		9,581	5,718
Security charges		9,797	6,632
Light, power and water		6,810	13,064
Vehicle running, repairs and maintenance expenses		170	338
		<u>26,358</u>	<u>25,752</u>
33. ADMINISTRATIVE EXPENSES			
Workshop management expense		77,713	56,098
Salaries and allowances	33.1	609,421	468,787
General establishment expenses	33.2	216,293	193,637
Rent, rates and taxes		16,200	5,972
Scholarship and training expenses		4,069	2,196
Insurance		3,221	3,586
Depreciation	4.7	21,612	24,860
Directors' fee	41.2	1,770	1,350
Legal and professional charges		53,662	28,649
Services sales tax expense		-	339
Sales tax expenses		33,985	17,236
Loss on settlement of trade debts		-	13,798
Sundry expenses		127	8
		<u>1,038,073</u>	<u>816,516</u>

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

33.1 This includes Rs 4.8 million (2014: Rs 4.016 million) in respect of provident fund contribution.

	Note	2015	2014
		----- (Rupees in '000) -----	
33.2 General establishment expenses			
Repairs and maintenance		11,206	9,973
Medical expenses		45,063	53,975
Contribution to employees welfare fund		8	9
Contribution to group term insurance		1,631	1,865
Security charges		3,653	2,524
Travelling and conveyance		56,296	47,702
Entertainment and canteen subsidy		8,489	2,884
Books, periodicals and subscription		6,119	5,506
Uniform and liveries		1,283	1,204
Hajj expenses		2,297	1,551
Printing and stationery		6,037	3,825
Telephone, telex and postage		9,190	6,954
Light, power and water		11,471	10,263
Computer expenses		8,966	7,851
Advertisement and publicity		11,337	5,083
Vehicle running, repairs and maintenance expenses		16,668	17,779
Ship inspection expenses		3,024	2,269
Sundry expenses		13,555	12,420
		<u>216,293</u>	<u>193,637</u>
34. OTHER EXPENSES			
Donations	34.1	1,000	1,000
Auditors' remuneration	34.2	12,551	11,289
Demurrage expenses		961,381	625,611
Employees' gratuity			
- funded	24.1.7	20,076	19,576
- unfunded	24.1.7	35,055	18,306
		55,131	37,882
Post - retirement medical benefits	24.1.7	31,388	38,537
Loss on revaluation of derivative instruments		61,797	-
Loss on revaluation of long-term investments in listed companies		235	-
Provision for doubtful debt		2,543	-
Fixed assets written off		9,721	-
Loss on disposal of stores		35,349	-
Employees' compensated absences	24.2.5	191,446	69,450
Provision in respect of damage claims	26	4,615	15,847
		<u>1,367,157</u>	<u>799,616</u>

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

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

34.2 Auditors' remuneration

	2015			2014		
	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	1,115	1,115	2,230	1,061	1,061	2,122
Audit fee - subsidiaries	1,576	1,576	3,152	1,461	1,461	2,922
Review of half yearly financial statements	385	385	770	360	360	720
Review of compliance with the best practices of the code of corporate governance	118	118	236	106	106	212
Fee for audit of the consolidated financial statements	139	139	278	130	130	280
Tax advisory services	4,828	-	4,828	4,286	-	4,286
Central Depository Company certification fees	15	-	15	15	-	15
Out of pocket expenses	521	521	1,042	376	376	752
	8,697	3,854	12,551	7,795	3,494	11,289

Note 2015 2014
------(Rupees in '000)-----

35. OTHER INCOME

Income from financial assets / liabilities

Income from saving account and term deposits		302,175	271,510
Dividend income		2,024	821
Agency fee		46,894	28,051
Gain on revaluation of long-term investments		-	15,458
Gain on revaluation of swap derivative - net		-	210,297
Gain on revaluation of investment properties		686,877	-
Cargo Claim		1,042	-
Liability no longer required written back		5,804	-
Demurrage income		863,444	496,820
Exchange gain		13,052	10,051

Income from non-financial assets

Gain on disposal of fixed assets		103,307	-
Sale of scrap		-	456
Provisions no longer required written back		19,011	16,173
Insurance claims	35.1	20,736	80,495
Ocean loss written back		-	1,050
Sundry income		56,921	54,539
		2,121,287	1,185,721

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

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

	Note	2015	2014
------(Rupees in '000)-----			
36. FINANCE COSTS			
Interest on long-term financing		854,509	796,913
Gain on cross currency interest rate swap derivative	36.1	(188,648)	(251,104)
Bank charges		4,088	3,036
		<u>669,949</u>	<u>548,845</u>

36.1 This relates to the amount received during the year on account of quarterly exchanges and terminations under the swap arrangement.

	2015	2014
------(Rupees in '000)-----		
37. TAXATION		
Tax charge for:		
- current year	212,272	305,430
- prior years	(29,662)	(42,579)
	<u>182,610</u>	<u>262,851</u>
Deferred	(85,972)	(9,678)
	<u>96,638</u>	<u>253,173</u>

37.1 In view of the tax losses for the year, provision for minimum taxation has been made in accordance with section 113 of the Income Tax Ordinance, 2001 (I.T.O).

Minimum tax rate under section 113 of I.T.O for the tax year 2015 is 1 % of turnover. No numeric tax rate reconciliation is given as the Corporation is liable for turnover tax only.

38. EARNINGS PER SHARE FOR PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE HOLDING COMPANY

	2015	2014
------(Rupees in '000)-----		
Profit for the year	<u>2,115,964</u>	<u>2,148,674</u>
	------(No. of Shares)-----	
Weighted average ordinary shares in issue during the year	<u>132,063,380</u>	<u>132,063,380</u>
	------(Rupees)-----	
Earnings per share - basic and diluted	<u>16.02</u>	<u>16.27</u>

There were no dilutive potential ordinary shares outstanding as at June 30, 2015 and 2014.

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

	Note	2015	2014
		------(Rupees in '000)-----	
39. CASH GENERATED FROM OPERATIONS			
Profit before taxation		2,213,048	2,402,230
Adjustments for non-cash charges and other items:			
Depreciation		1,069,500	1,078,862
Gain on disposal of fixed assets		(103,307)	-
Fixed assets written off		9,721	-
Loss on disposal of stores and spares		35,349	-
Provision in respect of damage claims		4,615	15,847
Provision for employees' gratuity		55,131	37,882
Provision for employees' compensated absences		191,446	69,450
Provision for post retirement medical benefits		31,388	38,537
Dividend income		(2,024)	(821)
Provision for impairment on doubtful debts		5,086	-
Provision for impairment on other receivables		1,827	-
Reversal of provision against damage claims		(16,365)	(6,212)
Liabilities no longer payable written back		(5,804)	-
Interest / mark-up income		(302,175)	(271,510)
Interest / mark-up expense		854,509	799,949
Loss / (gain) on revaluation of long-term investments		235	(15,458)
Gain on cross currency interest rate swap derivative		(126,851)	(461,401)
Gain on revaluation of investment properties		(686,877)	-
Working capital changes	39.1	122,670	(268,051)
		<u>3,351,122</u>	<u>3,419,104</u>
39.1 Working capital changes			
Decrease / (increase) in current assets:			
Stores and spares		(22,044)	96,545
Trade debts - unsecured		170,973	(1,261,878)
Agents' and owners' balances		106,759	(115,833)
Loans and advances		(43,998)	8,980
Deposits and short-term prepayments		(41,419)	(10,089)
Other receivables		(19,729)	(28,438)
Insurance claims		6,639	162,408
		<u>157,181</u>	<u>(1,148,305)</u>
Decrease / (increase) in current liabilities:			
Incomplete voyages		36,492	110,864
Trade and other payables		(71,003)	769,390
		<u>(34,511)</u>	<u>880,254</u>
		<u>122,670</u>	<u>(268,051)</u>
40. CASH AND CASH EQUIVALENTS			
Short-term investments having maturity of three months or less	17	500,000	797,440
Cash and bank balances	18	2,812,430	1,852,441
		<u>3,312,430</u>	<u>2,649,881</u>

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

41. REMUNERATION OF CHAIRMAN, EXECUTIVE DIRECTORS AND OTHER EXECUTIVES

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

	2015	2014	2015	2014	2015	2014
	Chairman & Chief Executive		Executive Directors		Other Executives	
	(Rupees in '000)					
Managerial remuneration and allowances	851	805	21,796	18,812	349,327	264,669
Retirement benefits	-	-	-	-	12,235	8,032
House rent	39	-	4,498	2,549	142,930	98,783
Conveyance	589	-	1,685	-	16,845	9,036
Entertainment	726	317	918	705	7,106	3,852
Medical	421	440	1,924	1,645	26,853	15,880
Utilities	468	459	2,185	1,872	44,131	36,926
Personal staff subsidy	-	-	-	-	313	121
Club membership fee and expenses	229	250	366	489	-	99
Bonus	170	-	3,722	2,766	69,931	44,891
Other allowances	776	664	2,901	1,176	270,138	240,358
	<u>4,269</u>	<u>2,935</u>	<u>39,995</u>	<u>30,014</u>	<u>939,809</u>	<u>722,647</u>
Number of persons	2	2	5	4	313	267

- 41.1 Retirement benefits represent amount contributed towards various retirement benefit plans. The executives of the Group are entitled to retirement benefits as outlined in note 2.17 and 2.18 to these consolidated financial statements. The Chairman and Chief Executive, Executive Directors and certain Executives are provided with Group owned and maintained cars.
- 41.2 The aggregate amount charged in these consolidated financial statements for fee to 6 (2014: 6) non-executive directors was Rs 1,770 million (2014: Rs 1,350 million).
- 41.3 During the year ended June 30, 2015, new Chairman and Chief Executive was appointed. The above amounts also relate to the outgoing Chairman and Chief Executive.

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

42. FINANCIAL INSTRUMENTS BY CATEGORY

	2015	2014
	------(Rupees in '000)-----	
FINANCIAL ASSETS		
Fair value through profit or loss		
Long-term investments - listed companies	53,334	53,569
Derivative financial instruments	62,991	147,209
Loans and receivables		
Loans - employees	59	59
Trade debts - unsecured	2,263,510	2,439,569
Agents' and owners' balances	18,065	124,824
Deposits	15,960	9,914
Interest / mark-up accrued	38,271	35,009
Other receivables	214,318	196,416
Insurance claims	393	7,032
Short-term investments	1,961,375	2,294,880
Cash and bank balances	2,812,430	1,852,441
	<u>7,324,381</u>	<u>6,960,144</u>
Available-for-sale financial assets		
Long-term investments - other entity	100	100
	<u>7,440,806</u>	<u>7,161,022</u>
FINANCIAL LIABILITIES		
Amortised cost:		
Long-term financing	7,450,089	5,885,743
Trade and other payables	2,440,420	2,520,301
Accrued mark-up on long-term financing	82,698	78,515
	<u>9,973,207</u>	<u>8,484,559</u>

43. FINANCIAL RISK MANAGEMENT

43.1 Financial risk factors

The Group finances its operations through equity and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. Taken as a whole, the Group is exposed to market risk (including interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The Group's principal financial liabilities comprise trade and other payables. The Group also has various financial assets such as long term deposits, trade debts, other receivables and bank balances which are directly related to its operations. No changes were made in the objectives, policies or processes and assumptions during the year ended June 30, 2015. The policies for managing each of these risk are summarised below:

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

43.1.1 Concentration of credit risk

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

As at June 30, 2015, out of the total financial assets of Rs 7,440,607 million (2014: Rs 7,161,022 million), the financial assets which are subject to credit risk amounted to Rs 7,440,259 million (2014: Rs 7,160,043 million). The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

Moreover, a significant component of the receivable balances of the Group relates to amounts due from the Public Sector organisations. Due to the Group'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 Group.

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

43.1.2 Market Risk

Foreign exchange risk

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

As at June 30, 2015, 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 27,363 million (2014: Rs 30,772 million), mainly as a result of foreign exchange gains / losses on translation of US dollar denominated assets and liabilities.

As at June 30, 2015, 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 23). In order to manage its exposure to such risks the management of the Group has entered into a derivative cross currency interest rate swap (note 15) under which the Group receives three months KIBOR on the PKR notional in exchange for payment of three months LIBOR on the USD notional. During the year ended June 30, 2012, to further manage the exposure to such risk, management had obtained interest rate swap under which the Group receives a fixed interest rate of 13% in exchange for payment of KIBOR.

The Group has interest bearing liabilities that have floating interest rates. At June 30, 2015, if interest rates on borrowings had been 100 basis points higher / lower with all other variables held constant, profit after taxation for the year would have been lower / higher by Rs 10,432 million (2014: Rs 10,480 million).

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

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 effects of changes in fair value of investments made by the Group, on the future profits are not considered to be material in the overall context of these consolidated financial statements.

43.1.3 Liquidity risk

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

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

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
2015	----- (Rupees in '000) -----				
Long term financing	9,280,828	2,346,441	2,185,985	2,914,344	1,834,058
Trade and other payables	2,440,420	2,440,420	-	-	-
Accrued mark-up on long-term financing	82,698	82,698	-	-	-
	<u>11,803,946</u>	<u>4,869,559</u>	<u>2,185,985</u>	<u>2,914,344</u>	<u>1,834,058</u>
2014	----- (Rupees in '000) -----				
Long term financing	7,712,144	1,932,063	1,864,640	3,915,441	-
Trade and other payables	2,520,301	2,520,301	-	-	-
Accrued mark-up on long-term financing	78,515	78,515	-	-	-
	<u>10,310,960</u>	<u>4,530,879</u>	<u>1,864,640</u>	<u>3,915,441</u>	<u>-</u>

43.1.4 Fair value of financial instruments

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

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

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

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

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).

