PAKISTAN NATIONAL SHIPPING CORPORATION

STATEMENT OF CORPORATE INTENT (SCI) FOR THE YEAR 2026

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PAKISTAN NATIONAL SHIPPIG CORPORATION

STATEMENT OF CORPORATE INTENT (SCI)

1. NAME OF STATE OWNED ENTERPRISE:

PAKISTAN NATIONAL SHIPPING CORPORATION (Hereinafter referred as "PNSC / Corporation")

2. INCORPORATED /ESTABLISHED ON:

PNSC is a Statutory Corporation established under PNSC Ordinance No. XX of 1979 on 01 January 1979.

3. SUBSIDIARIES INCLUDED IN THIS STATEMENT OF CORPORATE INTENT

1 BOLAN SHIPPING (PRIVATE) LIMITED
2 CHITRAL SHIPPING (PRIVATE) LIMITED
3 HYDERABAD SHIPPING (PRIVATE) LIMITED.
4 JOHAR SHIPPING (PRIVATE.) LIMITED
5 KARACHI SHIPPING (PRIVATE) LIMITED
6 KHAIRPUR SHIPPING (PRIVATE) LIMITED
7 LAHORE SHIPPING (PRIVATE) LIMITED
8 LALAZAR SHIPPING (PRIVATE) LIMITED
9 MAKRAN SHIPPING (PRIVATE) LIMITED
10 MALAKAND SHIPPING (PRIVATE) LIMITED
11 MULTAN SHIPPING (PRIVATE) LIMITED
12 NATIONAL SHIP MANAGEMENT AND CREWING (PRIVATE) LIMITED
13 PAKISTAN COOPERATIVE SHIP STORES (PRIVATE) LIMITED
14 PAKISTAN MARINE AND SHIPPING SERVICES (PRIVATE) LTD
15 QUETTA SHIPPING (PRIVATE) LIMITED
16 SARGODHA SHIPPING (PRIVATE) LIMITED
17 SHALAMAR SHIPPING (PVT.) LIMITED
18 SIBI SHIPPING (PRIVATE) LIMITED
19 SWAT SHIPPING (PRIVATE) LIMITED

4. DESCRIPTION OF MAIN BUSINESS OF THE STATE OWNED ENTERPRISE AS PER SECTION 6 OF PNSC ORDINANCE, 1979;

(1) It shall be the function of the Corporation to assume full and effective control of the entire undertakings of N.S.C and P.S.C., as transferred to and vested in it by section 7, and of the whole affairs thereof, and to provide and further develop safe, efficient, adequate, economical and properly co-ordinate shipping services, coastal as well as international, and to engage in all forms of activities connected with or ancillary, incidental or conducive to shipping.

(2) Without prejudice to the generality of the foregoing provision, the Corporation shall, in particular, have power:-

(a) Subject to the provisions of the Merchant Shipping Act,1923 (XXI of 1923), or any other law for the time being in force, to purchase, sell, exchange, charter, or otherwise own, acquire or dispose of ships or craft or any share or interest therein;

(b) To establish, maintain and operate lines or other services of ships between ports on coastal or international routes, and generally to carry on the business of ship-owners, and to enter into contracts for the carriage of passengers, mails, goods, provisions, live and dead stock, commodities, articles, chattels, merchandise and things of any kind whatsoever;

(c) To repair, overhaul, reconstruct, assemble or recondition ships, craft, vehicles or other machines and parts, accessories and instrument thereof or therefor, and also manufacture such parts, accessories and instruments ,whether the ships, craft, vehicles or other machines are owned by the Corporation or by any other person;

(d) To construct or maintain workshops, buildings, warehouses, sheds and other works and conveniences;

(e) To promote and form, or aid and assist in promoting and forming, or to otherwise associate with, companies and other bodies corporate, syndicates, partnerships, joints ventures and other organizations in or outside Pakistan for the purpose of advancing directly or indirectly the business of the Corporation or for any other purpose which the Corporation may find expedient in the performance of its other functions;

(f) To establish, institute or make other arrangements for the instruction and training of persons engaged or likely to be engaged in any activities connected with or ancillary to shipping;

(g) To acquire, hold or dispose of any property, whether movable or immovable, or any shipping undertaking or undertaking connected with shipping;

(h) To do all other things connected with or ancillary to any of the matters referred to in clauses (a) to (g).

(3) In performance its functions, the Corporation shall have careful regard to sound business principles and practices, and shall so act to secure that ocean-transportation is developed to the greatest possible advantage in the interests of sea-borne trade of the country.

5. SUMMARY OF THE BUSINESS GOALS OF THE STATE OWNED ENTERPRISE:

- Servicing of Contract of Afrieghtment
- Tapping New Business Segments
- Increase dependency on transportation of Dry Cargo
- Carry Dry Bulk for Public Entities
- Increase Slot Business by 10% p.a.
- Excel in Freight Forwarding setup
- Penetrate in Agency Business
- Increase in Rental Income by 20% p.a and workshop income by 10% p.a

6. SUMMARY OF THE PERFORMANCE MEASURES AND BENCHMARKS AGAINST THE STATE-OWNED ENTERPRISES BUSINESS GOALS AND ITS PRIMARY OBJECTIVE:

Sr. No.	Goals and Targets	Performance Measures	Performance Benchmark
1	To serve existing Contract of Affreightments of oil refineries and increase commitment on quality of service.	1) Maintain appropriate fleet to serve existing CoAs with safety from major incidents. 2) Aframax vessels performing voyages as per schedule with availability > 95%, reliability >97% and Dry Dock Efficiency > 80% 3) If required, the vessels are chartered in for performance of the CoA voyage at competitive rates. 4) Timely Docking and Repair of Oil Tankers	1) Procure 4 Aframax Tankers in five years 2) Carry refineries tonnage up to the extent of 8 Million MT till 2030 3) Invest in Docking of vessels of around USD 2 Million to USD 4 Million per vessel in next five years to ensure availability of own vessels.
2	Tapping of assured cargo for existing LR Tankers and transport up to 40% of clean petrochemical products imported in Pakistan.	1) Increase carrying capacity in order to offer PNSC's services for transportation of suitable level of cargo on own tonnage. 2) Continuously operate vessel on Time Charter basis till finalization of agreement with oil marketing companies.	1) Increase carrying capacity tonnage to 1.1 Million MT till 2030.
3	Increase dependency on the transportation of dry cargo in long term through CoAs or long term contracts.	1) Increase carrying capacity of dry cargo. 2) Procurement Plan to be made for induction of two bulk carriers 3) On successful completion of current order of container vessel with Karachi Shipyard and Engineering works, additional order for 1 more container vessels may be placed.	1) Procure 2 Bulk Carriers in next five years 2) Procure 2 Container Feeder Vessels in next five years

Sr. No.	Goals and Targets	Performance Measures	Performance Benchmark
4	To carry bulk cargo For public sector entities and increase slot business by 10% p.a.	1) Ensuring all tenders floated by PSEs are on FOB basis and carriage assigned to PNSC. 2) To ensure that PNSC will transport commodities for PSEs.	1) Participate in all tenders floated by PSEs
5	Setting up New Freight Forwarding Setup for Private Cargoes	1) Office setup and hiring of trained personnel	1) Hiring of new staff
6	To increase rental income by 20% p.a.	1) Ensure maintenance of property at an acceptable corporate standard. 2) Ensure timely repairs of property for minimizing complaints from tenants. 3) Resolution of pending cases under litigation and negotiating out of court settlement where possible.	1) Increase rental income to Rs. 800 Million till 2030
7	Excel in Agency Business.	1) Hiring of Expert staff to carry out agency business.	1) Hiring of new staff

7. SUMMARY OF THE STRATEGIES OF THE STATE-OWNED ENTERPRISE FOR ACHIEVING ITS BUSINESS GOALS AND PRIMARY OBJECTIVE:

Sr. No.	Goals and Targets	Risks/Limitations
1	To serve existing Contract of Affreightments of oil refineries and increase commitment on quality of service.	1) In ability to meet customer timelines due to non-availability of vessels 2) Aging vessels may not meet regulatory or operational standards, affecting service quality and compliance 3) Increased reliance on foreign-flag vessels due to local fleet unavailability. 4) Non availability of Foreign Exchange hinders new procurement. 5) Ban on procurement of second hand vessels. 6) Tax on vessel procurement, currently 21% 7) Local Banks are only able to provide financing in PKR 8) Due to economic outlook of the country international banks / financing institutions are reluctant to provide financing or offered rate is too high thus rendering projects unfeasible
2	Tapping of assured cargo for existing LR Tankers and transport up to 40% of clean petrochemical products imported in Pakistan.	1) PSO avoids ordering cargo on FoB basis 2) Non Availability of sufficient LR vessels tonnage.
3	Increase dependency on the transportation of dry cargo in long term through CoAs or long term contracts.	1) Non availability of Foreign Exchange hinders new procurement. 2) Banned on procurement of second hand vessels. 3) Tax on vessel procurement, currently 21% 4) Local Banks are only able to provide financing in PKR 5) Due to economic outlook of the country international banks / financing institutions are reluctant to provide financing or offered rate is too high thus rendering projects unfeasible 6) Dispute of Pakistan Steel resulting in limiting PNSC operations at pivotal ports.
4	To carry bulk cargo For public sector entities and increase slot business by 10% p.a.	Not all defence agencies opt to import/export cargoes through PNSC
5	To increase rental income by 20% p.a.	Three commercial buildings under PNSC property management are getting older
6	- Setting up New Freight Forwarding Setup for Private Cargoes - Excel in Agency Business.	Hiring of new staff is time consuming process.

8. **THE CURRENT OR ANTICIPATED BORROWINGS OF THE STATE-OWNED ENTERPRISE, INCLUDING BORROWING BY A SUBSIDIARY**

Anticipated Borrowings for the year 2026
Rupees in ‘000
55,053,600

9. THE ACCOUNTING POLICIES THAT THE STATE OWNED ENTERPRISE, WILL APPLY FOR FINANCIAL RECORDS AND REPORTING

The significant accounting policies adopted in the preparation of the financial statements are set out below.

1. PROPERTY, PLANT AND EQUIPMENT

These are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated 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 subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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 consolidated statement of profit or loss and premium paid at the time of renewal, if any, is amortised over the remaining period of the lease.

Expenditure incurred to replace a significant component of an item of plant and equipment is capitalized and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other expenditure (including repairs and normal maintenance) is recognised in the consolidated statement of profit or loss as an expense when it is incurred.

Cost in relation to vessel includes cost of acquisition and other related expenses incidental to the purchase of vessel accumulated to the date the vessel is commissioned into service. Major spare parts and stand-by equipment are recognized as property, plant and equipment when the Group expects to use them for more than one year. Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next drydocking are identified and the estimate of the cost to be incurred is determined. The cost of these components are depreciated over a period to the next estimated drydocking date.

Deferred charges represent drydocking expenditure incurred for major overhauls of vessels, which is deferred when incurred and depreciated over a period from the current drydocking date to the next estimated drydocking date. When significant drydocking expenditures recur prior to the expiry of the depreciation period, the remaining carrying value of the previous drydocking is written off. Maintenance and normal repairs are charged to the consolidated statement of profit or loss as and when incurred.

Depreciation in respect of equipment on board is charged to the consolidated statement of profit or loss applying the straight line method whereby the depreciable amount of an asset is written off over its estimated useful life. In case of the vessel, depreciation is charged on the basis of its remaining operating life with effect from the date the vessel is commissioned after taking into account the estimated residual value.

