NATIONAL ENGINEERING SERVICES PAKISTAN (PVT) LIMITED

STATEMENT OF CORPORATE INTENT FOR FY 2025-2026

PREAMBLE:

State-Owned Enterprise (Governance and Operations) Act 2023, (referred to as "SOE-Act 2023"), of Majlis-e-Shoora (Parliament) received the presidential assent on the 30th January, 2023 and published for general information to provide for governance and operation of the management and financial efficiency of State-Owned Enterprises owned and controlled by the Federal Government.

In accordance with the Section 8(4) of the SOE Act 2023, the Board of every State-Owed Enterprise shall at the start of each financial year, adopt and cause to have published a Statement of Corporate Intent ("SCI") for the State-Owned Enterprise or the group comprising the State-Owned Enterprise and its subsidiaries (if any), in respect of that year and the following two financial years in the manner and form set out in Schedule-III.

In compliance with the aforementioned SOE Act, the NESPAK's Statement of Corporate Intent for FY 2025-2026 is provided hereunder;

Schedule-III

Statement of Corporate Intent

(as per Section 8(4) of State-Owned Enterprise Act-2023)

1. **Name of State-Owned Enterprise/SOE:**
   National Engineering Services Pakistan (Pvt.) Limited, ("The NESPAK")

2. **Incorporated/established on:**
   On 20th Day of March, 1973

3. **Subsidiaries included in this statement of corporate intent:**
   Details of NESPAK's subsidiaries are attached as **Annexure-A.**

4. **Description of the main Business of the NESPAK:**

   (a) To carry on primarily the business of consultants, advisers, Structural Engineers, Builders, Architects, Contractors, Job contractors, Designers, Decorators, Furnishers with regard to construction, development, improvement of Dams, Buildings, Roads, Bridges, Tunnels and airfields, runways, buildings, aviation fields, hangers and work of every description connected therewith, in general, and to act as Consultants, Professional Advisers and Agents; and, act as Estimators, Valuers, Appraisers, Surveyors, Town planners, Reinforced Concrete Specialists, and any other Civil Engineering and Architectural work of any kind whatsoever, anywhere in the world.

   (b) To plan, study, design, and supervise the construction of earth fill, rock fill and Concrete storage Dams, Spillways, Outlet structures. Diversion wand barrages, Canal head works, Canals, Canal Falls, Distribution works, Cross drainage works, etc.

   (c) To plan, study, design and supervise the construction of Hydroelectric, Thermal, Gas and Atomic Energy Projects.

(d) To plan, study, design and supervise the construction of flood reservoirs, flood embankments, floods channels etc.

(e) To plan, study, design and supervise the construction of land reclamation projects.

(f) To plan, study, design and supervise the construction of water supply and sewerage projects.

(g) To plan, study, design and supervise the construction of Navigation Canals, locks and other auxiliary works.

(h) Overall planning of Towns, to plan, investigate, design and supervise the construction of all types of buildings, factories, overhead tanks, etc. etc.

(i) To plan, study, design, and supervise the construction of Highways, Bridges, and Culverts.

(j) To plan, study, design, and supervise the construction of airports, and air terminals.

(k) To plan, study, design, and supervise the construction of ports and harbors and all works related to them.

(l) To render technical assistance to foreign countries in connection with water resources development and utilization.

(m) To carry on the business of mechanical engineers, electrical engineers, consultants, advisers, sanitary and water engineers, and to carry out the civil, electrical, and mechanical maintenance of buildings, installations, and properties of all kinds.

5. Summary of the Business goals of the NESPAK:

1. **Provide High-Quality Engineering Services.**

   NESPAK aims to deliver world-class engineering consultancy services across multiple sectors including energy, infrastructure, water resources, transportation, and the environment.

2. **Promote Self-Reliance in Engineering**
   One of NESPAK's core objectives is to reduce dependence on foreign consultants by enhancing local expertise and capabilities.

3. **Expand Regional and International Presence.**

   NESPAK seeks to grow its operations globally by taking on more international projects, especially in the Middle East, Africa, and Asia.

4. **Ensure Financial Sustainability.**
   NESPAK focuses on maintaining profitability through efficient project execution, cost control, and diversification of services.