	Note	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----					
Long term investment in listed company	8	53,334	-	-	53,334
Derivative cross currency interest rate swap	15	-	-	62,991	62,991

43.2 Capital risk management

The Group's objectives when managing capital are 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 externally imposed capital requirements, which are applicable at consolidated financial statements level.

During the year, the Group's strategy was to maintain the debt equity ratio below 60:40. The debt equity ratios as at June 30, 2015 and 2014 were as follows:

	2015	2014
------(Rupees in '000)-----		
Long-term financing - secured (note 23)	7,450,089	5,885,743
Total equity	24,275,607	22,467,167
Total	31,725,696	28,352,910
Debt-to-equity ratio	23:77	21:79

44. ENTITY WIDE INFORMATION

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

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

44.2 Information about services

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

	2015	2014
	------(Rupees in '000)-----	
Transportation of dry cargo	4,532,414	4,041,087
Transportation of liquid cargo	10,848,937	11,544,329
Rental income	154,937	141,130
	<u>15,536,288</u>	<u>15,726,546</u>

44.3 Information about geographical areas

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

44.4 Information about major customers

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

	2015		2014	
	Revenue	% of Total	Revenue	% of Total
	(Rupees in '000)		(Rupees in '000)	
Client 1	2,371,821	15	7,277,834	47
Client 2	-	-	6,137,418	39
	<u>2,371,821</u>	<u>15</u>	<u>13,415,252</u>	<u>86</u>

45. RELATED PARTY DISCLOSURES

Related parties comprise of companies affiliated to the Holding Company and the directors, chief executives of the Holding Company and employee funds maintained by the Holding Company. Particulars of remuneration to key personnel are disclosed in note 41 to these consolidated financial statements.

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

	Note	2015	2014
		------(Rupees in '000)-----	
Contributions to Provident Fund		12,550	10,589
Key management personnel compensation	41	44,264	32,949
Directors' fee		1,770	1,350

46. PROVIDENT FUND RELATED DISCLOSURES

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

	Note	2015	2014
		------(Rupees in '000)-----	
Size of the Fund - Total assets		917,339	888,525
Cost of investments made		743,525	850,181
Percentage of investments made		81.05%	94.67%
Fair value of investments	46.1	851,046	841,133

Notes to and Forming part of the Consolidated Financial Statements

For the year ended June 30, 2015

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

	2015		2014	
	(Rs in '000)	----%----	(Rs in '000)	----%----
Government securities	430,060	51%	460,593	55%
Mutual funds	420,986	49%	380,540	45%
	<u>851,046</u>	<u>100%</u>	<u>841,133</u>	<u>100%</u>

46.2 The investments out of the Fund have been made in accordance with the provisions of Section 227 of the Ordinance and the rules formulated for this purpose.

47. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2015 and 2014 respectively are as follows:

	2015	2014
	No. of employees	
Average number of employees during the year	1,036	963
Number of employees as at end of the year	1,117	954

48. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

48.1 The Board of Directors at the meeting held on September 28, 2015 have proposed for the year ended June 30, 2015, cash dividend of Rs 1.5 per share (2014: Rs 1.5 per share) amounting to Rs 198.095 million (2014: Rs 198.095 million) subject to the approval of the members at the annual general meeting to be held on October 28, 2015. The consolidated financial statements for the year ended June 30, 2015 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

49. GENERAL

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

49.2 For better presentation, certain balances were reclassified where necessary.

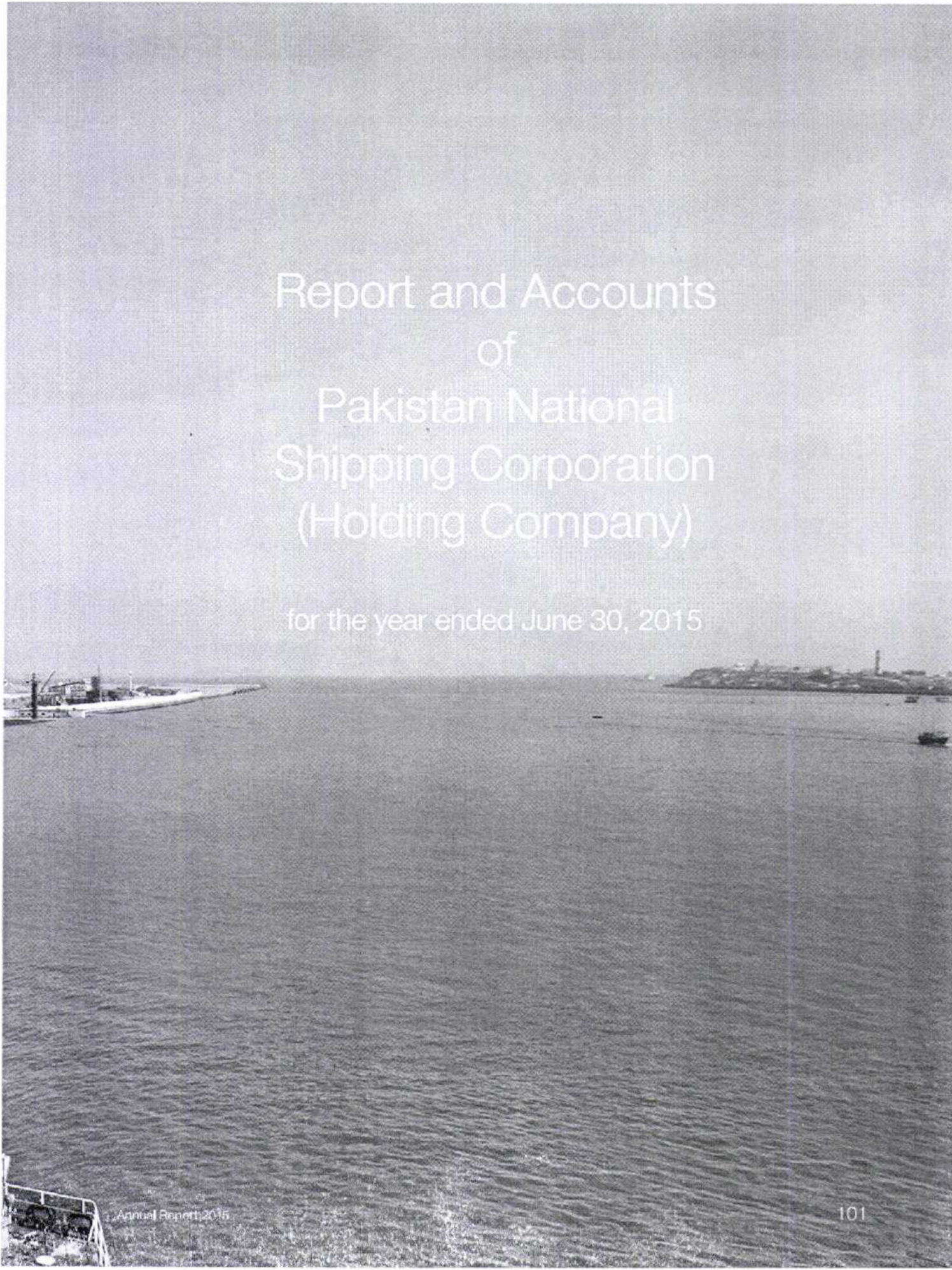
50. DATE OF AUTHORISATION

These consolidated financial statements were authorised for issue on September 28, 2015 by the Board of Directors of the Holding Company.


Arif Elahi P.A.S.
Chairman & Chief Executive


Capt. Anwar Shah
Director





Report and Accounts
of
Pakistan National
Shipping Corporation
(Holding Company)

for the year ended June 30, 2015

Auditors' Report to the Members

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

We have audited the annexed unconsolidated balance sheet of Pakistan National Shipping Corporation (the Corporation) as at June 30, 2015 and the related unconsolidated profit and loss account, unconsolidated statement of changes in equity and unconsolidated 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 unconsolidated balance sheet and unconsolidated profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Corporation's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Corporation;

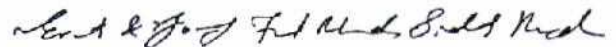
A. F. FERGUSON & CO.
CHARTERED ACCOUNTANTS
a member firm of the PwC network
STATE LIFE BUILDING 1-C
I. I. CHUNDRIGAR ROAD
KARACHI

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

- (c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of changes in equity and unconsolidated 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, 2015 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 (XVIII of 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 28, 2015
Audit Engagement Partner: Khurshid Hasan



ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants
Karachi: September 28, 2015
Audit Engagement Partner: Riaz A. Rehman Chamdia


Balance Sheet

As at June 30, 2015

	Note	2015	2014
		----- (Rupees in '000) -----	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	2,102,085	1,842,894
Intangible asset	5	-	-
Investment properties	6	1,767,473	1,080,596
Long-term investments in:			
- Related parties (subsidiaries and an associate)	7	25,189,063	25,189,063
- Listed companies and another entity	8	53,434	53,669
		25,242,497	25,242,732
Long-term loans and advances		58	58
Deferred taxation	9	97,669	90,777
		29,209,782	28,057,057
CURRENT ASSETS			
Stores and spares	10	13,148	11,402
Trade debts - unsecured	11	1,821,692	1,987,993
Agents' and owners' balances - unsecured	12	18,065	124,824
Loans and advances	13	3,505,259	58,564
Trade deposits and short-term prepayments	14	51,326	45,604
Interest / mark-up accrued on bank deposits and investments		37,445	34,539
Other receivables	15	153,072	239,755
Incomplete voyages		-	5,992
Taxation-net		1,015,291	737,000
Short-term investments	16	1,954,375	2,294,880
Cash and bank balances	17	2,808,371	1,842,531
		11,378,044	7,383,084
TOTAL ASSETS		40,587,826	35,440,141
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
SHARE CAPITAL			
Authorised (200,000,000 Ordinary shares of Rs 10 each)		2,000,000	2,000,000
Issued, subscribed and fully paid-up	18	1,320,634	1,320,634
Reserves	19	6,898,954	6,314,151
		8,219,588	7,634,785
Surplus on revaluation of property, plant and equipment - net of tax	20	1,128,307	768,248
NON-CURRENT LIABILITIES			
Long-term financing - secured	21	5,748,035	4,568,861
Deferred liabilities	22	851,561	617,483
		6,599,596	5,186,344
CURRENT LIABILITIES			
Trade and other payables	23	22,808,212	20,423,394
Provision against damage claims	24	20,223	31,973
Incomplete voyages		27,148	-
Current portion of long-term financing	21	1,702,054	1,316,852
Accrued markup on long-term financing		82,698	78,515
		24,640,335	21,850,764
TOTAL EQUITY AND LIABILITIES		40,587,826	35,440,141
CONTINGENCIES AND COMMITMENTS			
	25		

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


Arif Elahi P.A.S.
Chairman & Chief Executive


Capt. Anwar Shah
Director

Profit and Loss Account

For the year ended June 30, 2015

	Note	2015	2014
------(Rupees in '000)-----			
REVENUE			
Chartering revenue	26	8,013,565	8,296,535
Service fees - net	27	294,712	290,625
Rental income		154,272	140,525
Dividend income from subsidiaries	28	433,836	-
		<u>8,896,385</u>	<u>8,727,685</u>
EXPENDITURE			
Fleet expenses - direct	29	(6,768,109)	(6,591,784)
- indirect	30	(26,749)	(23,359)
Vessel management expenses	31	(456,910)	(368,501)
Real estate expenses	32	(98,783)	(67,541)
		<u>(7,350,551)</u>	<u>(7,051,185)</u>
GROSS PROFIT		<u>1,545,834</u>	<u>1,676,500</u>
Administrative & general expenses	33	(529,187)	(390,493)
Other expenses	34	(1,311,099)	(793,046)
Other income	35	1,914,465	1,073,431
		<u>(74,179)</u>	<u>(110,108)</u>
OPERATING PROFIT		<u>1,620,013</u>	<u>1,566,392</u>
Finance costs	36	(667,235)	(546,681)
PROFIT BEFORE TAXATION		<u>952,778</u>	<u>1,019,711</u>
Taxation	37	(60,005)	(216,435)
PROFIT FOR THE YEAR		<u>892,773</u>	<u>803,276</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR			
Items that will not be reclassified to profit and loss account			
Remeasurement of post-retirement benefits obligation		(131,004)	1,307
Tax on remeasurement of post-retirement benefits obligation		14,621	914
		<u>(116,383)</u>	<u>2,221</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>776,390</u>	<u>805,497</u>
------(Rupees)-----			
EARNINGS PER SHARE - basic and dilutive	38	<u>6.76</u>	<u>6.08</u>