Depreciation is charged to consolidated statement of profit or loss applying the straight line method at the specified rates. No depreciation is charged if the asset's residual value exceeds its

carrying amount. Full month's depreciation is charged from the month the asset is available for intended use and no depreciation is charged in the month of disposal.

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

The revaluation of related assets is carried out at regular intervals to ensure that the carrying amounts do not differ materially from those which would have been determined using fair values at the reporting date. Increase in the carrying amounts arising on revaluation of leasehold land, buildings on leasehold land, beach huts and workshop machinery and equipment is recognised, net of tax, in other comprehensive income and accumulated in surplus on revaluation of fixed assets in consolidated statement of changes in equity. To the extent that the increase reverses a decrease previously recognised in consolidated statement of profit or loss, the increase is first recognised in consolidated statement of profit or loss.

Decrease in the carrying amounts arising as a result of revaluation, that reverses previous increase of the same asset is first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decrease are charged to statement of profit or loss.

Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to consolidated statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on property, plant and equipment to unappropriated profit. 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 unappropriated profit. The revaluation reserve is not available for distribution.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals determined by comparing proceeds with carrying amount of the relevant assets are included in consolidated statement of profit or loss.

2. CAPITAL WORK-IN-PROGRESS

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

3. RIGHT-OF-USE ASSETS

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group does not recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term.

4. INTANGIBLE ASSETS

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

Amortisation is charged to consolidated statement of profit or loss 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 Holding Company. Full month's amortisation is charged from the month the asset is available for intended use and no amortisation is charged in the month of disposal. Gains and losses on disposals determined by comparing proceeds with carrying amount of the relevant assets are included in consolidated statement of profit or loss.

5. INVESTMENT PROPERTIES

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

Investment properties are measured initially at cost, including related transaction costs directly attributable to acquisition. 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. Gain or loss arising as a result of fair valuation is charged to consolidated statement of profit or loss.

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

6. IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of profit or loss.

7. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

i. Initial recognition and measurement

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; (FVOCI) – equity investment; or Fair Value through Profit or Loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade debt without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

ii. Subsequent measurement

Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in consolidated statement of profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in statement of profit or loss.

Debt investments at FVOCI - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to consolidated statement of profit or loss.

Equity investments at FVOCI - These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses including on account of derecognition are recognised in OCI and are never reclassified to consolidated statement of profit or loss.

b) Financial liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Group becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings, unclaimed dividend, accrued mark-up and trade and other payables. The Group derecognises the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

i. Loans and borrowings

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost using the effective interest rate (EIR) method, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the statement of profit or loss account over the period of the borrowings using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

ii. Impairment of financial assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost. The Group uses the standard’s simplified approach and calculates ECL based on life time ECL on its financial assets. The Group has established a provision matrix that is based on The Group’s historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

At each reporting date, the Group assesses whether financial assets are credit-impaired. A financial asset is ‘credit- impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the respective asset.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

iii. 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.

8. STORES AND SPARES

Stores and spares are stated at cost less any impairment. Cost is determined as follows:

- Stores at weighted average cost; and
- Spares on first-in first-out basis.

Stores and spares in transit are valued at cost incurred upto the reporting date.

Certain spares having low value and high consumption levels are charged to consolidated statement of profit or loss 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.

9. TRADE DEBTS, AGENTS' AND OWNERS' BALANCES, LOANS, DEPOSITS AND OTHER RECEIVABLES

Trade debts, agents' and owners' balances, loans, deposits and other receivables are stated initially at fair value and subsequently measured at amortised cost less an allowance for ECL. Allowance for ECL is based on lifetime ECLs that result from all possible default events over the expected life of the trade debts, agents' and owners' balances, loans, deposits and other receivables. Bad debts, if any, are written off when considered irrecoverable.

10. INSURANCE CLAIMS

Insurance expenses relating to hull are charged to statement of profit or loss and claims filed there against are taken to statement of profit or loss when such claims are accepted by the underwriters.

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

11. LEASE LIABILITIES

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments include fixed payments less any incentive received, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option and if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Group's estimate of the amount expected to be payable under a residual value guarantee. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

The lease liability is remeasured when the Group reassesses the reasonable certainty of exercise of extension or termination option upon occurrence of either a significant event or a significant change in circumstance, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to

the carrying amount of the right-to-use asset, or is recorded in profit or loss if the carrying amount of right-to-use asset has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increase the scope of lease by adding the right-to-use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of- use asset.

12. TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value plus directly attributable costs, if any, and subsequently measured at amortised costs.

13. PROVISIONS

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

14. DIVIDEND AND APPROPRIATIONS

Dividend distribution to the Holding Company’s shareholders and appropriations to / from reserves are recognised as a liability in the period in which these are approved.

15. EMPLOYEE BENEFITS

a) <u>Defined contribution plan - provident fund</u>

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. Contributions by the Group are charged to consolidated statement of profit or loss for the year.

b) <u>Defined benefit plans - gratuity fund</u>

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 latest valuation was carried out as at June 30, 2025. The remeasurement of defined benefit plan is recognised directly to equity through other comprehensive income net of tax.

Effective, July 01, 2023, gratuity is calculated in two parts, i.e., the first part is based on the last drawn full basic monthly wages for each completed year of service, and the second part is based on the fixed allowances frozen at June 30, 2023 and after that, the fixed allowances will be compounded annually at a fixed interest rate (Group provided each year) until retirement or resignation.

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

The Group crew members are also entitled to gratuity in accordance with the Pakistan Maritime Board Regulations. These employee benefits are recognised on provisional basis as per actuarial report.

c) **Defined benefit plan - post-retirement medical benefits**

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

During the year ended June 30, 2014, the Group introduced the policy of post-retirement medical benefits for its shore based contractual employees with effect from October 29, 2013.

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 latest valuation was carried out as at June 30, 2025. The remeasurement of post-retirement benefit obligation is recognised directly to equity through OCI.

The benefit is payable on completion of prescribed qualifying period of service under these schemes. With effect from July 01, 2020, the Group has decided to restrict the Post-retirement medical benefits facility for contractual employees.

16. EMPLOYEES' COMPENSATED ABSENCES

The Group accounts for the liability in respect of employees' compensated absences in the year in which these are earned.

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 latest valuation was carried out as at June 30, 2024. The remeasurement of employees' compensated absences are charged to consolidated statement of profit or loss.

17. CASH AND CASH EQUIVALENTS

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

18. FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

Foreign currency transactions are recorded using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupee using the exchange rate ruling at the reporting date. Foreign exchange gain or losses resulting from the settlement of foreign currency transactions and translation of monetary assets and liabilities denominated in foreign currencies at the reporting date are recognised in consolidated statement of profit or loss.

19. REVENUE RECOGNITION

Revenue comprises the fair value of consideration received or receivable for the rendering of services in the ordinary course of the Group’s activities, net of rebates, discounts and excluding amounts collected on behalf of third parties. Revenue is recognized when or as performance obligations are satisfied by transferring services to the customer, i.e. over time, provided that the stage of completion can be measured reliably.

The Group recognises revenue from the following major sources:

- voyage charter revenue
- time charter
- slot charter revenue
- demurrage income; and
- Others

a) Voyage charter revenue

All freight voyage charter revenue and voyage expenses are recognized on a percentage of completion basis. Load-to discharge basis is used in determining the percentage of completion basis. Revenue is recognised evenly over the period from point of loading of current voyage to the point of discharge of the current voyage. Management uses its judgement in estimating the total number of days of a voyage based on historical trends, the operating capability of the vessel (speed and fuel consumption) and the distance of the trade route.

Revenue is not recognised during the period of mobilization of vessel from a previous discharge port to a next load port (Ballast leg) if there is no legally binding contract in place for the subsequent charter and costs incurred in positioning the vessel from last discharge port to the next load port (ballast cost) are capitalised at the end of ballast voyage and charged to next laden voyage from load port to discharge port.

b) Time charter revenue

Revenue in respect of freight income for a period of time, i.e., on time charter basis are recognized over time on per day basis for the period for which the vessel is under the control of the charterer as per terms of charter party agreement.

c) Slot charter revenue.

Slot charter revenue is recognized on percentage of completion basis estimating the total income for a vessel under a slot charter arrangement. Revenue is recognized over time based on the progress of fulfilment, measured by the number of days incurred relative to the estimated total duration of the slot charter. The measurement period begins at the commencement of the slot charter and continues until the vessel arrives at the discharge port.

d) Demurrage income

Freight contracts contains conditions regarding the amount of time available for loading and discharging of the vessel. Demurrage income, recognised over time, represents the compensation estimated for the additional time incurred for loading and discharging a vessel. Demurrage income due as per contractual terms is recognised on estimated basis, based on past experience of settlements and recent recovery trends.

e) Others

- 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.

- Markup on bank accounts, return on short term investments and other income is recognised on accrual basis.

20. CONTRACT ASSETS

For voyages in progress at the end of a reporting period, the Group recognises a percentage of the estimated revenue for the voyage equal to the percentage of the estimated duration of the voyage completed at the reporting date and recognizes contract asset. The estimate of revenue is based on the expected duration of the voyage.

21. CONTINGENT LIABILITIES

- Contingent liability is disclosed when:

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

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

22. BENAZIR EMPLOYEES' STOCK OPTION SCHEME

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (the Scheme) for eligible employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises (non- SOEs) where GoP holds significant investments. To administer the Scheme, the GoP transferred 12% of its investment to BESOS Trust Fund (the Trust) created for the purpose by each of such entities.

Keeping in view the difficulties that may be faced by the entities covered under the Scheme, SECP on receiving representation from some of the entities covered under the scheme and after having consulted the Institute of Chartered Accountants of Pakistan vide their letter number CAIDTS/PS& TAC/2011-2036 dated February 2, 2011 granted exemption to such entities from the application of IFRS 2 (Share based payment) to the Scheme vide SRO 587 (I)/2011 dated June 7, 2011.

The Supreme Court of Pakistan (SCP), vide its detailed judgment dated December 22, 2021, has declared the BESOS Scheme ultra vires. Accordingly, the appropriate measures in collaboration with relevant stakeholders are being taken by the Holding Company to implement the decision of the SCP.

23. SHARE CAPITAL

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

24. EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

25. ASSOCIATES

Associates are those entities in which the Holding Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Holding Company holds between 20 and 50 percent of the voting power of another entity or when the Holding Company has significant influence through common directorship(s).

Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

26. Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively. In making the estimates for income taxes currently payable by the Group, management considers the current income tax law and the decisions of appellate authorities on certain issues in the past

a) Current tax

Provision for current taxation is based on taxable income at the enacted / corporate tax rate after taking into account tax credits and rebates available, if any, as per the Income Tax Ordinance, 2001.

b) Deferred tax

Deferred tax is provided using the liability method for all temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes after considering, the enacted tax rate.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences and carried forward unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

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

c) Levies

The tax charged under Income Tax Ordinance, 2001 which is not based on taxable income or any amount paid / payable in excess of the calculation based on taxable income is classified as levies in the consolidated statement of profit or loss and other comprehensive income as these levies fall under the scope of IFRIC-21 'Levies' or IAS-37 'Provisions, Contingent Liabilities and Contingent Assets'.

The Group has selected Approach B of 'IAS-12 Application Guidance on Accounting for Minimum Taxes and Final Taxes' issued by The Institute of Chartered Accountants of Pakistan, according to which, designate the amount calculated on taxable income using the notified tax rate as an income tax within the scope of IAS-12 ‘Income Taxes’ and recognise it as current income tax expense. Any excess over the amount designated as income tax, is then recognised as levies falling under the scope of IFRIC-21 'Levies' or IAS-37 'Provisions, Contingent Liabilities and Contingent Assets'.