5. **Invest in Human Capital.**

   NESPAK prioritizes continuous professional development, training, and retention of skilled engineers and staff to maintain a competitive edge.

6. **Adopt Modern Technologies.**

   NESPAK aims to stay current with evolving engineering technologies, including digital tools like building Information Modeling (BIM), GIS, and automation in design and project management.

7. **Support National Development**

   NESPAK plays a vital role in infrastructure and socio-economic development in Pakistan by participating in strategic national projects such as dams, highways, and urban planning, and intended to participate in all future development projects.

6. Summary of the Performance Measures and Benchmarks against NESPAK's Business goals and its primary objective:

Key Performance Measures and Benchmarks for NESPAK business goals are as follows;

1. Increase Revenue and Profitability

Measures:
- Annual revenue growth
- Net profit margin
- Number and value of projects acquired

Benchmarks:
- As given in enclosed **Annexure-B.**

2. Expand International Market Share

Measures:
- Number of international projects secured annually
- Revenue share from foreign operations
- Geographic diversification of clientele

Benchmarks:
- As given in enclosed **Annexure-C.**

3. Improve Project Delivery and Client Satisfaction

Measures:
- Timely project completion rate
- Client satisfaction surveys or feedback ratings
- Cost and quality control metrics

Benchmarks:

- 95% of projects completed within agreed timelines
- Less than 10% cost overruns
- Maintain ISO certifications and quality standards

4. **Promote Technological Innovation and Capacity Building**

Measures:

- Investment in training and development (training hours per employee)
- Adoption of new technologies (e.g., BIM, GIS, remote sensing)
- Number of technical publications or R&D projects

Benchmarks:

- Train 100% of professional staff in latest tech/tools every 2–3 years
- Integrate smart engineering practices across all departments.

5. **Strengthen Organizational Sustainability and Governance**

Measures:

- Compliance with regulatory and audit standards
- Implementation of green and sustainable design practices
- Corporate social responsibility (CSR) initiatives

Benchmarks:

- minimum audit findings
- All major projects to include environmental impact assessments (EIAs)
- Annual CSR projects in education, environment, or health

7. Summary of the strategies of the NESPAK, for achieving its business goals and primary objective:

NESPAK is focusing on several key areas to enhance growth, sustainability, and competitiveness. Here are some strategies on short-, medium- and long-term basis for achieving business goals:

a. **Diversification of Services:** Expand the range of services offered to cater to a broader client base. This could include areas such as environmental consultancy, renewable energy projects, or infrastructure development.

b. **Technology Integration:** Embrace digital transformation by integrating advanced technologies such as Building Information Modeling (BIM), Internet of Things (IoT), and Artificial Intelligence (AI) to improve project efficiency and quality.

c. **Market Expansion:** Explore opportunities to expand into new geographic regions or sectors where there is a growing demand for engineering consultancy services.

d. **Strategic Partnerships:** Form strategic partnerships with other firms, both locally and internationally, to leverage their expertise, resources, and market reach.

e. **Focus on Sustainability:** Incorporate sustainable practices into projects to meet the increasing demand for environmentally friendly solutions and comply with regulatory requirements.

f. **Investment in Talent:** Invest in training and development programs to enhance the skills of employees and attract top talent in the industry.

g. **Client Relationship Management:** Strengthen client relationships by providing exceptional service, understanding their needs, and offering innovative solutions.

h. **Quality Assurance:** Implement robust quality assurance processes to ensure that projects are delivered on time, within budget, and meet the highest standards of quality.

i. **Risk Management:** Develop comprehensive risk management strategies to identify and mitigate potential risks associated with projects.

j. **Adoption of Best Practices:** Stay updated with industry trends and best practices to remain competitive and deliver cutting-edge solutions to clients.

By focusing on these strategies, NESPAK can position itself for long-term success and growth in the dynamic and evolving market.

8. The current or anticipated borrowing of the NESPAK, including borrowing by a subsidiary:

Currently, there is no specific borrowing by NESPAK, However, NESPAK issues guarantees through commercial banks for acquiring mobilization advance on its consultancy projects. NESPAK also not intend to make any borrowings in near future.