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

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


Ari Elahi
Chairman & Chief Executive


Capt. Anwar Shah
Director

Statement of Changes in Equity

For the year ended June 30, 2015

	Issued, subscribed and fully paid-up share capital	Capital reserves	Revenue reserves		Total
			Unappropriated profit	Remeasurement of post-retirement benefits obligation - net of tax	
(Rupees in '000)					
Balance as at July 1, 2013	1,320,634	126,843	5,735,168	(228,743)	6,953,902
Final cash dividend for the year ended June 30, 2013 @ Re. 1 per ordinary share	-	-	(132,063)	-	(132,063)
Profit for the year	-	-	803,278	-	803,278
Other comprehensive income for the year	-	-	-	2,221	2,221
Total comprehensive income for the year	-	-	803,276	2,221	805,497
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax (note 20)	-	-	7,449	-	7,449
Balance as at June 30, 2014	1,320,634	126,843	6,413,630	(226,522)	7,634,785
Final cash dividend for the year ended June 30, 2014 @ Rs. 1.5 per ordinary share	-	-	(196,095)	-	(196,095)
Profit for the year	-	-	892,773	-	892,773
Other comprehensive income for the year	-	-	-	(116,383)	(116,383)
Total comprehensive income for the year	-	-	692,773	(116,383)	776,390
Surplus on revaluation of property, plant and equipment realised during the year on account of incremental depreciation charged thereon - net of tax (note 20)	-	-	6,508	-	6,508
Balance as at June 30, 2015	1,320,634	126,843	7,115,016	(342,905)	8,219,588

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


Arif Elahi F.A.S.
Chairman & Chief Executive


Capt. Anwar Shah
Director


Cash Flow Statement

For the year ended June 30, 2015

Note	2015	2014
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Cash generated from operations	39 208,896	3,100,569
Employees' gratuity paid	(57,015)	(7,474)
Employees' compensated absences paid	(85,475)	(60,241)
Post-retirement medical benefits paid	(32,401)	(25,938)
Finance costs paid	(850,326)	(791,624)
Receipts under cross currency interest rate swap	211,069	208,955
Taxes paid	(424,268)	(710,522)
Net cash (used in) / generated from operating activities	(1,029,520)	1,713,725
Cash flows from investing activities		
Purchase of property, plant and equipment	(49,142)	(154,595)
Proceeds from disposal of property, plant and equipment	58	-
Short term investments redeemed / (made)	43,065	(1,497,440)
Interest / mark-up received	298,188	256,398
Dividends received	2,024	821
Net cash generated from / (used in) investing activities	294,193	(1,394,817)
Cash flows from financing activities		
Long-term financing obtained	3,081,375	-
Long-term financing repaid	(1,482,700)	(1,323,158)
Dividends paid	(194,948)	(130,226)
Net cash generated from / (used in) financing activities	1,403,727	(1,453,384)
Net increase / (decrease) in cash and cash equivalents	668,401	(1,134,476)
Cash and cash equivalents at the beginning of year	2,639,971	3,774,447
Cash and cash equivalents at the end of year	40 3,308,372	2,639,971

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


Anwar Elahi
Chairman & Chief Executive


Capt. Anwar Shah
Director

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

1. GENERAL INFORMATION

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 its subsidiaries and 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.

1.2 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 Honourable Supreme Court of Pakistan.

2. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

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

2.1 Basis of preparation

These financial statements are the separate financial statements of the Corporation and have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984 (the Ordinance), provisions of and directives issued under the Ordinance. In case requirements differ, the provisions or directives of the Ordinance shall prevail. These financial statements have been prepared under the historical cost convention unless otherwise specifically stated.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Corporation's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3 of these financial statements.

2.2 New standards, amendments to published approved accounting standards and interpretations

2.2.1 New amendments to approved accounting standards and interpretations which became effective during the year ended June 30, 2015

There were certain new amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the year but are considered not to be relevant or have any significant effect on the Corporation's operations and are, therefore, not disclosed in these financial statements.

2.2.2 New standard, amendments to approved accounting standards and new interpretations that are not yet effective and have not been early adopted by the Corporation:

There are certain amendments to the approved accounting standards and new interpretation issued by IFRIC which will be effective after July 1, 2015 but are considered not to be relevant or are expected to have any significant effect on the Corporation's operations and are, therefore, not disclosed in these financial statements except for IFRS 13, "Fair value measurement", which aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirement do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard will affect the determination of fair value and its related disclosures in the financial statements of the Corporation. The Corporation is yet to assess the full impact of the amendments.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

2.3 Property, plant and equipment

These are initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses, if any, except for leasehold land, buildings on leasehold land, beach huts and workshop machinery and equipment which are carried at revalued amounts less accumulated depreciation and any subsequent impairment losses, if any. 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 profit and loss account 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.

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

Full month's depreciation is charged in the month of acquisition and no depreciation is charged in 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.

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

A revaluation deficit is recognised in profit and loss account, except that a deficit directly offsetting a previous surplus on any asset, in which case the deficit is recognised in surplus on revaluation of property, plant and equipment 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 property, plant and equipment account to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and the depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the assets and the net amount is restated to the revalued amount of the assets. Upon disposal, any revaluation reserve relating to the particular assets being sold is transferred to retained earnings.

Major spare parts and stand-by equipment qualify for recognition as property, plant and equipment when the Corporation expects to use them during more than one year.

Maintenance and normal repairs are charged to profit and loss account as and when incurred. Major renewals, replacements and improvements are capitalised and assets so replaced, if any, are retired.

2.4 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.

2.5 Intangible assets

Intangible assets are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and impairment losses, if any.

Amortisation is charged to profit and loss account by applying straight-line method whereby the cost less residual value, if not insignificant, of an asset is written off over its estimated useful life to the Corporation. Full month's amortisation is charged in the month of acquisition and no amortisation is charged in the month of disposal.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

2.6 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 measured initially at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at their fair values based on market value determined by professional independent valuers with sufficient regularity. Fair values are 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.

Additions to investment properties consist of costs of a capital nature. The profit on disposal is determined as the difference between the sales proceeds and the carrying amount of the asset at the commencement of the accounting period plus capital expenditure in the period.

2.7 Investments in subsidiaries and associate

Investments in subsidiaries and associate are stated at cost less provision for impairment, if any.

2.8 Impairment of non-financial assets

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

2.9 Financial instruments

2.9.1 Financial assets

The Corporation classifies its financial assets in the following categories:

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.

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.

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.

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.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables 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 the risks and rewards of ownership.

2.9.2 Impairment

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

2.9.3 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.

2.9.4 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 are recognised directly to the profit and loss account.

2.9.5 Off-setting of financial assets and financial liabilities

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

2.10 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 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 the usage pattern and physical form.

2.11 Trade debts and other receivables

Trade and other debts are recognised at the fair value of consideration to be received against goods and services and are carried at amortised cost. Provision is made in respect of doubtful debts, if any. Debts, considered irrecoverable, are written off, as and when identified.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

2.12 Taxation

2.12.1 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. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

2.12. Deferred

Deferred income tax is provided using the liability method for all temporary differences arising at the balance sheet date, between tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available which these can be utilised.

2.13 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 recognised to insurance claims receivable.

2.14 Trade and other payables

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

2.15 Provisions

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

2.16 Dividend and appropriations

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

2.17 Staff retirement benefits

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

2.17.2 Defined benefit gratuity scheme

The Corporation operates a funded retirement gratuity scheme for its permanent employees other than those who joined the Corporation on or after October 16, 1984. Further, the Corporation 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 remeasurement of defined benefit contribution is recognised directly to equity through other comprehensive income.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

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

Actuarial valuation is carried out annually and the latest valuation was carried out as at June 30, 2015 using the projected unit credit method.

2.17.3 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 using the projected unit credit method. The remeasurement of post-retirement benefit obligation is recognised directly to equity through other comprehensive income.

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

Actuarial valuation is carried out annually and the latest valuation was carried out as at June 30, 2015 using the projected unit credit method.

2.18 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 remeasurement of defined benefit obligation arising at each valuation date is recognised immediately.

Actuarial valuation is carried out annually and the latest valuation was carried out as at June 30, 2015 using the projected unit credit method.

2.19 Cash and cash equivalents

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

2.20 Foreign currency translation

These financial statements are presented in Pakistani Rupee, which is the Corporation's functional and presentation currency.

Transactions in foreign currencies are recorded in Pakistani Rupee at the exchange rates approximating those prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are reported in Pakistani Rupee at the exchange rates approximating those prevalent at the balance sheet date. Gains and losses on translation are recognised to profit and loss account.

2.21 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 and completes discharge of entire cargo 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.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

- Dividend income is recognised when the Corporation's right to receive the dividend is established.
- Profit from bank accounts and return on investments is recognised on a time proportion basis.

2.22 Contingent liabilities

Consistent with prior year contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Corporation; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

2.23 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.

During the year ended June 30, 2015, the shares have not been transferred to the respective Trust Fund under the Scheme as the matter is pending with the Ministry of Finance, Revenue, Economic Affairs, Statistics and Privatisation (Privatisation Commission). The Scheme is being revamped by GoP and all claims and disbursements to the employees are kept in abeyance.

Had the exemption not been granted, the retained earnings would have been lower by Rs 631,142 million (2014: Rs 631,142 million) and reserves would have been higher by Rs 631,142 million (2014: Rs 631,142 million) based on the independent actuarial valuations conducted as on June 30, 2014. However the impact on staff cost and profit for the year is not material for the purpose of these financial statements.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

3. SIGNIFICANT 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;
- (b) Determination of the residual values and useful lives of property, plant and equipment;
- (c) Recognition of taxation and deferred taxation;
- (d) Accounting for provision for impairment against loans and advances, trade debts, agents and owners balances, deposits and other receivables;
- (e) Accounting for provision against damage claims;
- (f) Accounting for defined benefit plans;
- (g) Measuring fair value of cross currency swap and interest rate swap;
- (h) Recoverable amount of investment in related parties; and
- (i) Determination of contingent assets and liabilities.

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	2015	2014
		----- (Rupees in '000) -----	
4. PROPERTY, PLANT AND EQUIPMENT			
- Operating fixed assets	4.1	1,625,364	1,188,414
- Capital work-in-progress (CWIP) - buildings on leasehold land	4.7	476,721	454,480
		<u>2,102,085</u>	<u>1,642,894</u>

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

4.1 The following is a statement of operating fixed assets:

	Leasehold land (notes 4.2 & 4.3)	Buildings on leasehold land (notes 4.2 & 4.3)	Vessel (note 4.4)	Vehicles	Office equipment	Furniture and fittings	Motor launch and jetty	Equipment on board	Container fittings	Beach huts (notes 4.2 & 4.3)	Workshop machinery and equipment (note 4.2 & 4.3)	Computer equipment	Total
Rupees in '000													
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	1,444,519
Less: Accumulated depreciation	-	74,096	1,440	64,848	20,481	16,808	19	956	3,468	1,298	10,415	28,848	224,668
Net book value	649,060	499,756	-	2,929	28,856	14,491	-	778	-	13,690	4,544	8,037	1,220,151
Year ended June 30, 2014													
Opening net book value	649,060	499,756	-	2,929	28,856	14,491	-	778	-	13,690	4,544	8,037	1,220,151
Additions	-	3,081	-	-	1,026	136	-	-	-	-	333	5,243	9,819
Transfers from CWP - note 4.7	-	5,557	-	-	-	-	-	-	-	-	-	-	5,557
Write off	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	-	-	(18)	-	(3,468)	-	-	-	(3,496)
Accumulated depreciation	-	-	-	-	-	-	18	-	3,468	-	-	-	3,496
Depreciation charge for the year - note 4.6	-	(27,116)	-	(1,197)	(6,809)	(3,671)	-	(171)	-	(1,399)	(472)	(6,568)	(47,113)
Closing net book value	649,060	481,288	-	1,822	21,273	10,956	-	607	-	12,291	4,405	6,712	1,188,414
As at June 30, 2014													
Cost or revalued amount	649,060	582,400	1,440	67,777	50,365	31,435	-	1,736	-	14,988	15,292	42,128	1,456,708
Less: Accumulated depreciation	-	101,202	1,440	65,955	29,091	20,479	-	1,239	-	2,597	10,887	35,416	368,296
Net book value	649,060	481,288	-	1,822	21,273	10,956	-	607	-	12,291	4,405	6,712	1,188,414
Year ended June 30, 2015													
Opening net book value	649,060	481,288	-	1,822	21,273	10,956	-	607	-	12,291	4,405	6,712	1,188,414
Additions	-	3,481	-	-	2,381	203	-	-	-	-	88	10,750	16,863
Transfers from CWP - note 4.7	-	10,038	-	-	-	-	-	-	-	-	-	-	10,038
Disposals - note 4.5	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	-	-	-	(291)	(11)	-	-	-	-	-	-	(292)
Accumulated depreciation	-	-	-	-	265	8	-	-	-	-	-	-	273
Surplus on revaluation	213,292	243,928	-	-	-	-	-	-	-	3,038	-	-	460,268
Write off	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost	-	(6,221)	-	-	-	-	-	-	-	-	-	-	(6,221)
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charge for the year - note 4.6	-	(27,310)	-	(897)	(6,304)	(3,273)	-	(172)	-	(1,416)	(499)	(4,025)	(43,979)
Closing net book value	862,352	705,214	-	942	17,314	7,783	-	435	-	13,913	3,974	13,437	1,625,364
As at June 30, 2015													
Cost or revalued amount	862,352	708,410	1,440	67,777	52,443	31,627	-	1,736	-	13,913	15,360	52,878	1,607,936
Less: Accumulated depreciation	-	3,196	1,440	66,835	35,129	23,844	-	1,301	-	-	11,386	39,441	182,572
Net book value	862,352	705,214	-	942	17,314	7,783	-	435	-	13,913	3,974	13,437	1,625,364
Annual rate of depreciation (%) 2015	3 to 29	4	20	15	10 to 15	10 to 15	10 to 15	15	10	5 to 10	33		
Annual rate of depreciation (%) 2014	3 to 20	4	20	15	10 to 15	10 to 15	10 to 15	15	10	5 to 10	33		

4.2 The revaluation of the 'leasehold land', 'buildings on leasehold land' and 'beach huts' was carried out as of June 30, 2015 by Fairwater Property Valuers & Surveyors (Private) Limited on the basis of their professional assessment of present market values. The revaluation resulted in a surplus of Rs 460.268 million on the written down values of Rs 1,121.228 million which were incorporated in the books of the Corporation as at June 30, 2015. Out of the total revaluation surplus arisen, Rs 1,254.837 million (2014: Rs 804,140 million) remains undepreciated as at June 30, 2015.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

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

	2015	2014
	------(Rupees in '000)-----	
Leasehold land, buildings on leasehold land and beach huts	275,426	285,874
Workshop machinery and equipment	3,864	4,290
	<u>279,290</u>	<u>290,164</u>

4.4 Cost and accumulated depreciation of vessel amounting to Rs 1,440 million relates to M.V Iyas Bux. This vessel was seized by the Indian Authorities during the 1965 war and the Corporation does not have physical possession or control over the vessel.