10. Summary indicative balance sheet and profit and loss statement for the state-owned enterprise

PAKISTAN NATIONAL SHIPPING CORPORATION

CONSOLIDATED FINANCIAL FEASIBILITIES

Balance Sheet (All Amount in PKR)	2026
Cash	45,488,101,861
Trade debts	4,265,664,000
Stores & spares	1,813,355,000
Loans & Advances	585,204,000
Deposits & prepayments	132,408,000
Interest accrued on inv	190,355,000
Other receivables	1,027,016,000
Taxation	1,842,340,000
Others	5,327,000
Total Current Assets	**55,349,770,861**
PPE	106,594,998,463
Add Dry Dock/ sale of Asset/Capex	5,677,882,462
Investment properties	4,607,802,000
Deferred taxation	155,253,000
Sale of Assets	-
Total fixed assets	**117,035,935,926**
Total Assets	**172,385,706,787**
Trade & Other Payables	7,154,840,868
Accrued mark up	41,885,000
Total current liabilities	**7,196,725,868**
Long term financing	53,384,703,000
Others	1,169,470,000
Total non-current liabilities	**54,554,173,000**
Equity	
Share Capital	1,980,951,000
Reserves	108,653,856,919
Total equity	**110,634,807,919**
Total Liabilities and equity	**172,385,706,787**

PAKISTAN NATIONAL SHIPPING CORPORATION
CONSOLIDATED FINANCIAL FEASIBILITIES

Years	**2026**
Income Statement	All Amount in PKR
Revenue from Shipping Business	
Owned Vessels	
Bulk Carriers	4,292,316,796
Oil tankers- Refinery Business	18,976,237,232
Aframax / LR2 Tankers- For Crude Oil	3,460,860,000
MR Tankers- For CPP	2,289,492,000
Chartered Vessels	
Slot Charter	2,680,228,100
Chartered Vessels	7,017,855,000
Total shipping revenue	**38,716,989,128**
Rental Income	396,448,800
Demmurage Income	790,693,410
Workshop Income	396,848,100
Income from Manning Services	77,201,784
Net Sales	**40,378,181,222**
Expenditure	
Agency Commision and Brokerage	795,012,824
Diesel, fuel and lubricants	5,329,064,681
Port, light, canal and customs	2,588,040,902
Salaries	3,101,321,153
Insurance and claims	886,557,427
Overage premium expenses	32,845,634
Repairs and Maintenance	625,412,359
Stores & spares	1,040,894,880
Depreciation including dry docking	7,262,471,443
Victualling Expenses	316,506,148
Other Direct Expenses	775,492,899
Charter Hire and Related Expenses	2,144,182,480
Charter Hire and Related Expenses- New Vessels	6,666,962,250
Total Direct expenditure	**31,564,765,081**
Real estate expenses	204,561,600
Gross Profit	**8,608,854,541**
Gross Profit Margin	21%
EBITDA	**15,871,325,984**
Other OPEX , Admin and Indirect Expenses	1,225,248,819
Other Non Cash Expenses/Income	(86,868,279)
Other Income	7,163,376,623
Finance cost	3,265,743,048
Taxes	277,663,657
Net Income	**11,090,443,919**

11. Consolidated summary indicative balance sheet and profit and loss statement for the state-owned enterprise and its subsidiaries as a group

PAKISTAN NATIONAL SHIPPING CORPORATION
CONSOLIDATED FINANCIAL FEASIBILITIES

Balance Sheet (All Amount in PKR)	2026
Cash	45,488,101,861
Trade debts	4,265,664,000
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Total fixed assets	**117,035,935,926**
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Others	1,169,470,000
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Share Capital	1,980,951,000
Reserves	108,653,856,919
Total equity	**110,634,807,919**
Total Liabilities and equity	**172,385,706,787**

PAKISTAN NATIONAL SHIPPING CORPORATION
CONSOLIDATED FINANCIAL FEASIBILITIES

Years	2026
Income Statement	All Amount in PKR
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Owned Vessels	
Bulk Carriers	4,292,316,796
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Other Income	7,163,376,623
Finance cost	3,265,743,048
Taxes	277,663,657
Net Income	**11,090,443,919**

DIVIDEND POLICY

The Board of Directors of Pakistan National Shipping Corporation (Corporation) has formulated and approved this Dividend Distribution Policy (herein after referred to as "the Policy").

The objective of this Policy is to provide clarity to stakeholders on the dividend distribution framework to be adopted by the Corporation. The Board of Directors shall recommend dividend in compliance with this Policy, PNSC Ordinance 1979 (as amended), the provisions of the Companies Act, 2017 and any other relevant Directives / Orders issued by SECP.

1. The Corporation's Dividend Distribution Policy shall endeavor that it distributes dividends from operational income only and not from capital gains. The Corporation believes in continuous shareholder value enhancement and seeks to pay an attractive, sustainable and growing dividend to the shareholders of the Corporation.

2. The Board of Directors may, after considering the situation prevalent at the relevant point in time, propose if the dividend needs to be declared and if so, the rate at which it needs to be declared. The Board of Directors may consider declaration of quarterly interim dividend and final dividend where interim dividend will be based on the performance of the Corporation during the period and final dividend will be based on the performance of the full year.

3. The Dividend recommended by the Board of Directors shall be subject to approval of the shareholders at the Annual General Meeting. Provided that no dividend shall be approved at the Annual General Meeting more than the amount recommended by the Board of Directors.

4. Dividend will be recommended out of the current year net of taxes consolidated earnings of the Corporation. In certain circumstances, including but not limited to loss after tax in any particular financial year, the Board of Directors may consider utilizing retained earnings for recommendation of dividends to ensure a steady and regular pay out to the shareholders, subject to the applicable legal provisions of Pakistan Stock Exchange and SECP or any other applicable laws.

5. In general, the actual quantum of cash dividend pay-out on a yearly basis may not be more than 50% of the net operational earnings. As such, the remaining amount will be utilized for securing the tong-term growth including but not limited to:

    i. Operational growth through acquiring new vessels or forming joint ventures; and
    ii. Any other factors that the Board of Directors deems fit and proper.

13. **Description of any public service obligations and their impact on the forecasted financial outcomes of the state-owned enterprise:**

Not applicable to PNSC

PAKISTAN NATIONAL SHIPPING CORPORATION

STATEMENT OF CORPORATE INTENT (SCI) FOR THE YEAR 2027

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PAKISTAN NATIONAL SHIPPIG CORPORATION

STATEMENT OF CORPORATE INTENT (SCI)

1. NAME OF STATE OWNED ENTERPRISE:

PAKISTAN NATIONAL SHIPPING CORPORATION (Hereinafter referred as “PNSC / Corporation”)

2. INCORPORATED /ESTABLISHED ON:

PNSC is a Statutory Corporation established under PNSC Ordinance No. XX of 1979 on 01 January 1979.

3. SUBSIDIARIES INCLUDED IN THIS STATEMENT OF CORPORATE INTENT

1 BOLAN SHIPPING (PRIVATE) LIMITED

2 CHITRAL SHIPPING (PRIVATE) LIMITED

3 HYDERABAD SHIPPING (PRIVATE) LIMITED.

4 JOHAR SHIPPING (PRIVATE.) LIMITED

5 KARACHI SHIPPING (PRIVATE) LIMITED

6 KHAIRPUR SHIPPING (PRIVATE) LIMITED

7 LAHORE SHIPPING (PRIVATE) LIMITED

8 LALAZAR SHIPPING (PRIVATE) LIMITED

9 MAKRAN SHIPPING (PRIVATE) LIMITED

10 MALAKAND SHIPPING (PRIVATE) LIMITED

11 MULTAN SHIPPING (PRIVATE) LIMITED

12 NATIONAL SHIP MANAGEMENT AND CREWING (PRIVATE) LIMITED

13 PAKISTAN COOPERATIVE SHIP STORES (PRIVATE) LIMITED

14 PAKISTAN MARINE AND SHIPPING SERVICES (PRIVATE) LTD

15 QUETTA SHIPPING (PRIVATE) LIMITED

16 SARGODHA SHIPPING (PRIVATE) LIMITED

17 SHALAMAR SHIPPING (PVT.) LIMITED

18 SIBI SHIPPING (PRIVATE) LIMITED

19 SWAT SHIPPING (PRIVATE) LIMITED

4. DESCRIPTION OF MAIN BUSINESS OF THE STATE OWNED ENTERPRISE AS PER SECTION 6 OF PNSC ORDINANCE, 1979;

(1) It shall be the function of the Corporation to assume full and effective control of the entire undertakings of N.S.C and P.S.C., as transferred to and vested in it by section 7, and of the whole affairs thereof, and to provide and further develop safe, efficient, adequate, economical and properly co-ordinate shipping services, coastal as well as international, and to engage in all forms of activities connected with or ancillary, incidental or conducive to shipping.

(2) Without prejudice to the generality of the foregoing provision, the Corporation shall, in particular, have power:-

(a) Subject to the provisions of the Merchant Shipping Act,1923 (XXI of 1923), or any other law for the time being in force, to purchase, sell, exchange, charter, or otherwise own, acquire or dispose of ships or craft or any share or interest therein;

(b) To establish, maintain and operate lines or other services of ships between ports on coastal or international routes, and generally to carry on the business of ship-owners, and to enter into contracts for the carriage of passengers, mails, goods, provisions, live and dead stock, commodities, articles, chattels, merchandise and things of any kind whatsoever;

(c) To repair, overhaul, reconstruct, assemble or recondition ships, craft, vehicles or other machines and parts, accessories and instrument thereof or therefor, and also manufacture such parts, accessories and instruments ,whether the ships, craft, vehicles or other machines are owned by the Corporation or by any other person;

(d) To construct or maintain workshops, buildings, warehouses, sheds and other works and conveniences;

(e) To promote and form, or aid and assist in promoting and forming, or to otherwise associate with, companies and other bodies corporate, syndicates, partnerships, joints ventures and other organizations in or outside Pakistan for the purpose of advancing directly or indirectly the business of the Corporation or for any other purpose which the Corporation may find expedient in the performance of its other functions;

(f) To establish, institute or make other arrangements for the instruction and training of persons engaged or likely to be engaged in any activities connected with or ancillary to shipping;

(g) To acquire, hold or dispose of any property, whether movable or immovable, or any shipping undertaking or undertaking connected with shipping;

(h) To do all other things connected with or ancillary to any of the matters referred to in clauses (a) to (g).

(3) In performance its functions, the Corporation shall have careful regard to sound business principles and practices, and shall so act to secure that ocean-transportation is developed to the greatest possible advantage in the interests of sea-borne trade of the country.