9. The accounting policies that the NESPAK will apply for financial records and reporting:

Accounting policies applied on financial records and reporting for the last audited accounts for financial year ended June 30, 2022 is attached as **Annexure-D,** and the same shall be applied as updated in the preparation of financial statements for the year ended June 30, 2026.

10. Summary indicative balance sheet and profit and loss statement for the NESPAK:

An extract of the un-audited balance sheet and profit and loss statement for the year ended June 30, 2026, and following two years, is attached as **Annexure-E.**

11. Consolidated summary indicative balance sheet and profit and loss statement of NESPAK and its subsidiaries as a group:

An extract of the consolidated un-audited balance sheet and profit and loss statement for the year ended June 30, 2026, and following two financial years, is attached as **Annexure-F.**

12. The proposed dividend declaration and distribution policy of the NESPAK:

The proposed dividend will be recommended by the Audit Committee to the Board of Directors NESPAK, upon completion of the audit for each financial year.

13. Description of any public service obligations and their impact on the forecasted financial outcomes of the NESPAK:

NESPAK did not provide any public service obligation.

14. Any other matter directed to be included in this statement by the Federal Government:

NIL

ANNEXURE - A

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED

NESPAK's Subsidiaries

The Company has following subsidiaries:

	Direct Share Holding
NESPAK UK Limited	100%
NESPAK and Partners LLC, Muscat, Oman	65%
NESPAK, ECC, Riyadh, KSA	49%
NESPAK, W.L.L., Doha, Qatar	49%