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

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

	Note	2015	2014
		------(Rupees in '000)-----	
Fleet expenses - indirect	30	499	474
Vessel management expenses	31	19,617	22,341
Real estate expenses	32	21,901	21,816
Administrative expenses	33	1,962	2,482
		<u>43,979</u>	<u>47,113</u>
4.7 Capital work-in-progress - buildings on leasehold land:			
Balance at beginning of the year		454,480	315,260
Additions during the year		32,279	144,777
Transferred to operating fixed assets during the year		(10,038)	(5,557)
Balance at end of the year		<u>476,721</u>	<u>454,480</u>

5. INTANGIBLE ASSET

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

6. INVESTMENT PROPERTIES

	Note	Leasehold land	Buildings on leasehold land	Total
		------(Rupees in '000)-----		
Balance as at July 1, 2014		1,043,560	37,036	1,080,596
Gain on revaluation of investment properties	6.1	682,430	4,447	686,877
Balance as at June 30, 2015		<u>1,725,990</u>	<u>41,483</u>	<u>1,767,473</u>

6.1 The revaluation of the Corporation's investment properties was carried out by Fairwater Property Valuers & Surveyors (Private) Limited as of June 30, 2015 on the basis of their professional assessment of present market values. As a result, a revaluation gain of Rs 686,877 million was determined in respect of leasehold land whereas a revaluation gain of Rs 4,447 million was determined on buildings.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

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

No. of shares - ordinary		Name of the company	Country of incorporation	Latest available audited financial statements for the year ended	Percentage holding		Face value per share		
2015	2014				2015	2014		2015	2014
(Rupees) --- (Rupees in '000)---									
() Subsidiary companies - unlisted									
10,000,000	10,000,000	Bolan Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	100,000	100,000
275,344,100	275,344,100	Chitral Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	2,753,441	2,753,441
226,825,500	226,825,500	Hyderabad Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	2,268,255	2,268,255
15,686,000	15,686,000	Islamabad Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	156,860	156,860
36,000	36,000	Jonar Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	360	360
7,286,000	7,286,000	Kajlan Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	72,860	72,860
330,000,000	330,000,000	Karachi Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	3,451,994	3,451,994
16,736,000	16,736,000	Kharpur Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	167,360	167,360
340,000,000	340,000,000	Lahore Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	3,400,000	3,400,000
14,686,000	14,686,000	Lalazar Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	146,860	146,860
9,486,000	9,486,000	Makran Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	94,860	94,860
336,016,700	336,016,700	Makrand Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	3,360,167	3,360,167
14,054,750	14,054,750	Multan Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	1,405,475	1,405,475
1,600	1,600	Pakistan Co-operative Ship Stores (Private) Limited	Pakistan	June 30, 2015	73	73	100	868	868
500,000,000	500,000,000	Quetta Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	5,000,000	5,000,000
6,336,000	6,336,000	Sargocha Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	69,360	69,360
6,786,000	6,786,000	Shalimar Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	67,860	67,860
254,012,300	254,012,300	Sibi Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	2,540,123	2,540,123
13,236,000	13,236,000	Swat Shipping (Private) Limited	Pakistan	June 30, 2015	100	100	10	132,360	132,360
								25,189,063	25,189,063
() 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
								-	-
								25,188,063	25,188,063

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

8. LONG-TERM INVESTMENTS IN LISTED COMPANIES AND ANOTHER ENTITY

	Note	2015	2014
		----- (Rupees in '000) -----	
Financial assets designated as 'at fair value through profit or loss'			
Listed companies			
Siemens (Pakistan) Engineering Limited 6,930 (2014: 6,930) fully paid ordinary shares of Rs 10 each. Market value per share as at June 30, 2015 Rs 1,274.23 (2014: Rs 1,257).	8.1	8,830	8,711
Pakistan State Oil Company Limited 115,358 (2014: 115,358) fully paid ordinary shares of Rs 10 each. Market value per share as at June 30, 2015 Rs 385.79 (2014: Rs 388.86).	8.2	44,504	44,858
		53,334	53,569
Available-for-sale financial asset			
Other entity - carried at cost			
Pakistan Tourism Development Corporation Limited. 10,000 (2014: 10,000) fully paid ordinary shares of Rs 10 each.		100	100
		53,434	53,669
8.1 The Corporation holds 0.084% (2014: 0.084%) of the investee's share capital.			
Opening balance		8,711	4,513
Change in fair value		119	4,198
		8,830	8,711
8.2 The Corporation holds 0.04246% (2014: 0.04246%) of the investee's share capital.			
Opening balance		44,858	33,598
Change in fair value		(354)	11,260
		44,504	44,858
9. DEFERRED TAXATION			
Deductible temporary differences arising in respect of short-term provisions and deferred liabilities		232,676	136,660
Taxable temporary differences arising in respect of:			
- surplus on revaluation of property, plant and equipment	20	126,530	35,892
- accelerated depreciation		8,477	9,991
		135,007	45,883
		97,669	90,777

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

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

	Note	2015	2014
		------(Rupees in '000)-----	
10. STORES AND SPARES			
Stores			
- at depot		11,343	9,495
- at buildings		742	845
		<u>12,085</u>	<u>10,340</u>
Spares			
- at buildings		1,063	1,062
		<u>13,148</u>	<u>11,402</u>
11. TRADE DEBTS - unsecured			
- considered good	11.1	1,821,692	1,987,993
- considered doubtful		18,007	17,280
		<u>1,839,699</u>	<u>2,005,273</u>
Less: Provision for doubtful debts	11.2	18,007	17,280
		<u>1,821,692</u>	<u>1,987,993</u>

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

	Note	2015	2014
		------(Rupees in '000)-----	
Upto 1 month		284,154	787,061
1 to 6 months		294,660	744,299
More than 6 months		1,242,878	456,633
		<u>1,821,692</u>	<u>1,987,993</u>
11.2 Provision for doubtful debts			
Balance at the beginning of the year		17,280	18,265
Provision made during the year	34	727	-
Provision reversed during the year		-	(881)
Provision written off during the year		-	(104)
Balance at the end of the year		<u>18,007</u>	<u>17,280</u>

As at June 30, 2015, trade debts of Rs 18,007 million (2014: Rs 17,280 million) were impaired and provided for. These balances have been outstanding for more than three years.

	Note	2015	2014
		------(Rupees in '000)-----	
12. AGENTS' AND OWNERS' BALANCES - unsecured			
Considered good	12.1	18,065	124,824
Considered doubtful		4,453	4,453
		<u>22,518</u>	<u>129,277</u>
Less: Provision for impairment		4,453	4,453
		<u>18,065</u>	<u>124,824</u>

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

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

	Note	2015	2014
		------(Rupees in '000)-----	
Upto 1 month		3,528	60,128
1 to 6 months		8,256	64,033
More than 6 months		6,281	663
		<u>18,065</u>	<u>124,824</u>

13. LOANS AND ADVANCES - considered good

	Note	2015	2014
Loans			
To employees		1	1
Advances			
- a subsidiary	13.1	3,402,698	-
- employees		40,730	46,738
- contractors and suppliers		38,124	3,197
- others		23,706	8,628
		<u>3,505,259</u>	<u>58,564</u>

13.1 This represents amount paid by the Corporation, as an advance against future issue of share capital by a wholly owned subsidiary, Shalamar Shipping (Private) Limited, for purchase of vessel.

14. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2015	2014
		------(Rupees in '000)-----	
Deposits			
- considered good		15,913	9,868
- considered doubtful		369	369
		<u>16,282</u>	<u>10,237</u>
Less: Provision for impairment		369	369
		<u>15,913</u>	<u>9,868</u>
Prepayments		35,413	35,736
		<u>51,326</u>	<u>45,604</u>

15. OTHER RECEIVABLES

	Note	2015	2014
Rent receivable			
- considered good	15.1	11,203	10,282
- considered doubtful		3,801	3,801
		<u>15,004</u>	<u>14,083</u>
Less: Provision for impairment		3,801	3,801
		<u>11,203</u>	<u>10,282</u>
Others			
- considered good	15.2	78,878	82,264
- considered doubtful		10,832	12,659
		<u>89,710</u>	<u>94,923</u>
Less: Provision for impairment	15.4	10,832	12,659
		<u>78,878</u>	<u>82,264</u>
Derivative cross currency interest rate swap	15.6 & 15.7	62,991	147,209
		<u>153,072</u>	<u>239,755</u>

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

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

	2015	2014
	------(Rupees in '000)-----	
Upto 1 month	1,173	837
1 to 6 months	2,111	1,952
More than 6 months	7,919	7,493
	<u>11,203</u>	<u>10,282</u>

15.2 As at June 30, 2015, an amount of Rs 78.878 million (2014: Rs 82.264 million) that are past due but not impaired. These receivables have been outstanding for less than one year.

	Note	2015	2014
		------(Rupees in '000)-----	
15.3 This includes the following:			
Receivable from sundry debtors		57,961	67,054
Sales tax refund claims		25,865	26,017
Insurance claims receivable		-	29
Others		5,884	1,823
		<u>89,710</u>	<u>94,923</u>
15.4 Provision for impairment			
Balance at the beginning of the year		12,659	12,659
Provision reversed during the year	35	(1,827)	-
Balance at the end of the year	15.5	<u>10,832</u>	<u>12,659</u>

15.5 As at June 30, 2015, other receivables of Rs 10.832 million (2014: Rs 12.659 million) were impaired and provided for. These receivables have been outstanding for more than three years.

15.6 The Corporation has entered into a cross currency interest rate swap of Rs 9,995,300 million in respect of its borrowing (note 21). 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. Furthermore, 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 and interest rate swap as determined by the bank were Rs 30.048 million (favourable) (2014: Rs 86.851 million (favourable)) and Rs 9.022 million (favourable) (2014: Rs 14.015 million (favourable)) respectively to the Corporation as of the balance sheet date which has been increased by the net interest receivable and exchange gain aggregating to Rs 23.920 million (2014: Rs 46.343 million) as at June 30, 2015.

15.7 On September 26, 2013, the Corporation early terminated one of its cross currency swap contract having a notional amount aggregating Rs 1,244.880 million. The early termination resulted in a payment by the Corporation to the arranging bank aggregating Rs 87.624 million comprising of net effects of interest received aggregating Rs 7.982 million, exchange loss and swap spread paid amounting to Rs 60.565 million and Rs 35.041 million respectively.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

	Note	2015	2014
----- (Rupees in '000) -----			
16.	SHORT-TERM INVESTMENTS		
	Term deposits with banks having maturity of:		
	- more than six months but upto twelve months	16.1 300,000	-
	- three to six months	16.2 1,154,375	1,497,440
	- three months or less	16.3 500,000	797,440
		<u>1,954,375</u>	<u>2,294,880</u>

16.1 The mark-up on these term deposits denominated in local currency ranges from 8.5% to 8.75% (2014: Nil) per annum.

16.2 The mark-up on these term deposits denominated in local currency ranges from 8.10% to 8.80% (2014: 10% to 10.50%) per annum, whereas mark-up on term deposits denominated in foreign currency ranges from 2.05% to 2.10% (2014: 2%) per annum.

16.3 The mark-up on these term deposits denominated in local currency ranges from 6.70% to 7.00% (2014: 9.75% to 10.50%) per annum, whereas mark-up on term deposits denominated in foreign currency is Nil (2014: 1.6% to 2%) per annum.

	Note	2015	2014
----- (Rupees in '000) -----			
17.	CASH AND BANK BALANCES		
	Cash at bank		
	- in current accounts		
	- local currency	779,935	403,585
	- foreign currency	516,023	145,426
		<u>1,295,958</u>	<u>549,011</u>
	- in savings accounts		
	- local currency	17.1 & 17.2 1,510,442	1,290,962
	- foreign currency	17.3 1,423	1,579
		<u>1,511,865</u>	<u>1,292,541</u>
	Cash in hand	548	979
		<u>2,808,371</u>	<u>1,842,531</u>

17.1 The mark-up on savings accounts in local currency ranges from 4.5% to 6.75% (2014: 4.8% to 8.4%) per annum.

17.2 This includes Rs 2.126 million (2014: Rs 2.126 million) and Rs 3 million (2014: Rs 3 million) 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.