5. SUMMARY OF THE BUSINESS GOALS OF THE STATE OWNED ENTERPRISE:

- Servicing of Contract of Afrieghtment
- Tapping New Business Segments
- Increase dependency on transportation of Dry Cargo
- Carry Dry Bulk for Public Entities
- Increase Slot Business by 10% p.a.
- Excel in Freight Forwarding setup
- Penetrate in Agency Business
- Increase in Rental Income by 20% p.a and workshop income by 10% p.a

6. SUMMARY OF THE PERFORMANCE MEASURES AND BENCHMARKS AGAINST THE STATE-OWNED ENTERPRISES BUSINESS GOALS AND ITS PRIMARY OBJECTIVE:

Sr. No.	Goals and Targets	Performance Measures	Performance Benchmark
1	To serve existing Contract of Affreightments of oil refineries and increase commitment on quality of service.	1) Maintain appropriate fleet to serve existing CoAs with safety from major incidents. 2) Aframax vessels performing voyages as per schedule with availability > 95%, reliability >97% and Dry Dock Efficiency > 80% 3) If required, the vessels are chartered in for performance of the CoA voyage at competitive rates. 4) Timely Docking and Repair of Oil Tankers	1) Procure 4 Aframax Tankers in five years 2) Carry refineries tonnage up to the extent of 8 Million MT till 2030 3) Invest in Docking of vessels of around USD 2 Million to USD 4 Million per vessel in next five years to ensure availability of own vessels.
2	Tapping of assured cargo for existing LR Tankers and transport up to 40% of clean petrochemical products imported in Pakistan.	1) Increase carrying capacity in order to offer PNSC's services for transportation of suitable level of cargo on own tonnage. 2) Continuously operate vessel on Time Charter basis till finalization of agreement with oil marketing companies.	1) Increase carrying capacity tonnage to 1.1 Million MT till 2030.
3	Increase dependency on the transportation of dry cargo in long term through CoAs or long term contracts.	1) Increase carrying capacity of dry cargo. 2) Procurement Plan to be made for induction of two bulk carriers 3) On successful completion of current order of container vessel with Karachi Shipyard and Engineering works, additional order for 1 more container vessels may be placed.	1) Procure 2 Bulk Carriers in next five years 2) Procure 2 Container Feeder Vessels in next five years

Sr. No.	Goals and Targets	Performance Measures	Performance Benchmark
4	To carry bulk cargo For public sector entities and increase slot business by 10% p.a.	1) Ensuring all tenders floated by PSEs are on FOB basis and carriage assigned to PNSC. 2) To ensure that PNSC will transport commodities for PSEs.	1) Participate in all tenders floated by PSEs
5	Setting up New Freight Forwarding Setup for Private Cargoes	1) Office setup and hiring of trained personnel	1) Hiring of new staff
6	To increase rental income by 20% p.a.	1) Ensure maintenance of property at an acceptable corporate standard. 2) Ensure timely repairs of property for minimizing complaints from tenants. 3) Resolution of pending cases under litigation and negotiating out of court settlement where possible.	1) Increase rental income to Rs. 800 Million till 2030
7	Excel in Agency Business.	1) Hiring of Expert staff to carry out agency business.	1) Hiring of new staff

7. SUMMARY OF THE STRATEGIES OF THE STATE-OWNED ENTERPRISE FOR ACHIEVING ITS BUSINESS GOALS AND PRIMARY OBJECTIVE:

Sr. No.	Goals and Targets	Risks/Limitations
1	To serve existing Contract of Affreightments of oil refineries and increase commitment on quality of service.	1) In ability to meet customer timelines due to non-availability of vessels 2) Aging vessels may not meet regulatory or operational standards, affecting service quality and compliance 3) Increased reliance on foreign-flag vessels due to local fleet unavailability. 4) Non availability of Foreign Exchange hinders new procurement. 5) Ban on procurement of second hand vessels. 6) Tax on vessel procurement, currently 21% 7) Local Banks are only able to provide financing in PKR 8) Due to economic outlook of the country international banks / financing institutions are reluctant to provide financing or offered rate is too high thus rendering projects unfeasible
2	Tapping of assured cargo for existing LR Tankers and transport up to 40% of clean petrochemical products imported in Pakistan.	1) PSO avoids ordering cargo on FoB basis 2) Non Availability of sufficient LR vessels tonnage.
3	Increase dependency on the transportation of dry cargo in long term through CoAs or long term contracts.	1) Non availability of Foreign Exchange hinders new procurement. 2) Banned on procurement of second hand vessels. 3) Tax on vessel procurement, currently 21% 4) Local Banks are only able to provide financing in PKR 5) Due to economic outlook of the country international banks / financing institutions are reluctant to provide financing or offered rate is too high thus rendering projects unfeasible 6) Dispute of Pakistan Steel resulting in limiting PNSC operations at pivotal ports.
4	To carry bulk cargo For public sector entities and increase slot business by 10% p.a.	Not all defence agencies opt to import/export cargoes through PNSC
5	To increase rental income by 20% p.a.	Three commercial buildings under PNSC property management are getting older
6	- Setting up New Freight Forwarding Setup for Private Cargoes - Excel in Agency Business.	Hiring of new staff is time consuming process.

8. **THE CURRENT OR ANTICIPATED BORROWINGS OF THE STATE-OWNED ENTERPRISE, INCLUDING BORROWING BY A SUBSIDIARY**

Anticipated Borrowings for the year 2027
Rupees in ‘000
16,704,000

9. THE ACCOUNTING POLICIES THAT THE STATE OWNED ENTERPRISE, WILL APPLY FOR FINANCIAL RECORDS AND REPORTING

The significant accounting policies adopted in the preparation of the financial statements are set out below.

1. PROPERTY, PLANT AND EQUIPMENT

These are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated 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 subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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 consolidated statement of profit or loss and premium paid at the time of renewal, if any, is amortised over the remaining period of the lease.

Expenditure incurred to replace a significant component of an item of plant and equipment is capitalized and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other expenditure (including repairs and normal maintenance) is recognised in the consolidated statement of profit or loss as an expense when it is incurred.

Cost in relation to vessel includes cost of acquisition and other related expenses incidental to the purchase of vessel accumulated to the date the vessel is commissioned into service. Major spare parts and stand-by equipment are recognized as property, plant and equipment when the Group expects to use them for more than one year. Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next drydocking are identified and the estimate of the cost to be incurred is determined. The cost of these components are depreciated over a period to the next estimated drydocking date.

Deferred charges represent drydocking expenditure incurred for major overhauls of vessels, which is deferred when incurred and depreciated over a period from the current drydocking date to the next estimated drydocking date. When significant drydocking expenditures recur prior to the expiry of the depreciation period, the remaining carrying value of the previous drydocking is written off. Maintenance and normal repairs are charged to the consolidated statement of profit or loss as and when incurred.

Depreciation in respect of equipment on board is charged to the consolidated statement of profit or loss applying the straight line method whereby the depreciable amount of an asset is written off over its estimated useful life. In case of the vessel, depreciation is charged on the basis of its remaining operating life with effect from the date the vessel is commissioned after taking into account the estimated residual value.

Depreciation is charged to consolidated statement of profit or loss applying the straight line method at the specified rates. No depreciation is charged if the asset's residual value exceeds its

carrying amount. Full month's depreciation is charged from the month the asset is available for intended use and no depreciation is charged in the month of disposal.

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

The revaluation of related assets is carried out at regular intervals to ensure that the carrying amounts do not differ materially from those which would have been determined using fair values at the reporting date. Increase in the carrying amounts arising on revaluation of leasehold land, buildings on leasehold land, beach huts and workshop machinery and equipment is recognised, net of tax, in other comprehensive income and accumulated in surplus on revaluation of fixed assets in consolidated statement of changes in equity. To the extent that the increase reverses a decrease previously recognised in consolidated statement of profit or loss, the increase is first recognised in consolidated statement of profit or loss.

Decrease in the carrying amounts arising as a result of revaluation, that reverses previous increase of the same asset is first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decrease are charged to statement of profit or loss.

Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to consolidated statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on property, plant and equipment to unappropriated profit. 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 unappropriated profit. The revaluation reserve is not available for distribution.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals determined by comparing proceeds with carrying amount of the relevant assets are included in consolidated statement of profit or loss.

2. CAPITAL WORK-IN-PROGRESS

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

3. RIGHT-OF-USE ASSETS

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group does not recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term.

4. INTANGIBLE ASSETS

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

Amortisation is charged to consolidated statement of profit or loss 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 Holding Company. Full month's amortisation is charged from the month the asset is available for intended use and no amortisation is charged in the month of disposal. Gains and losses on disposals determined by comparing proceeds with carrying amount of the relevant assets are included in consolidated statement of profit or loss.

5. INVESTMENT PROPERTIES

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

Investment properties are measured initially at cost, including related transaction costs directly attributable to acquisition. 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. Gain or loss arising as a result of fair valuation is charged to consolidated statement of profit or loss.

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

6. IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of profit or loss.

7. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

i. Initial recognition and measurement

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; (FVOCI) – equity investment; or Fair Value through Profit or Loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade debt without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

ii. Subsequent measurement

Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in consolidated statement of profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in statement of profit or loss.

Debt investments at FVOCI - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to consolidated statement of profit or loss.

Equity investments at FVOCI - These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses including on account of derecognition are recognised in OCI and are never reclassified to consolidated statement of profit or loss.

b) <u>Financial liabilities</u>

Financial liabilities are initially recognised on trade date i.e. date on which the Group becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings, unclaimed dividend, accrued mark-up and trade and other payables. The Group derecognises the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

i. <u>Loans and borrowings</u>

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost using the effective interest rate (EIR) method, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the statement of profit or loss account over the period of the borrowings using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

ii. <u>Impairment of financial assets</u>

The Group recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost. The Group uses the standard’s simplified approach and calculates ECL based on life time ECL on its financial assets. The Group has established a provision matrix that is based on The Group’s historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

At each reporting date, the Group assesses whether financial assets are credit-impaired. A financial asset is ‘credit- impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the respective asset.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

iii. <u>Off-setting of financial assets and financial liabilities</u>

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.

8. STORES AND SPARES

Stores and spares are stated at cost less any impairment. Cost is determined as follows:

- Stores at weighted average cost; and
- Spares on first-in first-out basis.

Stores and spares in transit are valued at cost incurred upto the reporting date.

Certain spares having low value and high consumption levels are charged to consolidated statement of profit or loss 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.

9. TRADE DEBTS, AGENTS' AND OWNERS' BALANCES, LOANS, DEPOSITS AND OTHER RECEIVABLES

Trade debts, agents' and owners' balances, loans, deposits and other receivables are stated initially at fair value and subsequently measured at amortised cost less an allowance for ECL. Allowance for ECL is based on lifetime ECLs that result from all possible default events over the expected life of the trade debts, agents' and owners' balances, loans, deposits and other receivables. Bad debts, if any, are written off when considered irrecoverable.

10. INSURANCE CLAIMS

Insurance expenses relating to hull are charged to statement of profit or loss and claims filed there against are taken to statement of profit or loss when such claims are accepted by the underwriters.

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

11. LEASE LIABILITIES

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments include fixed payments less any incentive received, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option and if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Group's estimate of the amount expected to be payable under a residual value guarantee. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

The lease liability is remeasured when the Group reassesses the reasonable certainty of exercise of extension or termination option upon occurrence of either a significant event or a significant change in circumstance, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to

the carrying amount of the right-to-use asset, or is recorded in profit or loss if the carrying amount of right-to-use asset has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increase the scope of lease by adding the right-to-use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of- use asset.

12. TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value plus directly attributable costs, if any, and subsequently measured at amortised costs.

13. PROVISIONS

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

14. DIVIDEND AND APPROPRIATIONS

Dividend distribution to the Holding Company's shareholders and appropriations to / from reserves are recognised as a liability in the period in which these are approved.

15. EMPLOYEE BENEFITS

i. <u>Defined contribution plan - provident fund</u>

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. Contributions by the Group are charged to consolidated statement of profit or loss for the year.

ii. <u>Defined benefit plans - gratuity fund</u>

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 latest valuation was carried out as at June 30, 2025. The remeasurement of defined benefit plan is recognised directly to equity through other comprehensive income net of tax.