17.3 The mark-up on savings accounts in foreign currency ranges from 0.15% to 0.50% (2014: 0.15% to 0.50%) per annum.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

18. SHARE CAPITAL

18.1 Issued, subscribed and fully paid-up

2015	2014		2015	2014
----- (No. of Shares) -----			----- (Rupees in '000) -----	
		Ordinary shares of Rs 10 each issued as fully paid to shareholders of former National Shipping Corporation (NSC) and Pakistan Shipping Corporation (PSC) in consideration of their shareholdings in those companies	241,308	241,308
24,130,789	24,130,789			
		Ordinary shares of Rs 10 each issued as fully paid to GoP for cash received in 1985	259,000	259,000
25,900,000	25,900,000			
		Ordinary shares of Rs 10 each issued as fully paid to the GoP on the financial restructuring of the Corporation in the year 1989-90	643,098	643,098
64,309,800	64,309,800			
		Ordinary shares of Rs 10 each issued as fully paid bonus shares	177,228	177,228
17,722,791	17,722,791			
<u>132,063,380</u>	<u>132,063,380</u>		<u>1,320,634</u>	<u>1,320,634</u>

18.2 As at June 30, 2015, GoP held 109,919,234 (2014: 109,919,234) ordinary shares of the Corporation.

19. RESERVES

	Note	2015	2014
		----- (Rupees in '000) -----	
Capital reserves	19.1	126,843	126,843
Revenue reserves			
- remeasurement of post-retirement benefits obligation - net of tax		(342,905)	(226,522)
- unappropriated profit		7,115,016	6,413,830
		<u>6,898,954</u>	<u>6,314,151</u>

19.1 This includes an amount transferred from shareholders' equity at the time of merger between former NSC and PSC.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

20. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT - NET OF TAX

	Note	2015	2014
----- (Rupees in '000) -----			
Balance at the beginning of the year		804,140	813,778
Add: Surplus arising on revaluation of fixed assets during the current year		460,268	-
Less: Transferred to unappropriated profit:			
- Surplus relating to incremental depreciation charged during the current year on related assets - net of tax		6,508	7,449
- Related deferred tax liability		3,063	2,189
		9,571	9,638
		1,254,837	804,140
Less: Related deferred tax liability on:			
- Revaluation at the beginning of the year		35,892	37,714
- Incremental depreciation charged during the current year on related assets transferred to profit and loss account:		(3,063)	(2,189)
- Surplus arising on revaluation of fixed assets during the current year		79,032	-
- Effect of change in statutory tax rate for next year		(3,076)	1,109
- Effect of allocation of revenue between presumptive tax regime and normal tax regime		17,745	(742)
	9	126,530	35,892
Balance at the end of the year		1,128,307	768,248
21. LONG-TERM FINANCING - secured			
Financing under syndicate term finance agreement	21.1 & 21.2	5,918,572	5,142,882
Less: Current portion		1,407,455	1,150,674
		4,511,117	3,992,208
Financing under term finance certificates agreement	21.1	580,030	742,861
Less: Current portion		166,208	166,208
		413,822	576,653
Financing under musharika agreement	21.2	951,487	-
Less: Current portion		128,391	-
		823,096	-
		5,748,035	4,568,861

21.1 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.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

The financing carries mark-up of KIBOR+2.20%. The loan along with the mark-up is repayable on a quarterly basis with the last repayment date on 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, 2015, the Corporation has drawn Rs 8,733.757 million (2014: Rs 8,733.757 million) and Rs 1,261.543 million (2014: Rs 1,261.543 million) from syndicated term finance and TFCs respectively. The Corporation has also paid loan arrangement fee amounting to Rs 106.662 million, whereas the remaining amount of Rs 3.155 million has been expensed out upon completion of the drawdowns and expiry of the facility on September 7, 2012.

- 21.2 During the year ended June 30, 2015, the Corporation obtained a financing facility of Rs 4,500 million. The financing was obtained in the form of syndicated term finance loan of Rs 3,000 million, with the remaining amount of Rs 1,500 million through a musharika agreement.

The financing carries mark-up at the rate of KIBOR+1.60%. The loan along with the mark-up is repayable on a quarterly basis with the last repayment date on November 6, 2022. The facility is secured by a first mortgage charge over certain vessels owned by the subsidiary companies of the Corporation.

During the year ended June 30, 2015, the Corporation has drawn Rs 2,054.250 million and Rs 1,027.125 million from syndicated term finance and musharika respectively. The Corporation has also paid loan arrangement fee amounting to Rs 45 million which was included fully in the amortised cost of the long term financing, whereas an amount of Rs 315,000 is expensed out at the time of drawdown.

	Note	2015	2014
		------(Rupees in '000)-----	
22. DEFERRED LIABILITIES			
Employees' gratuity			
- funded	22.1.3	142,289	86,899
- unfunded	22.1.3	167,304	100,995
		<u>309,593</u>	<u>187,894</u>
Post-retirement medical benefits	22.1.3	200,989	194,581
Employees' compensated absences	22.2.3	340,979	235,008
		<u>851,561</u>	<u>617,483</u>

- 22.1 Retirement benefit schemes

- 22.1.1 The disclosures made in notes 22.1.2 to 22.1.16 are based on the information included in the actuarial valuation report as of June 30, 2015.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

22.1.2 As stated in notes 2.17.2 and 2.17.3 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 and contractual employees. Liability is maintained against these schemes based on the actuarial recommendations. The following significant assumptions were used for the actuarial valuation of the defined benefit obligation schemes:

	2015			2014		
	Employees' gratuity Funded	Employees' gratuity Unfunded	Post retirement medical benefits	Employees' gratuity Funded	Employees' gratuity Unfunded	Post retirement medical benefits
Discount rate	9.75%	10.50%	9.75%	13.25%	13.25%	13.25%
Future salary increases - for permanent employees						
For the year 2014-15	-	-	-	40.00%	-	-
For the year 2015-16	2.00%	-	-	2.00%	-	-
For the year 2016-17	40.00%	-	-	40.00%	-	-
For the year 2017-18	2.00%	-	-	2.00%	-	-
For the year 2018-19	40.00%	-	-	40.00%	-	-
For the year 2019-20	2.00%	-	-	2.00%	-	-
For the year 2020-21	40.00%	-	-	13.25%	-	-
For the year 2022-23 and onwards	9.75%	-	-	13.25%	-	-
Future salary increases - for contractual employees						
For the year 2014-15	-	-	-	15.00%	-	-
For the year 2015-16	-	15.00%	-	15.00%	-	-
For the year 2016-17	-	15.00%	-	15.00%	-	-
For the year 2017-18	-	15.00%	-	15.00%	-	-
For the year 2018-19	-	15.00%	-	15.00%	-	-
For the year 2019-20	-	15.00%	-	13.25%	-	-
For the year 2020-21	-	10.50%	-	13.25%	-	-
For the year 2022- and onwards	-	10.50%	-	13.25%	-	-
Medical escalation rate	-	-	9.75%	-	-	13.25%
Death rate	-	-	-	-	-	-

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

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

	2015			2014		
	Employees' gratuity Funded	Employees' gratuity Unfunded	Post-retirement medical benefits	Employees' gratuity Funded	Employees' gratuity Unfunded	Post-retirement medical benefits
(Rupees in '000)						
22.1.3 Balance sheet reconciliation						
Present value of defined benefit obligation	432,113	167,304	200,989	397,045	100,995	194,581
Fair value of plan assets	(289,824)	-	-	(310,146)	-	-
Net liability in the balance sheet	142,289	167,304	200,989	86,899	100,995	194,581
22.1.4 Movement in present value of defined benefit obligation						
Balance at the beginning of the year	397,045	100,995	194,581	435,454	67,166	200,957
Current service cost	9,256	20,648	7,717	11,991	11,416	7,232
Interest cost	47,025	14,407	23,671	44,414	6,890	21,032
Benefits paid	(93,763)	(7,015)	(32,401)	(83,717)	(7,474)	(25,938)
Recognised prior service cost	-	-	-	-	-	10,273
Remeasurement on obligation	72,550	38,269	7,421	(11,097)	22,997	(18,975)
Balance at the end of the year	432,113	167,304	200,989	397,045	100,995	194,581
22.1.5 Movement in fair value of plan assets						
Balance at the beginning of the year	310,146	-	-	362,802	-	-
Expected return on plan assets	36,205	-	-	36,829	-	-
Contribution	50,000	-	-	-	-	-
Benefits paid	(93,763)	-	-	(83,717)	-	-
Remeasurement on plan assets	(12,764)	-	-	(5,768)	-	-
Balance at the end of the year	289,824	-	-	310,146	-	-
22.1.6 Movement in net liability in the balance sheet						
Balance at the beginning of the year	86,899	100,995	194,581	72,652	67,166	200,957
Expense recognised for the year	20,076	35,055	31,388	19,576	18,306	38,537
Contributions made by the Corporation / payments	(50,000)	(7,015)	(32,401)	-	(7,474)	(25,938)
Remeasurements recognised in other comprehensive income	85,314	38,269	7,421	(5,329)	22,997	(18,975)
	142,289	167,304	200,989	86,899	100,995	194,581
22.1.7 The amounts recognised in the income statement						
Current service cost	9,256	20,648	7,717	11,991	11,416	7,232
Net interest amount	10,820	14,407	23,671	7,585	6,890	21,032
Prior service cost	-	-	-	-	-	10,273
	20,076	35,055	31,388	19,576	18,306	38,537
Less: Charged to subsidiaries	806	1,020	671	310	768	255
Expense	19,270	34,035	30,717	19,266	17,538	38,282
22.1.8 Remeasurements recognised in other comprehensive income						
Losses / (gains) from changes in financial assumptions	45,200	15,902	-	(24,281)	9,952	-
Experience losses / (gains)	27,350	22,367	7,421	13,184	13,045	(1,381)
Remeasurement of fair value of plan assets	12,764	-	-	5,768	-	(17,594)
	85,314	38,269	7,421	(5,329)	22,997	(18,975)
22.1.9 Major categories / composition of plan assets						
		Rupees in '000	%	Rupees in '000	%	
Cash and cash equivalents		138,133	47.66%	33,530	10.81%	
Term deposit receipts of private commercial banks (unquoted)		151,691	52.34%	276,616	89.19%	
		289,824	100%	310,146	100%	

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

22.1.10 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.

22.1.11 Actual gain on plan assets during the year ended June 30, 2015 was Rs 23.481 million (2014: Rs 31.33 million).

22.1.12 Assumed future salary increase rate and discount rate have a significant effect on the employee's gratuity. A one percentage point change in assumed future salary increase rate and discount rate would have the following effects:

	Change in assumption	Increase / (decrease) in defined benefit obligation of			
		Funded Gratuity Scheme		Unfunded Gratuity Scheme	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount Rate	1%	(10,689)	11,281	(18,178)	22,081
Salary increase rate	1%	11,560	(11,174)	22,025	(18,464)

22.1.13 The weighted average duration of the defined benefit obligations funded and unfunded gratuity scheme is 2.57 and 10.57 years.

22.1.14 Assumed medical cost escalation rate and discount rate have a significant effect on the post-retirement medical benefit. A one percentage point change in assumed medical cost escalation rate and discount rate would have the following effects:

	Change in assumption	Increase / (decrease) in defined benefit obligation of			
		Post Retirement Medical Benefits			
		Permanent Employees		Contractual Employees	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Medical Cost Escalation Rate	1%	3,907	(3,712)	3,139	(2,599)
Discount Rate	1%	(3,679)	3,944	(2,577)	3,171

22.1.15 The weighted average duration of the defined benefit obligations post medical retirement benefit scheme for permanent and contractual employees is 4.93 years.

22.1.16 The employee gratuity funded and unfunded scheme and post retirement medical benefit plans exposes the Corporation to the following risks:

Investment risk: The risk of the investment underperforming and not being sufficient to meet the liabilities.

Mortality risk: The risk that the actual mortality rate is different. The effect depends on the beneficiaries service/age distribution and the benefit.

Medical cost escalation risks – The risk that the hospitalisation cost could be higher than what we assumed.

Final salary risk: The risk that the final salary at the time of cessation of service is greater than what is assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Withdrawal risk: The risk of higher or lower withdrawal experienced than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

22.2 Employees' compensated absences

22.2.1 The disclosures made in notes 22.2.2 to 22.2.9 are based on the information included in the actuarial valuation as of June 30, 2015.