Effective, July 01, 2023, gratuity is calculated in two parts, i.e., the first part is based on the last drawn full basic monthly wages for each completed year of service, and the second part is based on the fixed allowances frozen at June 30, 2023 and after that, the fixed allowances will be compounded annually at a fixed interest rate (Group provided each year) until retirement or resignation.

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

The Group crew members are also entitled to gratuity in accordance with the Pakistan Maritime Board Regulations. These employee benefits are recognised on provisional basis as per actuarial report.

iii. <u>Defined benefit plan - post-retirement medical benefits</u>

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

During the year ended June 30, 2014, the Group introduced the policy of post-retirement medical benefits for its shore based contractual employees with effect from October 29, 2013.

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 latest valuation was carried out as at June 30, 2025. The remeasurement of post-retirement benefit obligation is recognised directly to equity through OCI.

The benefit is payable on completion of prescribed qualifying period of service under these schemes. With effect from July 01, 2020, the Group has decided to restrict the Post-retirement medical benefits facility for contractual employees.

16. EMPLOYEES' COMPENSATED ABSENCES

The Group accounts for the liability in respect of employees' compensated absences in the year in which these are earned.

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 latest valuation was carried out as at June 30, 2024. The remeasurement of employees' compensated absences are charged to consolidated statement of profit or loss.

17. CASH AND CASH EQUIVALENTS

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

18. FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

Foreign currency transactions are recorded using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupee using the exchange rate ruling at the reporting date. Foreign exchange gain or losses resulting from the settlement of foreign currency transactions and translation of monetary assets and liabilities denominated in foreign currencies at the reporting date are recognised in consolidated statement of profit or loss.

19. REVENUE RECOGNITION

Revenue comprises the fair value of consideration received or receivable for the rendering of services in the ordinary course of the Group’s activities, net of rebates, discounts and excluding amounts collected on behalf of third parties. Revenue is recognized when or as performance obligations are satisfied by transferring services to the customer, i.e. over time, provided that the stage of completion can be measured reliably.

The Group recognises revenue from the following major sources:

- voyage charter revenue
- time charter
- slot charter revenue
- demurrage income; and
- Others

a) Voyage charter revenue

All freight voyage charter revenue and voyage expenses are recognized on a percentage of completion basis. Load-to discharge basis is used in determining the percentage of completion basis. Revenue is recognised evenly over the period from point of loading of current voyage to the point of discharge of the current voyage. Management uses its judgement in estimating the total number of days of a voyage based on historical trends, the operating capability of the vessel (speed and fuel consumption) and the distance of the trade route.

Revenue is not recognised during the period of mobilization of vessel from a previous discharge port to a next load port (Ballast leg) if there is no legally binding contract in place for the subsequent charter and costs incurred in positioning the vessel from last discharge port to the next load port (ballast cost) are capitalised at the end of ballast voyage and charged to next laden voyage from load port to discharge port.

b) Time charter revenue

Revenue in respect of freight income for a period of time, i.e., on time charter basis are recognized over time on per day basis for the period for which the vessel is under the control of the charterer as per terms of charter party agreement.

c) Slot charter revenue.

Slot charter revenue is recognized on percentage of completion basis estimating the total income for a vessel under a slot charter arrangement. Revenue is recognized over time based on the progress of fulfilment, measured by the number of days incurred relative to the estimated total duration of the slot charter. The measurement period begins at the commencement of the slot charter and continues until the vessel arrives at the discharge port.

d) Demurrage income

Freight contracts contains conditions regarding the amount of time available for loading and discharging of the vessel. Demurrage income, recognised over time, represents the compensation estimated for the additional time incurred for loading and discharging a vessel. Demurrage income due as per contractual terms is recognised on estimated basis, based on past experience of settlements and recent recovery trends.

e) Others

- 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.

- Markup on bank accounts, return on short term investments and other income is recognised on accrual basis.

20. CONTRACT ASSETS

For voyages in progress at the end of a reporting period, the Group recognises a percentage of the estimated revenue for the voyage equal to the percentage of the estimated duration of the voyage completed at the reporting date and recognizes contract asset. The estimate of revenue is based on the expected duration of the voyage.

21. CONTINGENT LIABILITIES

- Contingent liability is disclosed when:

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

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

22. BENAZIR EMPLOYEES' STOCK OPTION SCHEME

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme (the Scheme) for eligible employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises (non- SOEs) where GoP holds significant investments. To administer the Scheme, the GoP transferred 12% of its investment to BESOS Trust Fund (the Trust) created for the purpose by each of such entities.

Keeping in view the difficulties that may be faced by the entities covered under the Scheme, SECP on receiving representation from some of the entities covered under the scheme and after having consulted the Institute of Chartered Accountants of Pakistan vide their letter number CAIDTS/PS& TAC/2011-2036 dated February 2, 2011 granted exemption to such entities from the application of IFRS 2 (Share based payment) to the Scheme vide SRO 587 (I)/2011 dated June 7, 2011.

The Supreme Court of Pakistan (SCP), vide its detailed judgment dated December 22, 2021, has declared the BESOS Scheme ultra vires. Accordingly, the appropriate measures in collaboration with relevant stakeholders are being taken by the Holding Company to implement the decision of the SCP.

23. SHARE CAPITAL

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

24. EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

25. ASSOCIATES

Associates are those entities in which the Holding Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Holding Company holds between 20 and 50 percent of the voting power of another entity or when the Holding Company has significant influence through common directorship(s).

Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

26. Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively. In making the estimates for income taxes currently payable by the Group, management considers the current income tax law and the decisions of appellate authorities on certain issues in the past

a) Current tax

Provision for current taxation is based on taxable income at the enacted / corporate tax rate after taking into account tax credits and rebates available, if any, as per the Income Tax Ordinance, 2001.

b) Deferred tax

Deferred tax is provided using the liability method for all temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes after considering, the enacted tax rate.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences and carried forward unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

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

c) Levies

The tax charged under Income Tax Ordinance, 2001 which is not based on taxable income or any amount paid / payable in excess of the calculation based on taxable income is classified as levies in the consolidated statement of profit or loss and other comprehensive income as these levies fall under the scope of IFRIC-21 'Levies' or IAS-37 'Provisions, Contingent Liabilities and Contingent Assets'.

The Group has selected Approach B of 'IAS-12 Application Guidance on Accounting for Minimum Taxes and Final Taxes' issued by The Institute of Chartered Accountants of Pakistan, according to which, designate the amount calculated on taxable income using the notified tax rate as an income tax within the scope of IAS-12 ‘Income Taxes’ and recognise it as current income tax expense. Any excess over the amount designated as income tax, is then recognised as levies falling under the scope of IFRIC-21 'Levies' or IAS-37 'Provisions, Contingent Liabilities and Contingent Assets'.

10. Summary indicative balance sheet and profit and loss statement for the state-owned enterprise

PAKISTAN NATIONAL SHIPPING CORPORATION
CONSOLIDATED FINANCIAL FEASIBILITIES

Balance Sheet (All Amount in PKR)	2027
Cash	54,860,347,881
Trade debts	4,265,664,000
Stores & spares	1,813,355,000
Loans & Advances	585,204,000
Deposits & prepayments	132,408,000
Interest accrued on inv	190,355,000
Other receivables	1,027,016,000
Taxation	1,842,340,000
Others	5,327,000
Total Current Assets	**64,722,016,881**
PPE	124,729,847,151
Add Dry Dock/ sale of Asset/Capex	6,802,532,212
Investment properties	4,607,802,000
Deferred taxation	155,253,000
Sale of Assets	(3,910,096,460)
Total fixed assets	**132,385,337,903**
Total Assets	**197,107,354,784**
Trade & Other Payables	7,154,840,868
Accrued mark up	41,885,000
Total current liabilities	**7,196,725,868**
Long term financing	64,380,093,000
Others	1,169,470,000
Total non-current liabilities	**65,549,563,000**
Equity	
Share Capital	1,980,951,000
Reserves	122,380,114,916
Total equity	**124,361,065,916**
Total Liabilities and equity	**197,107,354,784**

Years	2027
Income Statement	All Amount in PKR
Revenue from Shipping Business	
Owned Vessels	
Bulk Carriers	4,684,634,551
Oil tankers- Refinery Business	20,710,665,315
Aframax / LR2 Tankers- For Crude Oil	7,449,443,469
MR Tankers- For CPP	4,928,093,372
Container Feeder vessel	5,185,096,058
Chartered Vessels	
Slot Charter	2,948,250,910
Chartered Vessels	7,659,286,947
Total shipping revenue	**53,565,470,622**
Rental Income	475,738,560
Demmurage Income	846,706,611
Workshop Income	436,532,910
Income from Manning Services	90,866,500
Net Sales	**55,415,315,203**
Expenditure	
Agency Commision and Brokerage	868,119,563
Diesel, fuel and lubricants	5,993,581,191
Port, light, canal and customs	2,783,567,214
Salaries	4,492,598,048
Insurance and claims	1,233,546,805
Overage premium expenses	35,847,725
Repairs and Maintenance	857,602,929
Stores & spares	1,507,914,207
Depreciation including dry docking	11,797,971,592
Victualling Expenses	405,586,784
Other Direct Expenses	951,476,812
Charter Hire and Related Expenses	2,358,600,728
Charter Hire and Related Expenses- New Vessels	7,276,322,600
Total Direct expenditure	**40,562,736,197**
Real estate expenses	245,473,920
Gross Profit	**14,607,105,086**
Gross Profit Margin	26%
EBITDA	**26,405,076,678**
Other OPEX , Admin and Indirect Expenses	1,352,114,196
Other Non Cash Expenses/Income	(92,949,059)
Other Income	5,805,165,621
Income Generated from Sale of Asset	6,640,103,540
Finance cost	7,821,135,114
Taxes	285,815,998
Net Income	**17,686,257,997**

11. Consolidated summary indicative balance sheet and profit and loss statement for the state-owned enterprise and its subsidiaries as a group

PAKISTAN NATIONAL SHIPPING CORPORATION
CONSOLIDATED FINANCIAL FEASIBILITIES

Balance Sheet (All Amount in PKR)	2027
Cash	54,860,347,881
Trade debts	4,265,664,000
Stores & spares	1,813,355,000
Loans & Advances	585,204,000
Deposits & prepayments	132,408,000
Interest accrued on inv	190,355,000
Other receivables	1,027,016,000
Taxation	1,842,340,000
Others	5,327,000
Total Current Assets	**64,722,016,881**
PPE	124,729,847,151
Add Dry Dock/ sale of Asset/Capex	6,802,532,212
Investment properties	4,607,802,000
Deferred taxation	155,253,000
Sale of Assets	(3,910,096,460)
Total fixed assets	**132,385,337,903**
Total Assets	**197,107,354,784**
Trade & Other Payables	7,154,840,868
Accrued mark up	41,885,000
Total current liabilities	**7,196,725,868**
Long term financing	64,380,093,000
Others	1,169,470,000
Total non-current liabilities	**65,549,563,000**
Equity	
Share Capital	1,980,951,000
Reserves	122,380,114,916
Total equity	**124,361,065,916**
Total Liabilities and equity	**197,107,354,784**

Years	2027
Income Statement	All Amount in PKR
Revenue from Shipping Business	
Owned Vessels	
Bulk Carriers	4,684,634,551
Oil tankers- Refinery Business	20,710,665,315
Aframax / LR2 Tankers- For Crude Oil	7,449,443,469
MR Tankers- For CPP	4,928,093,372
Container Feeder vessel	5,185,096,058
Chartered Vessels	
Slot Charter	2,948,250,910
Chartered Vessels	7,659,286,947
Total shipping revenue	**53,565,470,622**
Rental Income	475,738,560
Demmurage Income	846,706,611
Workshop Income	436,532,910
Income from Manning Services	90,866,500
Net Sales	**55,415,315,203**
Expenditure	
Agency Commision and Brokerage	868,119,563
Diesel, fuel and lubricants	5,993,581,191
Port, light, canal and customs	2,783,567,214
Salaries	4,492,598,048
Insurance and claims	1,233,546,805
Overage premium expenses	35,847,725
Repairs and Maintenance	857,602,929
Stores & spares	1,507,914,207
Depreciation including dry docking	11,797,971,592
Victualling Expenses	405,586,784
Other Direct Expenses	951,476,812
Charter Hire and Related Expenses	2,358,600,728
Charter Hire and Related Expenses- New Vessels	7,276,322,600
Total Direct expenditure	**40,562,736,197**
Real estate expenses	245,473,920
Gross Profit	**14,607,105,086**
Gross Profit Margin	26%
EBITDA	**26,405,076,678**
Other OPEX , Admin and Indirect Expenses	1,352,114,196
Other Non Cash Expenses/Income	(92,949,059)
Other Income	5,805,165,621
Income Generated from Sale of Asset	6,640,103,540
Finance cost	7,821,135,114
Taxes	285,815,998
Net Income	**17,686,257,997**

DIVIDEND POLICY

The Board of Directors of Pakistan National Shipping Corporation (Corporation) has formulated and approved this Dividend Distribution Policy (herein after referred to as "the Policy").

The objective of this Policy is to provide clarity to stakeholders on the dividend distribution framework to be adopted by the Corporation. The Board of Directors shall recommend dividend in compliance with this Policy, PNSC Ordinance 1979 (as amended), the provisions of the Companies Act, 2017 and any other relevant Directives / Orders issued by SECP.

1. The Corporation’s Dividend Distribution Policy shall endeavor that it distributes dividends from operational income only and not from capital gains. The Corporation believes in continuous shareholder value enhancement and seeks to pay an attractive, sustainable and growing dividend to the shareholders of the Corporation.

2. The Board of Directors may, after considering the situation prevalent at the relevant point in time, propose if the dividend needs to be declared and if so, the rate at which it needs to be declared. The Board of Directors may consider declaration of quarterly interim dividend and final dividend where interim dividend will be based on the performance of the Corporation during the period and final dividend will be based on the performance of the full year.

3. The Dividend recommended by the Board of Directors shall be subject to approval of the shareholders at the Annual General Meeting. Provided that no dividend shall be approved at the Annual General Meeting more than the amount recommended by the Board of Directors.

4. Dividend will be recommended out of the current year net of taxes consolidated earnings of the Corporation. In certain circumstances, including but not limited to loss after tax in any particular financial year, the Board of Directors may consider utilizing retained earnings for recommendation of dividends to ensure a steady and regular pay out to the shareholders, subject to the applicable legal provisions of Pakistan Stock Exchange and SECP or any other applicable laws.

5. In general, the actual quantum of cash dividend pay-out on a yearly basis may not be more than 50% of the net operational earnings. As such, the remaining amount will be utilized for securing the tong-term growth including but not limited to:

   i. Operational growth through acquiring new vessels or forming joint ventures; and
   ii. Any other factors that the Board of Directors deems fit and proper.

13. **Description of any public service obligations and their impact on the forecasted financial outcomes of the state-owned enterprise:**

Not applicable to PNSC

PAKISTAN NATIONAL SHIPPING CORPORATION

STATEMENT OF CORPORATE INTENT (SCI) FOR THE YEAR 2028

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PAKISTAN NATIONAL SHIPPIG CORPORATION

STATEMENT OF CORPORATE INTENT (SCI)

1. NAME OF STATE OWNED ENTERPRISE:

PAKISTAN NATIONAL SHIPPING CORPORATION (Hereinafter referred as “PNSC / Corporation”)

2. INCORPORATED /ESTABLISHED ON:

PNSC is a Statutory Corporation established under PNSC Ordinance No. XX of 1979 on 01 January 1979.

3. SUBSIDIARIES INCLUDED IN THIS STATEMENT OF CORPORATE INTENT

1. BOLAN SHIPPING (PRIVATE) LIMITED
2. CHITRAL SHIPPING (PRIVATE) LIMITED
3. HYDERABAD SHIPPING (PRIVATE) LIMITED.
4. JOHAR SHIPPING (PRIVATE.) LIMITED
5. KARACHI SHIPPING (PRIVATE) LIMITED
6. KHAIRPUR SHIPPING (PRIVATE) LIMITED
7. LAHORE SHIPPING (PRIVATE) LIMITED
8. LALAZAR SHIPPING (PRIVATE) LIMITED
9. MAKRAN SHIPPING (PRIVATE) LIMITED
10. MALAKAND SHIPPING (PRIVATE) LIMITED
11. MULTAN SHIPPING (PRIVATE) LIMITED
12. NATIONAL SHIP MANAGEMENT AND CREWING (PRIVATE) LIMITED
13. PAKISTAN COOPERATIVE SHIP STORES (PRIVATE) LIMITED
14. PAKISTAN MARINE AND SHIPPING SERVICES (PRIVATE) LTD
15. QUETTA SHIPPING (PRIVATE) LIMITED
16. SARGODHA SHIPPING (PRIVATE) LIMITED
17. SHALAMAR SHIPPING (PVT.) LIMITED
18. SIBI SHIPPING (PRIVATE) LIMITED
19. SWAT SHIPPING (PRIVATE) LIMITED

4. DESCRIPTION OF MAIN BUSINESS OF THE STATE OWNED ENTERPRISE AS PER SECTION 6 OF PNSC ORDINANCE, 1979;

(1) It shall be the function of the Corporation to assume full and effective control of the entire undertakings of N.S.C and P.S.C., as transferred to and vested in it by section 7, and of the whole affairs thereof, and to provide and further develop safe, efficient, adequate, economical and properly co-ordinate shipping services, coastal as well as international, and to engage in all forms of activities connected with or ancillary, incidental or conducive to shipping.

(2) Without prejudice to the generality of the foregoing provision, the Corporation shall, in particular, have power:-

(a) Subject to the provisions of the Merchant Shipping Act,1923 (XXI of 1923), or any other law for the time being in force, to purchase, sell, exchange, charter, or otherwise own, acquire or dispose of ships or craft or any share or interest therein;

(b) To establish, maintain and operate lines or other services of ships between ports on coastal or international routes, and generally to carry on the business of ship-owners, and to enter into contracts for the carriage of passengers, mails, goods, provisions, live and dead stock, commodities, articles, chattels, merchandise and things of any kind whatsoever;

(c) To repair, overhaul, reconstruct, assemble or recondition ships, craft, vehicles or other machines and parts, accessories and instrument thereof or therefor, and also manufacture such parts, accessories and instruments ,whether the ships, craft, vehicles or other machines are owned by the Corporation or by any other person;

(d) To construct or maintain workshops, buildings, warehouses, sheds and other works and conveniences;

(e) To promote and form, or aid and assist in promoting and forming, or to otherwise associate with, companies and other bodies corporate, syndicates, partnerships, joints ventures and other organizations in or outside Pakistan for the purpose of advancing directly or indirectly the business of the Corporation or for any other purpose which the Corporation may find expedient in the performance of its other functions;

(f) To establish, institute or make other arrangements for the instruction and training of persons engaged or likely to be engaged in any activities connected with or ancillary to shipping;

(g) To acquire, hold or dispose of any property, whether movable or immovable, or any shipping undertaking or undertaking connected with shipping;

(h) To do all other things connected with or ancillary to any of the matters referred to in clauses (a) to (g).

(3) In performance its functions, the Corporation shall have careful regard to sound business principles and practices, and shall so act to secure that ocean-transportation is developed to the greatest possible advantage in the interests of sea-borne trade of the country.

5. SUMMARY OF THE BUSINESS GOALS OF THE STATE OWNED ENTERPRISE:

- Servicing of Contract of Afrieghtment
- Tapping New Business Segments
- Increase dependency on transportation of Dry Cargo
- Carry Dry Bulk for Public Entities
- Increase Slot Business by 10% p.a.
- Excel in Freight Forwarding setup
- Penetrate in Agency Business
- Increase in Rental Income by 20% p.a and workshop income by 10% p.a

6. SUMMARY OF THE PERFORMANCE MEASURES AND BENCHMARKS AGAINST THE STATE-OWNED ENTERPRISES BUSINESS GOALS AND ITS PRIMARY OBJECTIVE:

Sr. No.	Goals and Targets	Performance Measures	Performance Benchmark
1	To serve existing Contract of Affreightments of oil refineries and increase commitment on quality of service.	1) Maintain appropriate fleet to serve existing CoAs with safety from major incidents. 2) Aframax vessels performing voyages as per schedule with availability > 95%, reliability >97% and Dry Dock Efficiency > 80% 3) If required, the vessels are chartered in for performance of the CoA voyage at competitive rates. 4) Timely Docking and Repair of Oil Tankers	1) Procure 4 Aframax Tankers in five years 2) Carry refineries tonnage up to the extent of 8 Million MT till 2030 3) Invest in Docking of vessels of around USD 2 Million to USD 4 Million per vessel in next five years to ensure availability of own vessels.
2	Tapping of assured cargo for existing LR Tankers and transport up to 40% of clean petrochemical products imported in Pakistan.	1) Increase carrying capacity in order to offer PNSC's services for transportation of suitable level of cargo on own tonnage. 2) Continuously operate vessel on Time Charter basis till finalization of agreement with oil marketing companies.	1) Increase carrying capacity tonnage to 1.1 Million MT till 2030.
3	Increase dependency on the transportation of dry cargo in long term through CoAs or long term contracts.	1) Increase carrying capacity of dry cargo. 2) Procurement Plan to be made for induction of two bulk carriers 3) On successful completion of current order of container vessel with Karachi Shipyard and Engineering works, additional order for 1 more container vessels may be placed.	1) Procure 2 Bulk Carriers in next five years 2) Procure 2 Container Feeder Vessels in next five years

Sr. No.	Goals and Targets	Performance Measures	Performance Benchmark
4	To carry bulk cargo For public sector entities and increase slot business by 10% p.a.	1) Ensuring all tenders floated by PSEs are on FOB basis and carriage assigned to PNSC. 2) To ensure that PNSC will transport commodities for PSEs.	1) Participate in all tenders floated by PSEs
5	Setting up New Freight Forwarding Setup for Private Cargoes	1) Office setup and hiring of trained personnel	1) Hiring of new staff
6	To increase rental income by 20% p.a.	1) Ensure maintenance of property at an acceptable corporate standard. 2) Ensure timely repairs of property for minimizing complaints from tenants. 3) Resolution of pending cases under litigation and negotiating out of court settlement where possible.	1) Increase rental income to Rs. 800 Million till 2030
7	Excel in Agency Business.	1) Hiring of Expert staff to carry out agency business.	1) Hiring of new staff