22.2.2 As stated in note 2.18, the Corporation operates an employees' compensated absences scheme. Provision is maintained against this scheme based on the actuarial recommendations. The following significant assumptions were used for the actuarial valuation of the scheme:

	2015	2014
Discount rate	9.75%	13.25%
Future salary increases - for permanent employees		
For the year 2015-16	-	40.00%
For the year 2016-17	40.00%	2.00%
For the year 2017-18	2.00%	40.00%
For the year 2018-19	40.00%	2.00%
For the year 2019-20	2.00%	40.00%
For the year 2020-21	40.00%	2.00%
For the year 2021-22 and onwards	2.00%	13.25%
For the year 2023 and onwards	13.25%	13.25%
Future salary increases - for contractual employees		
For the year 2016-17 till 2017-18	15.00%	15.00%
For the year 2018-19	15.00%	15.00%
For the year 2019-20	15.00%	13.25%
For the year 2020-21	15.00%	13.25%
For the year 2022 and onwards	9.75%	13.25%

2015 2014
----- (Rupees in '000) -----

22.2.3 Balance sheet reconciliation

Present value of defined benefit obligation (recognised)	340,979	235,008
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22.2.4 Movement in present value of defined benefit obligation

Balance at the beginning of the year	235,008	225,799
Current service cost	57,227	58,268
Interest cost	32,277	25,413
Remeasurements of obligation	101,942	(14,231)
Benefits paid	(85,475)	(60,241)
Balance at the end of the year	340,979	235,008

22.2.5 Expenses

Current service cost	57,227	58,268
Interest cost	32,277	25,413
Remeasurements of obligation	101,942	(14,231)
	191,446	69,450
Less: Charged to subsidiaries	3,123	291
Expense	188,323	69,159

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

22.2.6 Amounts for the current period and prior period of the present value of defined benefit obligation are as follows:

	2015	2014
	------(Rupees in '000)-----	
Present value of defined benefit obligation	340,979	235,008
Experience gain on defined benefit obligation	101,942	(14,231)

22.2.7 Assumed future salary increase rate and discount rate have a significant effect on the employee's compensated absences. A one percentage point change in assumed future salary increase rate and discount rate would have the following effects:

	Change in assumption	Increase / (decrease) in defined benefit obligation of			
		Employees Compensated Absences			
		Permanent Employees		Contractual Employees	
		Increase in assumption	Decrease in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	(7,453)	7,993	(12,831)	16,022
Salary growth rate	1%	8,035	(7,647)	15,940	(13,006)

22.2.8 The risks to which the scheme exposes the Corporation are disclosed in note 22.1.16.

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

22.3 Expected retirement benefits costs for the year ending June 30, 2016 are as follows:

	(Rupees in '000)
Gratuity	
- Funded	24,512
- Unfunded	58,235
Post-retirement medical benefits	25,838
Compensated absences	126,757

22.4 During the year, the Corporation contributed Rs 12.550 million (2014: Rs 10.589 million) to the provident fund.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

23. TRADE AND OTHER PAYABLES

	Note	2015	2014
		------(Rupees in '000)-----	
Creditors		56,414	37,149
Current account balances with subsidiary companies	23.1	20,934,423	18,628,307
Agents' and owners' balances		396,500	804,063
Accrued liabilities		1,091,748	630,121
Deposits	23.2	38,187	42,212
Unclaimed dividends		33,063	29,916
Advances from customers		110,899	128,305
Other liabilities			
- amounts retained from contractors		27,411	23,695
- others		119,567	99,626
		146,978	123,321
		<u>22,808,212</u>	<u>20,423,394</u>

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

	Note	2015	2014
		------(Rupees in '000)-----	
Bolan Shipping (Private) Limited		861,042	861,559
Chitral Shipping (Private) Limited		1,379,567	1,156,474
Hyderabad Shipping (Private) Limited		1,122,272	1,130,222
Islamabad Shipping (Private) Limited		650,094	638,213
Kaghan Shipping (Private) Limited		1,323,946	885,888
Khairpur Shipping (Private) Limited		448,565	448,838
Makran Shipping (Private) Limited		316,629	316,951
Malakand Shipping (Private) Limited		661,116	910,365
Multan Shipping (Private) Limited		830,543	802,872
Sargodha Shipping (Private) Limited		198,332	197,906
Sibi Shipping (Private) Limited		503,824	524,684
Shalamar Shipping (Private) Limited		1,662,761	1,496,551
Swat Shipping (Private) Limited		1,168,036	1,168,308
Lalazar Shipping (Private) Limited		745,646	745,835
Johar Shipping (Private) Limited		1,229,936	1,230,208
Lahore Shipping (Private) Limited		2,327,248	1,743,813
Karachi Shipping (Private) Limited		2,230,006	1,574,336
Quetta Shipping (Private) Limited		3,274,860	2,795,284
		<u>20,934,423</u>	<u>18,628,307</u>

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

24. PROVISION AGAINST DAMAGE CLAIMS

	Note	2015	2014
		------(Rupees in '000)-----	
Balance at the beginning of the year		31,973	22,338
Charge during the year	34	4,615	15,847
Reversal during the year	35	(16,365)	(6,212)
Balance at the end of the year		<u>20,223</u>	<u>31,973</u>

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

25. CONTINGENCIES AND COMMITMENTS

Contingencies

- 25.1 The contingent liability in respect of claims not acknowledged as debts by the Corporation, which as at June 30, 2015 aggregated to Rs 201,116 million (2014: Rs 368,244 million). These claims mainly relate to deficiencies in shipping documentation, delay in delivery of cargo and damages to cargo. These include Rs 2,285 million (2014: Rs 2,225 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 180,887 million (2014: Rs 273,186 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 20,223 million (2014: Rs 31,973 million) against the aforementioned claims in these financial statements.
- 25.2 The Corporation has not accepted liability in respect of customs duty approximating Rs 2,500 million (2014: Rs 2,500 million) relating to the sale of the vessel M.V. Bhamore 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.
- 25.3 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 (2014: 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 (2014: Rs 1,300 million) and Rs 66,800 million (2014: 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.
- 25.4 Certain other claims have been filed against the Corporation in respect of employees' matters for an aggregate amount of approximately Rs 97,817 million (2014: Rs 108,817 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.
- 25.5 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 the Corporation. The Income Tax Appellate Tribunal (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 Honourable High Court has been suspended. Hearing of the appeal is pending in the Honourable Supreme Court.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

- 25.6 During the year ended June 30, 2011, the Officer Inland Revenue (OIR) issued assessment orders under section 122 (5A) of the Income Tax Ordinance, 2001 (ITO, 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 363.421 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 the 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 170 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 resulting in refund of Rs 90.579 million. 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 years 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.
- 25.7 During the year ended June 30, 2012, the OIR issued assessment orders under section 122 (5A) of the ITO, 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 (2014: Rs 160.513 million) and adjusted Rs 90.579 million against refunds relating to tax year 2008, 2009 and 2010 under protest. 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, and has worked out refund of Rs 15.068 million. The Corporation and the department have filed appeals with the ITAT in respect of aforementioned disallowances. 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.
- 25.8 During the year ended June 30, 2013, the OIR issued assessment orders under section 122 (5A) of the ITO, 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 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, and has worked out refund of Rs 24.022 million. The Corporation and the department have filed appeals with the ITAT in respect of aforementioned disallowances. 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.
- 25.9 During the year ended June 30, 2014, the OIR has issued assessment orders under section 122 (5A) of the ITO, 2001 in respect of tax year 2013. According to the orders, the OIR has made certain additions and determined additional tax demand of Rs 303.333 million. OIR has disallowed a portion of retirement benefit 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. Moreover, OIR also disallowed the basis of apportionment of expenses. The Corporation has paid Rs 288.265 million under protest and adjusted Rs 15.068 million against refunds available for the tax year 2011. Further the management has filed an appeal with the Commissioner of Income Tax (Appeals) in his order has upheld certain additions and has given decisions in favour of the Corporation on certain matters, and worked out a Nil demand. The Corporation and the department have filed appeals with the ITAT in respect of aforementioned disallowances.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

- 25.10 During the year ended June 30, 2015, Assistant Commissioner Inland Revenue (ACIR) issued assessment order under section 122 (5A) of the ITO, 2001 in respect of tax year 2014. According to the order the ACIR made certain additions and determined additional tax demand of Rs. 170.436 million in respect of certain disallowances regarding financial expenses, administrative costs and post retirement benefits. The Corporation has paid Rs. 83.438 million under protest and adjusted Rs. 86.998 million against refunds available for tax year 2008, 2009, 2010 and 2013. The management 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 2014 will eventually be decided in favour of the Corporation. The Commissioner of Income Tax (Appeals) in his order has upheld certain additions and has given addition in favour of the Corporation on certain matters, however, the appeal effect order has not been passed by the ACIR. The Corporation and the department have filed appeals with the ITAT in respect of aforementioned order of the Commissioner of Income Tax (Appeals).
- 25.11 During the year ended June 30, 2014, the Deputy Commissioner Inland Revenue (DCIR) had issued orders under section 161 of the ITO, 2001 in respect of tax years 2008 to 2013. According to the orders, the DCIR has held that the Corporation was required to withhold tax under section 152 (2) of the ITO, 2001 while making payments to non-resident shipping Companies, and the failure to deduct tax at source renders it personally liable to pay tax along with default surcharge on the unpaid amount of tax, under sections 161 and 205 of the ITO, 2001. By virtue of above orders a total tax demand of Rs 2,695.502 million was raised by the tax authorities. The Corporation filed an appeal with the Commissioner of Income Tax (Appeals) who maintained the orders passed by the DCIR and consequently an appeal was filed before the ATIR. The ATIR, in the appellate order, has held that the payments made by the Corporation to the non-resident shipping companies are in the nature of "Royalty" and the rate of tax withholding applicable on such payments would be 15 per cent. Accordingly, the tax demand originally raised has been reduced to Rs. 1,659.485 million. The Corporation's legal counsel has filed a reference in the Honorable High Court against the order passed by the ATIR. A rectification application has also been filed with ATIR which is pending for hearing.
- 25.12 Further, during the year ended June 30, 2015, the DCIR has issued show cause notice under section 161 of the ITO, 2001 in respect of tax year 2014 proposing to raise tax demand of Rs 1,324.077 million on the aforementioned matter. The Corporation took up the matter to the Honourable High Court and the Court has suspended the show cause notice till further notice. The management of the Corporation is confident that the subject matter in respect of tax years 2008 to 2013 will eventually be decided in favour of the Corporation, and hence no provision has been recorded in the financial statements in respect of the said matter.
- 25.13 During the year ended June 30, 2014, the Assistant Commissioner Sindh Revenue Board (AC) has passed an order under Sindh Sales Tax on Services Act, 2011 for the tax period July 2011 to June 2012. The AC has held the Corporation liable to pay sales tax on 'Administrative and Financial Services' provided to its subsidiaries and has also levied sales tax on the services that are provided by the Corporation outside Sindh. By virtue of above order an additional tax demand of Rs 12.654 million, alongwith default surcharge of Rs 1.012 million was raised by the taxation authorities. The Corporation paid the amount under protest and filed Appeal with Commissioner Appeals - SRB (CA) which was decided against the Corporation. The Corporation has filed another appeal against the decision of CA with the Appellate Tribunal, SRB which is pending for hearing.

Commitments

25.14 Commitments in respect of capital expenditure amount to Rs 86.023 million (2014: Rs 193.057 million).

25.15 Outstanding letters of guarantee amount to Rs 5.126 million (2014: Rs 5.126 million).

26. CHARTERING REVENUE

	2015	2014
	------(Rupees in '000)-----	
Foreign flag vessels		
- voyage charter revenue	5,581,009	6,793,294
- slot charter revenue	2,432,556	1,503,241
	<u>8,013,565</u>	<u>8,296,535</u>

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

		2015	2014
		------(Rupees in '000)-----	
27.	SERVICE FEES - NET		
	Technical and commercial services fee	232,086	225,280
	Administrative and financial services fee	77,362	74,126
	Sales tax	(14,736)	(8,781)
		<u>294,712</u>	<u>290,625</u>
28.	DIVIDEND INCOME FROM SUBSIDIARIES		
	Chitral Shipping (Private) Limited	96,370	-
	Hyderabad Shipping (Private) Limited	79,389	-
	Multan Shipping (Private) Limited	49,192	-
	Malakand Shipping (Private) Limited	117,606	-
	Shalamar Shipping (Private) Limited	2,375	-
	Sibi Shipping (Private) Limited	88,904	-
		<u>433,836</u>	<u>-</u>
28.1	During the year ended June 30, 2015, the aforementioned subsidiaries of the Corporation declared interim dividend @ Rs 0.35 per share.		
29.	FLEET EXPENSES - DIRECT		
		Note	
		2015	2014
		------(Rupees in '000)-----	
	Charter, hire and related expenses	29.1	6,766,060
	Exchange loss / (gain)		2,049
			(28,600)
			<u>6,768,109</u>
29.1	Charter, hire and related expenses		6,620,384
	Foreign flag vessels		
	- voyage charter expenses		5,510,301
	- slot charter expenses		1,255,759
			<u>766,203</u>
			<u>6,620,384</u>
30.	FLEET EXPENSES - INDIRECT		
	Salaries and allowances	30.1	19,599
	Agents' and other general expenses	30.2	5,881
	Depreciation	4.6	499
	General establishment expenses		770
			<u>754</u>
			<u>26,749</u>
			<u>23,359</u>
30.1	This includes Rs 2.081 million (2014: Rs 1.756 million) in respect of provident fund contribution.		