7. SUMMARY OF THE STRATEGIES OF THE STATE-OWNED ENTERPRISE FOR ACHIEVING ITS BUSINESS GOALS AND PRIMARY OBJECTIVE:

Sr. No.	Goals and Targets	Risks/Limitations
1	To serve existing Contract of Affreightments of oil refineries and increase commitment on quality of service.	1) In ability to meet customer timelines due to non-availability of vessels 2) Aging vessels may not meet regulatory or operational standards, affecting service quality and compliance 3) Increased reliance on foreign-flag vessels due to local fleet unavailability. 4) Non availability of Foreign Exchange hinders new procurement. 5) Ban on procurement of second hand vessels. 6) Tax on vessel procurement, currently 21% 7) Local Banks are only able to provide financing in PKR 8) Due to economic outlook of the country international banks / financing institutions are reluctant to provide financing or offered rate is too high thus rendering projects unfeasible
2	Tapping of assured cargo for existing LR Tankers and transport up to 40% of clean petrochemical products imported in Pakistan.	1) PSO avoids ordering cargo on FoB basis 2) Non Availability of sufficient LR vessels tonnage.
3	Increase dependency on the transportation of dry cargo in long term through CoAs or long term contracts.	1) Non availability of Foreign Exchange hinders new procurement. 2) Banned on procurement of second hand vessels. 3) Tax on vessel procurement, currently 21% 4) Local Banks are only able to provide financing in PKR 5) Due to economic outlook of the country international banks / financing institutions are reluctant to provide financing or offered rate is too high thus rendering projects unfeasible 6) Dispute of Pakistan Steel resulting in limiting PNSC operations at pivotal ports.
4	To carry bulk cargo For public sector entities and increase slot business by 10% p.a.	Not all defence agencies opt to import/export cargoes through PNSC
5	To increase rental income by 20% p.a.	Three commercial buildings under PNSC property management are getting older
6	- Setting up New Freight Forwarding Setup for Private Cargoes - Excel in Agency Business.	Hiring of new staff is time consuming process.

8. **THE CURRENT OR ANTICIPATED BORROWINGS OF THE STATE-OWNED ENTERPRISE, INCLUDING BORROWING BY A SUBSIDIARY**

Anticipated Borrowings for the year 2028
Rupees in ‘000
60,062,503

9. THE ACCOUNTING POLICIES THAT THE STATE OWNED ENTERPRISE, WILL APPLY FOR FINANCIAL RECORDS AND REPORTING

The significant accounting policies adopted in the preparation of the financial statements are set out below.

1. PROPERTY, PLANT AND EQUIPMENT

These are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated 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 subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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 consolidated statement of profit or loss and premium paid at the time of renewal, if any, is amortised over the remaining period of the lease.

Expenditure incurred to replace a significant component of an item of plant and equipment is capitalized and the asset so replaced is retired. Other subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other expenditure (including repairs and normal maintenance) is recognised in the consolidated statement of profit or loss as an expense when it is incurred.

Cost in relation to vessel includes cost of acquisition and other related expenses incidental to the purchase of vessel accumulated to the date the vessel is commissioned into service. Major spare parts and stand-by equipment are recognized as property, plant and equipment when the Group expects to use them for more than one year. Upon acquisition of a vessel, the components of the vessel which are required to be replaced at the next drydocking are identified and the estimate of the cost to be incurred is determined. The cost of these components are depreciated over a period to the next estimated drydocking date.

Deferred charges represent drydocking expenditure incurred for major overhauls of vessels, which is deferred when incurred and depreciated over a period from the current drydocking date to the next estimated drydocking date. When significant drydocking expenditures recur prior to the expiry of the depreciation period, the remaining carrying value of the previous drydocking is written off. Maintenance and normal repairs are charged to the consolidated statement of profit or loss as and when incurred.

Depreciation in respect of equipment on board is charged to the consolidated statement of profit or loss applying the straight line method whereby the depreciable amount of an asset is written off over its estimated useful life. In case of the vessel, depreciation is charged on the basis of its remaining operating life with effect from the date the vessel is commissioned after taking into account the estimated residual value.

Depreciation is charged to consolidated statement of profit or loss applying the straight line method at the specified rates. No depreciation is charged if the asset's residual value exceeds its

carrying amount. Full month's depreciation is charged from the month the asset is available for intended use and no depreciation is charged in the month of disposal.

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

The revaluation of related assets is carried out at regular intervals to ensure that the carrying amounts do not differ materially from those which would have been determined using fair values at the reporting date. Increase in the carrying amounts arising on revaluation of leasehold land, buildings on leasehold land, beach huts and workshop machinery and equipment is recognised, net of tax, in other comprehensive income and accumulated in surplus on revaluation of fixed assets in consolidated statement of changes in equity. To the extent that the increase reverses a decrease previously recognised in consolidated statement of profit or loss, the increase is first recognised in consolidated statement of profit or loss.

Decrease in the carrying amounts arising as a result of revaluation, that reverses previous increase of the same asset is first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decrease are charged to statement of profit or loss.

Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to consolidated statement of profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus on property, plant and equipment to unappropriated profit. 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 unappropriated profit. The revaluation reserve is not available for distribution.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals determined by comparing proceeds with carrying amount of the relevant assets are included in consolidated statement of profit or loss.

2. CAPITAL WORK-IN-PROGRESS

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

3. RIGHT-OF-USE ASSETS

The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received. The right-of-use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Group does not recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight line basis over the lease term.

4. INTANGIBLE ASSETS

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

Amortisation is charged to consolidated statement of profit or loss 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 Holding Company. Full month's amortisation is charged from the month the asset is available for intended use and no amortisation is charged in the month of disposal. Gains and losses on disposals determined by comparing proceeds with carrying amount of the relevant assets are included in consolidated statement of profit or loss.

5. INVESTMENT PROPERTIES

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

Investment properties are measured initially at cost, including related transaction costs directly attributable to acquisition. 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. Gain or loss arising as a result of fair valuation is charged to consolidated statement of profit or loss.

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

6. IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of profit or loss.

7. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Financial assets

i. Initial recognition and measurement

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; (FVOCI) – equity investment; or Fair Value through Profit or Loss (FVTPL).

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in Other Comprehensive Income (OCI). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade debt without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

ii. Subsequent measurement

Financial assets at FVTPL - These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in consolidated statement of profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses, if any.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in statement of profit or loss.

Debt investments at FVOCI - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to consolidated statement of profit or loss.

Equity investments at FVOCI - These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses including on account of derecognition are recognised in OCI and are never reclassified to consolidated statement of profit or loss.

b) Financial liabilities

Financial liabilities are initially recognised on trade date i.e. date on which the Group becomes party to the respective contractual provisions. Financial liabilities include mark-up bearing borrowings, unclaimed dividend, accrued mark-up and trade and other payables. The Group derecognises the financial liabilities when contractual obligations are discharged or cancelled or expire. Financial liability other than at fair value through profit or loss are initially measured at fair value less any directly attributable transaction cost. Subsequent to initial recognition, these liabilities are measured at amortised cost using effective interest rate method.

i. Loans and borrowings

Mark-up bearing borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortised cost using the effective interest rate (EIR) method, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the statement of profit or loss account over the period of the borrowings using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss.

ii. Impairment of financial assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost. The Group uses the standard’s simplified approach and calculates ECL based on life time ECL on its financial assets. The Group has established a provision matrix that is based on The Group’s historical credit loss experience, adjusted for forward-looking factors specific to the financial assets and the economic environment.

At each reporting date, the Group assesses whether financial assets are credit-impaired. A financial asset is ‘credit- impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the respective asset.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset’s original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

iii. 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.

8. STORES AND SPARES

Stores and spares are stated at cost less any impairment. Cost is determined as follows:

- Stores at weighted average cost; and
- Spares on first-in first-out basis.

Stores and spares in transit are valued at cost incurred upto the reporting date.

Certain spares having low value and high consumption levels are charged to consolidated statement of profit or loss 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.

9. TRADE DEBTS, AGENTS' AND OWNERS' BALANCES, LOANS, DEPOSITS AND OTHER RECEIVABLES

Trade debts, agents' and owners' balances, loans, deposits and other receivables are stated initially at fair value and subsequently measured at amortised cost less an allowance for ECL. Allowance for ECL is based on lifetime ECLs that result from all possible default events over the expected life of the trade debts, agents' and owners' balances, loans, deposits and other receivables. Bad debts, if any, are written off when considered irrecoverable.

10. INSURANCE CLAIMS

Insurance expenses relating to hull are charged to statement of profit or loss and claims filed there against are taken to statement of profit or loss when such claims are accepted by the underwriters.

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

11. LEASE LIABILITIES

At inception of a contract, the Group assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments include fixed payments less any incentive received, variable lease payment that are based on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option and if the lessee is reasonably certain to exercise that option, payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option, less any lease incentives receivable. The extension and termination options are incorporated in determination of lease term only when the Group is reasonably certain to exercise these options.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in fixed lease payments or an index or rate, change in the Group's estimate of the amount expected to be payable under a residual value guarantee. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

The lease liability is remeasured when the Group reassesses the reasonable certainty of exercise of extension or termination option upon occurrence of either a significant event or a significant change in circumstance, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to

the carrying amount of the right-to-use asset, or is recorded in profit or loss if the carrying amount of right-to-use asset has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increase the scope of lease by adding the right-to-use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of- use asset.

12. TRADE AND OTHER PAYABLES

Trade and other payables are recognised initially at fair value plus directly attributable costs, if any, and subsequently measured at amortised costs.

13. PROVISIONS

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

14. DIVIDEND AND APPROPRIATIONS

Dividend distribution to the Holding Company’s shareholders and appropriations to / from reserves are recognised as a liability in the period in which these are approved.

15. EMPLOYEE BENEFITS

i. Defined contribution plan - provident fund

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. Contributions by the Group are charged to consolidated statement of profit or loss for the year.

ii. Defined benefit plans - gratuity fund

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 latest valuation was carried out as at June 30, 2025. The remeasurement of defined benefit plan is recognised directly to equity through other comprehensive income net of tax.

Effective, July 01, 2023, gratuity is calculated in two parts, i.e., the first part is based on the last drawn full basic monthly wages for each completed year of service, and the second part is based on the fixed allowances frozen at June 30, 2023 and after that, the fixed allowances will be compounded annually at a fixed interest rate (Group provided each year) until retirement or resignation.

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

The Group crew members are also entitled to gratuity in accordance with the Pakistan Maritime Board Regulations. These employee benefits are recognised on provisional basis as per actuarial report.

iii. <u>Defined benefit plan - post-retirement medical benefits</u>

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

During the year ended June 30, 2014, the Group introduced the policy of post-retirement medical benefits for its shore based contractual employees with effect from October 29, 2013.

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 latest valuation was carried out as at June 30, 2025. The remeasurement of post-retirement benefit obligation is recognised directly to equity through OCI.

The benefit is payable on completion of prescribed qualifying period of service under these schemes. With effect from July 01, 2020, the Group has decided to restrict the Post-retirement medical benefits facility for contractual employees.

16. EMPLOYEES' COMPENSATED ABSENCES

The Group accounts for the liability in respect of employees' compensated absences in the year in which these are earned.

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 latest valuation was carried out as at June 30, 2024. The remeasurement of employees' compensated absences are charged to consolidated statement of profit or loss.

17. CASH AND CASH EQUIVALENTS

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

18. FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

Foreign currency transactions are recorded using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupee using the exchange rate ruling at the reporting date. Foreign exchange gain or losses resulting from the settlement of foreign currency transactions and translation of monetary assets and liabilities denominated in foreign currencies at the reporting date are recognised in consolidated statement of profit or loss.