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

	Note	2015	2014
------(Rupees in '000)-----			
30.2	Agents' and other general expenses		
	Printing and stationery	53	57
	Advertisement and publicity	1,136	1,185
	Telephone, telex and postage	2,946	3,172
	Commission charges	342	317
	Legal and professional charges	8	1,234
	Air freight	1,396	1,328
		<u>5,881</u>	<u>7,293</u>
31.	VESSEL MANAGEMENT EXPENSES		
	Workshop management expenses	77,713	56,098
	Salaries and allowances	31.1 278,425	220,690
	General establishment expenses	31.2 62,938	60,433
	Rent, rates and taxes	15,289	5,827
	Insurance	2,928	3,112
	Depreciation	4.6 19,617	22,341
		<u>456,910</u>	<u>368,501</u>
31.1	This includes Rs 5.417 million (2014: Rs 4.571 million) in respect of provident fund contribution.		
31.2	General establishment expenses		
	Repairs and maintenance	5,119	4,696
	Medical expenses	20,487	25,409
	Security charges	1,669	1,187
	Travelling and conveyance	6,878	4,797
	Entertainment and canteen subsidy	3,878	1,358
	Uniform and liveries	1,166	1,084
	Printing and stationery	2,709	1,801
	Telephone, telex and postage	4,171	3,271
	Light, power and water	5,234	4,830
	Computer expenses	4,012	3,630
	Vehicle running, repairs and maintenance expenses	7,615	8,370
		<u>62,938</u>	<u>60,433</u>
32.	REAL ESTATE EXPENSES		
	Salaries and allowances	32.1 39,722	8,658
	General establishment expenses	32.2 26,357	25,752
	Rent, rates and taxes	5,970	7,286
	Insurance	4,038	4,008
	Depreciation	4.6 21,901	21,816
	Legal and professional charges	795	21
		<u>98,783</u>	<u>67,541</u>
32.1	This includes Rs 0.292 million (2014: Rs 0.246 million) in respect of provident fund contribution.		

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

	Note	2015	2014
----- (Rupees in '000) -----			
32.2	General establishment expenses		
	Repairs and maintenance	9,591	5,718
	Security charges	9,797	6,632
	Light, power and water	6,810	13,064
	Vehicle running, repairs and maintenance	159	338
		<u>26,357</u>	<u>25,752</u>
33.	ADMINISTRATIVE EXPENSES		
	Salaries and allowances	33.1 330,995	248,057
	General establishment expenses	33.2 105,867	91,667
	Rent, rates and taxes	1,529	647
	Scholarship and training expenses	4,070	2,196
	Insurance	293	346
	Depreciation	4.6 1,962	2,482
	Directors' fee	41.2 1,770	1,350
	Legal and professional charges	48,840	26,555
	Sales tax expenses	33,861	17,193
		<u>529,187</u>	<u>390,493</u>

33.1 This includes Rs 4,760 million (2014: Rs 4,016 million) in respect of provident fund contribution.

	Note	2015	2014
----- (Rupees in '000) -----			
33.2	General establishment expenses		
	Repairs and maintenance	6,086	5,277
	Medical expenses	24,355	28,558
	Contribution to employees welfare fund	8	9
	Contribution to group term insurance	1,631	1,865
	Haji expenses	2,298	1,551
	Security charges	1,985	1,337
	Travelling and conveyance	8,177	5,393
	Entertainment and canteen subsidy	4,611	1,526
	Books, periodicals and subscription	5,863	4,787
	Uniform and liveries	117	120
	Printing and stationery	3,220	2,024
	Telephone, telex and postage	4,959	3,675
	Light, power and water	6,222	5,428
	Computer expenses	4,769	4,080
	Advertisement and publicity	10,599	4,708
	Vehicle running, repairs and maintenance expenses	9,053	9,409
	Ship inspection expenses	1,798	2,269
	Sundry expenses	10,116	9,651
		<u>105,867</u>	<u>91,667</u>

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

	Note	2015	2014
------(Rupees in '000)-----			
34. OTHER EXPENSES			
Donations	34.1	1,000	1,000
Auditors' remuneration	34.2	8,999	6,343
Demurrage expenses		961,381	625,611
Employees' gratuity			
- funded	22.1.7	19,270	19,266
- unfunded	22.1.7	34,035	17,538
		53,305	36,804
Post-retirement medical benefits	22.1.7	30,717	38,282
Employees' compensated absences	22.2.5	188,323	69,159
Loss on revaluation of long-term investments in listed companies		235	-
Loss on revaluation of derivative instruments		61,797	-
Provision for doubtful debts		727	-
Provision in respect of damage claims	24	4,615	15,847
		<u>1,311,099</u>	<u>793,046</u>

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

34.2 Auditors' remuneration

	2015			2014		
	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	1,115	1,115	2,230	1,061	1,061	2,122
Fee for review of half yearly financial statements	385	385	770	360	360	720
Fee for review of statement of compliance with best practices of the code of corporate governance	118	118	236	106	106	212
Fee for audit of consolidated financial statements	139	139	278	130	130	260
Tax advisory services fee	4,428	-	4,428	2,262	-	2,262
Central Depository Company certification fees	15	-	15	15	-	15
Out of pocket expenses	521	521	1,042	376	376	752
	<u>6,721</u>	<u>2,278</u>	<u>8,999</u>	<u>4,310</u>	<u>2,033</u>	<u>6,343</u>

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

35. OTHER INCOME

	Note	2015	2014
		------(Rupees in '000)-----	
Income from financial assets / liabilities			
Income from saving accounts and term deposits		301,094	271,101
Agency fee		46,894	28,051
Dividend income from investment in listed companies and another entity		2,024	821
Exchange gain	35.1	13,052	9,543
Gain on revaluation of long-term investments		-	15,458
Gain on revaluation of swap derivative - net		-	210,297
Gain on revaluation of investment properties	6	686,877	-
Liabilities no longer payable written back		6,597	-
Demurrage income		796,144	496,820
Income from non - financial assets			
Gain on disposal of fixed assets		39	-
Sale of scrap		-	456
Provisions no longer required written back	11.2, 15.4 & 24	18,192	7,093
Sundry income		43,552	33,791
		<u>1,914,465</u>	<u>1,073,431</u>

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

	Note	2015	2014
		------(Rupees in '000)-----	
36. FINANCE COSTS			
Interest on long-term financing		854,509	796,913
Gain on cross currency interest rate swap derivative	36.1	(188,648)	(251,104)
Bank charges		1,374	872
		<u>667,235</u>	<u>546,681</u>

36.1 This relates to the amount received during the year on account of quarterly exchanges and terminations under the swap arrangement as explained in note 15.6

37. TAXATION

	2015	2014
	------(Rupees in '000)-----	
Tax charge for:		
- current year	175,707	269,045
- prior years	(29,730)	(42,932)
	<u>145,977</u>	<u>226,113</u>
Deferred	(85,972)	(9,678)
	<u>60,005</u>	<u>216,435</u>

37.1 In view of the tax losses for the year, provision for minimum taxation has been made in accordance with section 113 of ITO, 2001.

Minimum tax rate under section 113 of ITO, 2001 for the tax year 2015 is 1 % of turnover. No numeric tax rate reconciliation is given as the Corporation is liable for turnover tax only.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

	2015	2014
	------(Rupees in '000)-----	
38. EARNINGS PER SHARE - basic and dilutive		
Profit for the year attributable to ordinary shareholders	892,773	803,276
	------(No. of Shares)-----	
Weighted average ordinary shares in issue during the year	132,063,380	132,063,380
	------(Rupees)-----	
Earnings per share - basic and dilutive	6.76	6.08

There are no dilutive potential ordinary shares outstanding as at June 30, 2015 and 2014.

	Note	2015	2014
		------(Rupees in '000)-----	
39. CASH GENERATED FROM OPERATIONS			
Profit before taxation		952,778	1,019,711
Adjustments for non-cash charges and other items:			
Depreciation	4.6	43,979	47,113
Gain on disposal of fixed assets	35	(39)	-
Provision in respect of damage claims	24	4,615	15,847
Provision for employees' gratuity	22.1.7	53,305	36,804
Provision for post-retirement medical benefits	22.1.7	30,717	38,282
Provision for employees' compensated absences	22.2.5	188,323	69,159
Dividend income	28 & 35	(435,860)	(821)
Provision for impairment on doubtful receivables	11.2	727	-
Provisions no longer required written back	35	(18,192)	(7,093)
Liabilities no longer payable written back	35	(6,597)	-
Interest / mark-up income	35	(301,094)	(271,101)
Interest / mark-up expense	36	854,509	797,785
Gain on revaluation of investment properties	35	(686,877)	-
Loss / (gain) on revaluation of long-term investments	34	235	(15,458)
Gain on cross currency interest rate swap derivative		(126,851)	(461,401)
Working capital changes	39.1	(344,782)	1,831,742
		<u>208,896</u>	<u>3,100,569</u>

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

	Note	2015	2014
------(Rupees in '000)-----			
39.1 Working capital changes			
Increase in current assets			
Stores and spares		(42,145)	66,321
Trade debts - unsecured		165,574	(1,215,893)
Agents' and owners' balances - unsecured		106,759	(115,833)
Loans and advances		(3,446,695)	8,980
Deposits and short-term prepayments		(40,051)	(8,478)
Other receivables		4,292	(57,096)
Incomplete voyages		33,140	44,250
		<u>(3,219,126)</u>	<u>(1,277,749)</u>
Increase in current liabilities			
Trade and other payables		2,874,344	3,109,491
		<u>(344,782)</u>	<u>1,831,742</u>
40. CASH AND CASH EQUIVALENTS			
Short-term investments having maturity of three months or less	16	500,000	797,440
Cash and bank balances	17	2,808,371	1,842,531
		<u>3,308,371</u>	<u>2,639,971</u>

41. REMUNERATION OF CHAIRMAN, EXECUTIVE DIRECTORS AND OTHER EXECUTIVES

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

	2015	2014	2015	2014	2015	2014
	Chairman & Chief Executive		Executive Directors		Other Executives	
------(Rupees in '000)-----						
Managerial remuneration and allowances	851	805	21,796	18,812	349,327	264,869
Retirement benefits	-	-	-	-	12,235	8,032
House rent	39	-	4,498	2,549	142,930	98,783
Conveyance	589	-	1,685	-	16,845	9,036
Entertainment	726	317	918	705	7,106	3,852
Medical	421	440	1,924	1,645	26,853	15,880
Utilities	468	459	2,185	1,872	44,131	36,926
Personal staff subsidy	-	-	-	-	313	121
Club membership fee and expenses	229	250	366	489	-	99
Bonus	170	-	3,722	2,766	69,931	44,891
Other allowances	776	664	2,901	1,176	270,138	240,358
	<u>4,269</u>	<u>2,935</u>	<u>39,995</u>	<u>30,014</u>	<u>939,809</u>	<u>722,647</u>
Number of persons	2	2	5	4	313	267

41.1 Retirement benefits represent amount contributed towards various retirement benefit plans. The Executives of the Corporation are entitled to retirement benefits as outlined in note 2.17 and 2.18 to these financial statements. The Chairman and Chief Executive, Executive Directors and certain Executives are provided with the Corporation owned and maintained cars.

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

41.2 The aggregate amount charged in the financial statements for fee to 6 (2014: 6) non-executive directors was Rs 1.770 million (2014: Rs 1.350 million).

41.3 During the year ended June 30, 2015, new Chairman and Chief Executive was appointed. The above amounts also relate to the outgoing Chairman and Chief Executive.

42. FINANCIAL INSTRUMENTS BY CATEGORY

	2015	2014
	----- (Rupees in '000) -----	
FINANCIAL ASSETS		
Fair value through profit or loss		
Long term investments - listed companies	53,334	53,569
Derivative financial instruments	62,991	147,209
Loans and receivables		
Loans - employees	59	59
Trade debts - unsecured	1,821,692	1,987,993
Agents' and owners' balances - unsecured	18,065	124,824
Deposits	15,913	9,868
Interest / mark-up accrued	37,445	34,539
Other receivables	90,081	92,546
Short-term investments	1,954,375	2,294,880
Cash and bank balances	2,808,371	1,842,531
	6,746,001	6,387,240
Available-for-sale financial assets		
Long-term investments - other entity	100	100
	6,862,426	6,588,118
FINANCIAL LIABILITIES		
Amortised cost		
Trade and other payables	22,697,313	20,295,089
Long-term financing - secured	7,450,089	5,885,743
Accrued mark-up on long-term financing	82,698	78,515
	30,230,100	26,259,347

43. FINANCIAL RISK MANAGEMENT

43.1 Financial risk factors

The Corporation finances its operations through equity and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. Taken as a whole, the Corporation is exposed to market risk (including interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The Corporation's principal financial liabilities comprise trade and other payables. The Corporation also has various financial assets such as long term deposits, trade debts, other receivables and bank balances which are directly related to its operations. No changes were made in the objectives, policies or processes and assumptions during the year ended June 30, 2015. The policies for managing each of these risk are summarised below:

43.1.1 Concentration of credit risk:

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

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

As at June 30, 2015, out of the total financial assets of Rs 6,862.426 million (2014: Rs 6,588.118 million) the financial assets which are subject to credit risk amounted to Rs 6,861.878 million (2014: Rs 6,587,139 million). The management continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery.

Moreover, 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.

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

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

	2015	2014
	------(Rupees in '000)-----	
Public Sector	1,839,699	2,005,273
Private Sector	38,800	175,250
	<u>1,878,499</u>	<u>2,180,523</u>

Out of Rs 1,878.499 million (2014: Rs 2,180.523 million), the Corporation has provided Rs 22.829 million (2014: Rs 22.102 million) as the amounts being doubtful to be recovered from them.