19. REVENUE RECOGNITION

Revenue comprises the fair value of consideration received or receivable for the rendering of services in the ordinary course of the Group’s activities, net of rebates, discounts and excluding amounts collected on behalf of third parties. Revenue is recognized when or as performance obligations are satisfied by transferring services to the customer, i.e. over time, provided that the stage of completion can be measured reliably.

The Group recognises revenue from the following major sources:

- voyage charter revenue
- time charter
- slot charter revenue
- demurrage income; and
- Others

a) Voyage charter revenue

All freight voyage charter revenue and voyage expenses are recognized on a percentage of completion basis. Load-to discharge basis is used in determining the percentage of completion basis. Revenue is recognised evenly over the period from point of loading of current voyage to the point of discharge of the current voyage. Management uses its judgement in estimating the total number of days of a voyage based on historical trends, the operating capability of the vessel (speed and fuel consumption) and the distance of the trade route.

Revenue is not recognised during the period of mobilization of vessel from a previous discharge port to a next load port (Ballast leg) if there is no legally binding contract in place for the subsequent charter and costs incurred in positioning the vessel from last discharge port to the next load port (ballast cost) are capitalised at the end of ballast voyage and charged to next laden voyage from load port to discharge port.

b) Time charter revenue

Revenue in respect of freight income for a period of time, i.e., on time charter basis are recognized over time on per day basis for the period for which the vessel is under the control of the charterer as per terms of charter party agreement.

c) Slot charter revenue.

Slot charter revenue is recognized on percentage of completion basis estimating the total income for a vessel under a slot charter arrangement. Revenue is recognized over time based on the progress of fulfilment, measured by the number of days incurred relative to the estimated total duration of the slot charter. The measurement period begins at the commencement of the slot charter and continues until the vessel arrives at the discharge port.

d) Demurrage income

Freight contracts contains conditions regarding the amount of time available for loading and discharging of the vessel. Demurrage income, recognised over time, represents the compensation estimated for the additional time incurred for loading and discharging a vessel. Demurrage income due as per contractual terms is recognised on estimated basis, based on past experience of settlements and recent recovery trends.

e) Others

- 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.

- Markup on bank accounts, return on short term investments and other income is recognised on accrual basis.

20. CONTRACT ASSETS

For voyages in progress at the end of a reporting period, the Group recognises a percentage of the estimated revenue for the voyage equal to the percentage of the estimated duration of the voyage completed at the reporting date and recognizes contract asset. The estimate of revenue is based on the expected duration of the voyage.

21. CONTINGENT LIABILITIES

- Contingent liability is disclosed when:

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

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

22. BENAZIR EMPLOYEES' STOCK OPTION SCHEME

On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees’ Stock Option Scheme (the Scheme) for eligible employees of certain State Owned Enterprises (SOEs) and non-State Owned Enterprises (non- SOEs) where GoP holds significant investments. To administer the Scheme, the GoP transferred 12% of its investment to BESOS Trust Fund (the Trust) created for the purpose by each of such entities.

Keeping in view the difficulties that may be faced by the entities covered under the Scheme, SECP on receiving representation from some of the entities covered under the scheme and after having consulted the Institute of Chartered Accountants of Pakistan vide their letter number CAIDTS/PS& TAC/2011-2036 dated February 2, 2011 granted exemption to such entities from the application of IFRS 2 (Share based payment) to the Scheme vide SRO 587 (I)/2011 dated June 7, 2011.

The Supreme Court of Pakistan (SCP), vide its detailed judgment dated December 22, 2021, has declared the BESOS Scheme ultra vires. Accordingly, the appropriate measures in collaboration with relevant stakeholders are being taken by the Holding Company to implement the decision of the SCP.

23. SHARE CAPITAL

Ordinary shares are classified as equity and recognized at their face value. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

24. EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

25. ASSOCIATES

Associates are those entities in which the Holding Company has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Holding Company holds between 20 and 50 percent of the voting power of another entity or when the Holding Company has significant influence through common directorship(s).

Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

26. Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively. In making the estimates for income taxes currently payable by the Group, management considers the current income tax law and the decisions of appellate authorities on certain issues in the past

a) Current tax

Provision for current taxation is based on taxable income at the enacted / corporate tax rate after taking into account tax credits and rebates available, if any, as per the Income Tax Ordinance, 2001.

b) Deferred tax

Deferred tax is provided using the liability method for all temporary differences at the reporting date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes after considering, the enacted tax rate.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences and carried forward unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which such temporary differences and tax losses can be utilised.

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

c) Levies

The tax charged under Income Tax Ordinance, 2001 which is not based on taxable income or any amount paid / payable in excess of the calculation based on taxable income is classified as levies in the consolidated statement of profit or loss and other comprehensive income as these levies fall under the scope of IFRIC-21 'Levies' or IAS-37 'Provisions, Contingent Liabilities and Contingent Assets'.

The Group has selected Approach B of 'IAS-12 Application Guidance on Accounting for Minimum Taxes and Final Taxes' issued by The Institute of Chartered Accountants of Pakistan, according to which, designate the amount calculated on taxable income using the notified tax rate as an income tax within the scope of IAS-12 ‘Income Taxes’ and recognise it as current income tax expense. Any excess over the amount designated as income tax, is then recognised as levies falling under the scope of IFRIC-21 'Levies' or IAS-37 'Provisions, Contingent Liabilities and Contingent Assets'.

10. Summary indicative balance sheet and profit and loss statement for the state-owned enterprise

Balance Sheet (All Amount in PKR)	2028
Cash	31,050,371,900
Trade debts	4,265,664,000
Stores & spares	1,813,355,000
Loans & Advances	585,204,000
Deposits & prepayments	132,408,000
Interest accrued on inv	190,355,000
Other receivables	1,027,016,000
Taxation	1,842,340,000
Others	5,327,000
Total Current Assets	**40,912,040,900**
PPE	198,868,252,969
Add Dry Dock/ sale of Asset/Capex	10,957,850,762
Investment properties	4,607,802,000
Deferred taxation	155,253,000
Sale of Assets	(2,453,522,986)
Total fixed assets	**212,135,635,746**
Total Assets	**253,047,676,646**
Trade & Other Payables	7,154,840,868
Accrued mark up	41,885,000
Total current liabilities	**7,196,725,868**
Long term financing	112,487,338,750
Others	1,169,470,000
Total non-current liabilities	**113,656,808,750**
Equity	
Share Capital	1,980,951,000
Reserves	130,213,191,027
Total equity	**132,194,142,027**
Total Liabilities and equity	**253,047,676,645**

PAKISTAN NATIONAL SHIPPING CORPORATION
CONSOLIDATED FINANCIAL FEASIBILITIES

Years	2028
Income Statement	All Amount in PKR
Revenue from Shipping Business	
Owned Vessels	
Bulk Carriers	4,780,360,666
Oil tankers- Refinery Business	9,454,263,208
Aframax / LR2 Tankers- For Crude Oil	8,130,322,602
MR Tankers- For CPP	5,378,521,106
MR Tankers- For Edible Oil	2,289,492,000
Container Feeder vessel	5,672,997,270
Aframax / LR2 Tankers- For Crude Oil	6,729,450,000
Chartered Vessels	
Slot Charter	3,243,076,001
Chartered Vessels	16,718,691,548
Total shipping revenue	**62,397,174,401**
Rental Income	570,886,272
Demmurage Income	904,227,984
Workshop Income	480,186,201
Income from Manning Services	106,949,870
Net Sales	**64,459,424,727**
Expenditure	
Agency Commision and Brokerage	756,086,833
Diesel, fuel and lubricants	3,595,792,028
Port, light, canal and customs	1,151,379,870
Salaries	4,773,653,343
Insurance and claims	1,345,124,352
Repairs and Maintenance	945,458,514
Stores & spares	1,736,694,079
Depreciation including dry docking	12,796,033,812
Victualling Expenses	426,831,851
Other Direct Expenses	719,629,544
Charter Hire and Related Expenses	2,594,460,801
Charter Hire and Related Expenses- New Vessels	15,882,756,971
Total Direct expenditure	**46,723,901,999**
Real estate expenses	294,568,704
Gross Profit	**17,440,954,024**
Gross Profit Margin	27%
EBITDA	**30,236,987,836**
Other OPEX , Admin and Indirect Expenses	1,333,337,153
Other Non Cash Expenses/Income	(99,455,493)
Other Income	4,972,979,725
Income Generated from Sale of Asset	3,190,834,014
Finance cost	12,249,799,301
Taxes	328,010,691
Net Income	**11,793,076,111**

11. Consolidated summary indicative balance sheet and profit and loss statement for the state-owned enterprise and its subsidiaries as a group

Balance Sheet (All Amount in PKR)	2028
Cash	31,050,371,900
Trade debts	4,265,664,000
Stores & spares	1,813,355,000
Loans & Advances	585,204,000
Deposits & prepayments	132,408,000
Interest accrued on inv	190,355,000
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Total current liabilities	**7,196,725,868**
Long term financing	112,487,338,750
Others	1,169,470,000
Total non-current liabilities	**113,656,808,750**
Equity	
Share Capital	1,980,951,000
Reserves	130,213,191,027
Total equity	**132,194,142,027**
Total Liabilities and equity	**253,047,676,645**

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CONSOLIDATED FINANCIAL FEASIBILITIES

Years	2028
Income Statement	All Amount in PKR
Revenue from Shipping Business	
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Net Income	**11,793,076,111**

DIVIDEND POLICY

The Board of Directors of Pakistan National Shipping Corporation (Corporation) has formulated and approved this Dividend Distribution Policy (herein after referred to as "the Policy").

The objective of this Policy is to provide clarity to stakeholders on the dividend distribution framework to be adopted by the Corporation. The Board of Directors shall recommend dividend in compliance with this Policy, PNSC Ordinance 1979 (as amended), the provisions of the Companies Act, 2017 and any other relevant Directives / Orders issued by SECP.

1. The Corporation’s Dividend Distribution Policy shall endeavor that it distributes dividends from operational income only and not from capital gains. The Corporation believes in continuous shareholder value enhancement and seeks to pay an attractive, sustainable and growing dividend to the shareholders of the Corporation.

2. The Board of Directors may, after considering the situation prevalent at the relevant point in time, propose if the dividend needs to be declared and if so, the rate at which it needs to be declared. The Board of Directors may consider declaration of quarterly interim dividend and final dividend where interim dividend will be based on the performance of the Corporation during the period and final dividend will be based on the performance of the full year.

3. The Dividend recommended by the Board of Directors shall be subject to approval of the shareholders at the Annual General Meeting. Provided that no dividend shall be approved at the Annual General Meeting more than the amount recommended by the Board of Directors.

4. Dividend will be recommended out of the current year net of taxes consolidated earnings of the Corporation. ln certain circumstances, including but not limited to loss after tax in any particular financial year, the Board of Directors may consider utilizing retained earnings for recommendation of dividends to ensure a steady and regular pay out to the shareholders, subject to the applicable legal provisions of Pakistan Stock Exchange and SECP or any other applicable laws.

5. In general, the actual quantum of cash dividend pay-out on a yearly basis may not be more than 50% of the net operational earnings. As such, the remaining amount will be utilized for securing the tong-term growth including but not limited to:

   i. Operational growth through acquiring new vessels or forming joint ventures; and
   ii. Any other factors that the Board of Directors deems fit and proper.

13. **Description of any public service obligations and their impact on the forecasted financial outcomes of the state-owned enterprise:**

Not applicable to PNSC