43.1.2 Market risk

Foreign exchange risk

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

As at June 30, 2015, 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 29.022 million (2014: Rs 21.036 million), mainly as a result of foreign exchange gains / losses on translation of US dollar denominated assets and liabilities.

As at June 30, 2015, 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 21). 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 15) under which the Corporation receives three months KIBOR on the PKR notional in exchange for payment of three months 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, 2015, if interest rates on borrowings had been 100 basis points higher / lower with all other variables held constant, profit after taxation for the year would have been higher / lower by Rs 10.432 million (2014: Rs 10.480 million).

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

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 effects of changes in fair value of investments made by the Corporation, on the future profits are not considered to be material in the overall context of these financial statements.

43.1.3 Liquidity risk

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

The management forecasts the liquidity of the Corporation on basis of expected 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
2015	----- (Rupees in '000) -----				
Long term financing	9,280,828	2,346,441	2,185,985	2,914,344	1,834,058
Trade and other payables	22,697,313	22,697,313	-	-	-
Accrued mark-up on long-term financing	82,698	82,698	-	-	-
	32,060,839	25,126,452	2,185,985	2,914,344	1,834,058
2014					
Long term financing	7,712,144	1,932,063	1,864,640	3,915,441	-
Trade and other payables	20,295,089	20,295,089	-	-	-
Accrued mark-up on long-term financing	78,515	78,515	-	-	-
	28,085,748	22,305,667	1,864,640	3,915,441	-

43.1.4 Fair value of financial instruments

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

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;

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

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).

	Note	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----					
Long term investment in listed company	8	53,334	-	-	53,334
Derivative cross currency interest rate swap	15	-	-	62,991	62,991

43.2 Capital risk management

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

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

The Corporation is 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, 2015 and 2014 were as follows:

	2015	2014
------(Rupees in '000)-----		
Long-term financing - secured (note 21)	7,450,089	5,885,743
Total equity	8,219,588	7,634,785
Total	15,669,677	13,520,528
Debt-to-equity ratio	48:52	44:56

44. ENTITY WIDE INFORMATION

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

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

44.2 Information about services

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

	2015	2014
	----- (Rupees in '000) -----	
Transportation of dry cargo	2,432,556	1,503,241
Transportation of liquid cargo	5,581,009	6,793,294
Rental income	154,272	140,525
Services fee	294,712	290,625
	<u>8,462,549</u>	<u>8,727,685</u>

44.3 Information about geographical areas

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

44.4 Information about major customers

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

	2015	
	Revenue	% of Total
	(Rupees in '000)	%
Client 1	3,015,690	34%
Client 2	1,387,562	16%
	<u>4,403,252</u>	<u>50%</u>

	2014	
	Revenue	% of Total
	(Rupees in '000)	%
Client 1	3,716,420	43%
Client 2	1,638,296	19%
Client 3	868,937	10%
	<u>6,223,653</u>	<u>72%</u>

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

45. RELATED PARTY DISCLOSURES

The Corporation has related party relationships with its subsidiaries, associate, employee benefit plans and its directors and executive officers (including their associates). Transactions with related parties essentially entail investments made in subsidiary companies, dividend income received from related investee companies, freight income and chartering revenue recovered, service fees charged on account of rendering of technical, commercial, administrative and financial services, expenses charged to subsidiary companies on actual cost basis etc. Service fees 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 23 to these financial statements. Particulars of remuneration to key management personnel are disclosed in note 41 of these financial statements. Investments in related parties are disclosed in note 7 of these financial statements.

Related party	Relationship with the Corporation	2015	2014
		----- (Rupees in '000) -----	
Service fee charged			
Chitral Shipping (Private) Limited	Subsidiary	34,850	33,315
Hyderabad Shipping (Private) Limited	Subsidiary	13,877	14,449
Kaghan Shipping (Private) Limited	Subsidiary	-	8,977
Karachi Shipping (Private) Limited	Subsidiary	64,822	59,357
Lahore Shipping (Private) Limited	Subsidiary	61,020	59,743
Malakand Shipping (Private) Limited	Subsidiary	11,578	15,485
Multan Shipping (Private) Limited	Subsidiary	12,261	14,221
Quetta Shipping (Private) Limited	Subsidiary	53,708	70,941
Sibi Shipping (Private) Limited	Subsidiary	11,428	14,139
Shalamar Shipping (Private) Limited	Subsidiary	31,168	-
		294,712	290,627
Rental expense			
Pakistan Co-operative Ship Stores (Private) Limited	Subsidiary	682	624
Transfer of stores			
Chitral Shipping (Private) Limited	Subsidiary	122	148
Hyderabad Shipping (Private) Limited	Subsidiary	919	875
Kaghan Shipping (Private) Limited	Subsidiary	-	201
Karachi Shipping (Private) Limited	Subsidiary	5,987	3,848
Lahore Shipping (Private) Limited	Subsidiary	8,519	6,600
Malakand Shipping (Private) Limited	Subsidiary	229	1,232
Multan Shipping (Private) Limited	Subsidiary	163	3,594
Quetta Shipping (Private) Limited	Subsidiary	6,706	5,997
Sibi Shipping (Private) Limited	Subsidiary	207	163
Shalamar Shipping (Private) Limited	Subsidiary	3,392	-
		26,244	22,658

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

Related party	Relationship with the Corporation	Note	2015	2014
			----- (Rupees in '000) -----	
Retirement benefit costs charged				
Chitral Shipping (Private) Limited	Subsidiary		603	328
Hyderabad Shipping (Private) Limited	Subsidiary		1,046	349
Islamabad Shipping (Private) Limited	Subsidiary		-	240
Kaghan Shipping (Private) Limited	Subsidiary		1,612	128
Karachi Shipping (Private) Limited	Subsidiary		129	73
Lahore Shipping (Private) Limited	Subsidiary		149	80
Malakand Shipping (Private) Limited	Subsidiary		386	346
Multan Shipping (Private) Limited	Subsidiary		891	-
Quetta Shipping (Private) Limited	Subsidiary		167	48
Sibi Shipping (Private) Limited	Subsidiary		637	32
			<u>5,620</u>	<u>1,624</u>
Contribution to provident fund			<u>12,550</u>	<u>10,589</u>
Key management personnel compensation			41 <u>44,264</u>	<u>32,949</u>
Advance to subsidiary against issue of shares			<u>3,402,698</u>	<u>-</u>

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

45.2 In addition, the Corporation is 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 of the subsidiary.

46. PROVIDENT FUND RELATED DISCLOSURES

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

	Note	2015	2014
----- (Rupees in '000) -----			
Size of the Fund - Total assets		<u>917,339</u>	<u>888,525</u>
Cost of investments made		<u>743,525</u>	<u>850,181</u>
Percentage of investments made		<u>81.05%</u>	<u>95.68%</u>
Fair value of investments	46.1	<u>851,046</u>	<u>841,133</u>

Notes to and Forming part of the Financial Statements

For the year ended June 30, 2015

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

	2015		2014	
	(Rupees in '000)	-----%-----	(Rupees in '000)	-----%-----
Government securities	430,060	51%	460,593	55%
Mutual funds	420,986	49%	380,540	45%
	<u>851,046</u>	<u>100%</u>	<u>841,133</u>	<u>100%</u>

46.2 The investments out of provident fund have been made in accordance with the provisions of Section 227 of the Ordinance and the rules formulated for this purpose.

47. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2015 and 2014 respectively are as follows:

	2015	2014
	------(No of employees)-----	
Average number of employees during the year	1,036	963
Number of employees as at the end of the year	<u>1,117</u>	<u>854</u>

48. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors at their meeting held on September 28, 2015 have proposed for the year ended June 30, 2015 cash dividend of Rs 1.5 per share (2014: Rs 1.5 per share), amounting to Rs 198.095 million (2014: Rs 198.095 million) subject to the approval of the members at the annual general meeting to be held on October 28, 2015. The financial statements for the year ended June 30, 2015 do not include the effect of this appropriation which will be accounted for subsequent to the year end.

49. GENERAL


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

49.2 For better presentation, certain balances were reclassified where necessary.

50. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 28, 2015 by the Board of Directors of the Corporation.


Arif Elahi P.A.S.
Chairman & Chief Executive


Capt. Anwar Shah
Director

Pattern of Shareholding

No. of Shareholders	Shareholdings	Total Shares Held
11210	Shareholding From 1 To 100	368,452
3104	Shareholding From 101 To 500	719,207
838	Shareholding From 501 To 1000	613,057
663	Shareholding From 1001 To 5000	1,405,340
75	Shareholding From 5001 To 10000	535,287
23	Shareholding From 10001 To 15000	283,493
14	Shareholding From 15001 To 20000	249,743
4	Shareholding From 20001 To 25000	85,403
7	Shareholding From 25001 To 30000	193,962
1	Shareholding From 30001 To 35000	30,600
3	Shareholding From 35001 To 40000	119,175
3	Shareholding From 55001 To 60000	178,265
2	Shareholding From 60001 To 65000	125,500
1	Shareholding From 70001 To 75000	70,800
1	Shareholding From 75001 To 80000	79,500
1	Shareholding From 85001 To 90000	90,000
1	Shareholding From 90001 To 95000	91,500
2	Shareholding From 95001 To 100000	193,500
1	Shareholding From 115001 To 120000	118,700
1	Shareholding From 125001 To 130000	125,700
1	Shareholding From 145001 To 150000	146,600
1	Shareholding From 155001 To 160000	158,812
3	Shareholding From 170001 To 175000	514,000
2	Shareholding From 195001 To 200000	392,270
1	Shareholding From 220001 To 225000	222,500
1	Shareholding From 225001 To 230000	225,245
1	Shareholding From 370001 To 375000	374,000
1	Shareholding From 435001 To 440000	436,564
1	Shareholding From 535001 To 540000	538,800
1	Shareholding From 605001 To 610000	608,707
1	Shareholding From 1070001 To 1075000	1,072,000
1	Shareholding From 1230001 To 1235000	1,230,173
1	Shareholding From 1345001 To 1350000	1,349,800
1	Shareholding From 1405001 To 1410000	1,410,000
1	Shareholding From 6525001 To 6530000	6,529,897
1	Shareholding From 111175001 To 111180000	111,176,827
15,974		132,063,379

Categories of Shareholders

For The Year Ended June 30, 2014

Categories of Shareholders	No.	Shares Held	Percentage %
BANKS DEVELOPMENT FINANCIAL INSTITUTIONS, NON BANKING FINANCIAL INSTITUTIONS.	76	723,725	0.55
INSURANCE COMPANIES	16	1,498,554	1.13
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	6,529,897	
MOHAMMADI ENGG. WORKS LTD	1	4,766	
Sub-Totals :		6,534,663	4.95
MODARABAS AND MUTUAL FUNDS.	14	3,422,126	2.59
NIT AND ICP	13	78,087	0.06
FOREIGN INVESTORS	10	113,120	0.09
DIRECTOR GENERAL PORT & SHIPPING	1	111,176,827	84.18
OTHERS	79	1,535,261	1.16
Individuals*	15760	6,978,502	5.28
G-Totals :	15,974	132,063,379	100.00

*Including 3656 shareholders whose current domicile is not known

N.B.:- The above two statements include 1654 shareholders holding 11,556,664 Shares through Central Depository Company of Pakistan Limited.

Notice of Annual General Meeting

Notice is hereby given that the 37th 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 28th October, 2015 at 11:00 a.m. to transact the following business.

ORDINARY BUSINESS:

1. To confirm the minutes of 36th Annual General Meeting of the Shareholders held on 30th October, 2014.
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, 2015.
3. To consider and approve Board's recommendation to pay 15% Cash Dividend (i.e.)Rs.1.50/- per share) to the shareholders.
4. To consider Board's recommendation to re-appoint the retiring auditors A. F. Ferguson & CO., Chartered Accountants and Ford Rhodes Sidat Hyder & Co., Chartered Accountants, as joint auditors of the Corporation for the year 2015-2016 and to fix their remuneration.
5. To transact any other business that may be placed before the meeting with the permission of the chair

By Order of the Board

ZAINAB SULEMAN
CORPORATION SECRETARY
Dated: September 28, 2015

Note:

1. The Share Transfer Books of the Corporation will remain closed from 21st October, 2015 to 28th October, 2015 (both day 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 accounts holders are advised to bring their original National Identity Cards to authenticate their identity along with CDC accounts numbers at the meeting. However, if any proxies are granted by such shareholders, the same shall also have to be accompanied with attested copies of the computerized National Identity Cards of the grantors, and the signature on the proxy form has to be the same as appearing on the computerized national identity card.
4. The shareholders are requested to immediately notify change, if any, in their mailing addresses.
5. The shareholders who have not yet submitted photocopies of their valid computerized National Identity Card (CNIC) to the Corporation are requested to send the same at the earliest to the Corporation's Share Registrar, Technology Trade (Pvt.) Ltd., Dagia House 241-C, Block-2, P.E.C.H.S Off Shahrah-e-Quaideen, Karachi. Phone: 021-34391316-17, 34387960, 61

Form of Proxy

The Company Secretary,
Pakistan National Shipping Corporation,
Moulvi Tamizuddin Road,
Karachi

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 28th day of October 2015 at 11:00 am. and at any adjournment thereof.

Dated this _____ day of _____ 2015.

Revenue Stamp
of
Rs 5

Signature of the Shareholder _____

Address _____

Folio No./CDC Account No. _____

Transfer Receipt No. _____