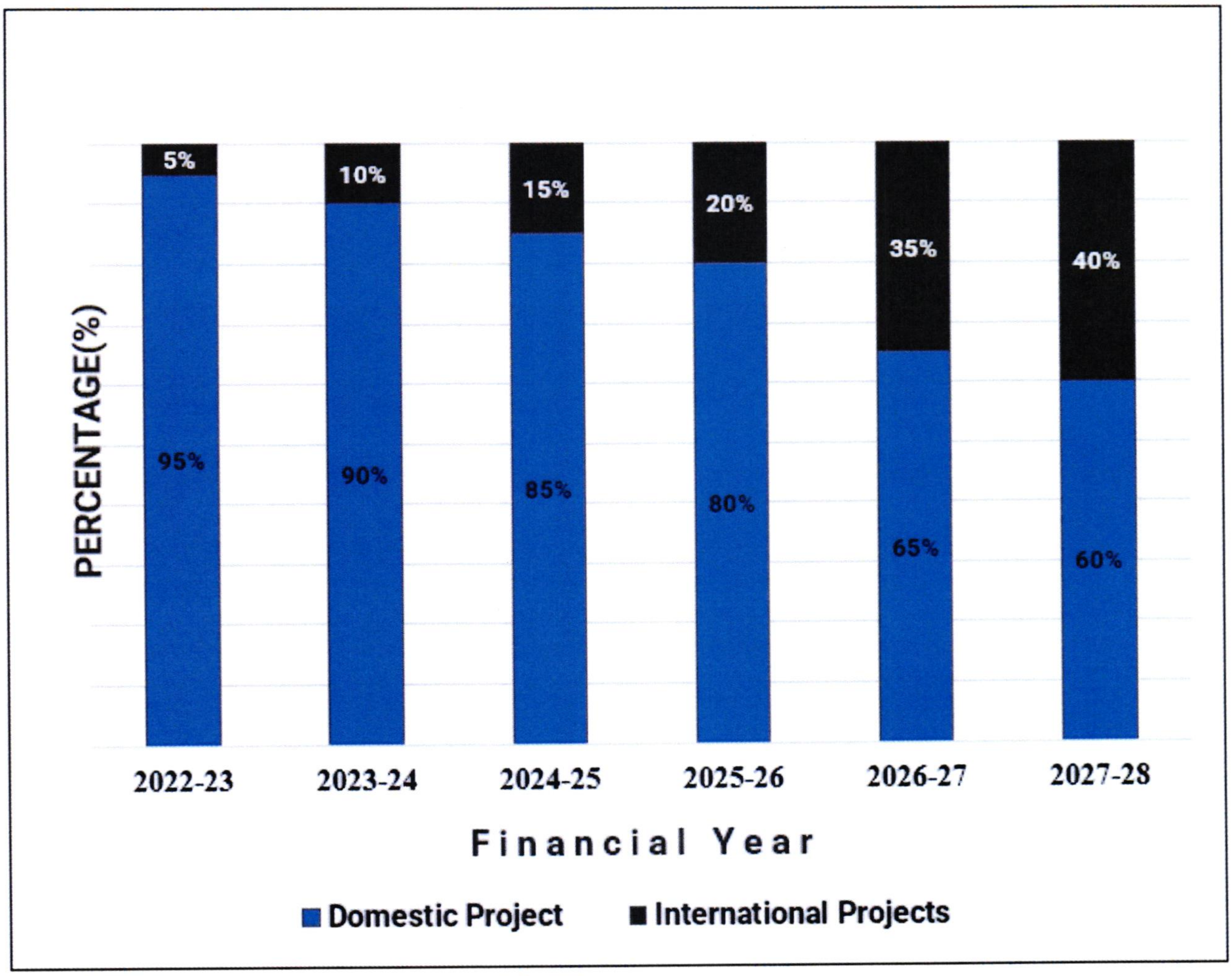
Annex - B

10.2 Financial Highlights – NESPAK

Financial Highlights (Rupees in thousand)									
Financial Year	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**
Profit Margin	8%	1%	5%	6%	14%	16%	18%	20%	21%
EBIT/Revenue	14%	7%	11%	18%	24%	30%	33%	37%	39%
Net Profit/Revenue	17%	10%	8%	13%	20%	26%	29%	32%	35%

Annexure-C

Extracted from Approved Business plan for FY (2023-2028)



Projected Business Share - (Domestic & International)

ANNEXURE -D

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1 THE COMPANY AND ITS OPERATIONS

National Engineering Services Pakistan (Private) Limited (the Company) was incorporated in 1973 under the Companies Act, 1913 (now Companies Act, 2017). The Company is wholly controlled and owned by the Ministry of Energy (Power Division), Government of Pakistan (GOP). The principal activity of the Company is providing engineering consultancy services in Pakistan and abroad.

1.1 Geographical location - NESPAK

The geographical locations and addresses of major business units of the Company are as follows:

Business unit	**Geographical location and address**
Registered office	1-C, Block N, Model Town Extension, Lahore.
Regional offices:	
Lahore	IEEEP Building, 17-C-1, Civic Centre, Faisal Town, Lahore.
Islamabad	NESPAK House, Sector G-5/2, Islamabad.
Karachi	13th Floor, NICL Building, Abbasi Shaheed Road, Sharah-e-Faisal, Karachi.
Peshawar	House no. 24, Sector B-2, Phase-V, Hayatabad, Peshawar.
Quetta	18-19/B, Street no. 2, Phase-III, Shahbaz Town, Quetta Cantt.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise:

i) International Financial Reporting Standards (IFRS), issued by International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 (the Act); and

ii) Provisions of and directives issued under the Act.

Where the provisions of and directives issued under the Act differ from the IFRS, the provisions of and directives issued under the Act have been followed.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except that certain employee benefits are recognized on the basis mentioned in Note 4.10 and short term investments at fair value through profit or loss.

These are separate financial statements of the Company. The Company is not consolidating its subsidiaries as the Securities and Exchange Commission of Pakistan (SECP) has granted exemption through the letter dated 24-11-05 with reference number RD-237(I) 2005-3237 to the Company from consolidation and investment in subsidiaries is recorded at cost net of impairment if any. while investment in associates is measured at equity method.

2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupee (PKR), which is the Company's functional currency. All values presented in PKR have been rounded to the nearest thousand of rupees, unless when stated otherwise.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to use certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on the historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Taxation

In making the estimate for income tax payable, the Company takes into account the applicable tax laws and the decisions by appellate authorities on certain issues in the past. The Company consults its tax advisors and takes into account factors including industry practice and recent judgments by tax authorities and/or courts of law.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profits will be available against which such losses and credits can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

b) Useful lives and residual values of property and equipment

Estimates with respect to useful lives, residual values and pattern of flow of economic benefits are based on the analysis of the management of the Company based on historical pattern of use, economic utility, technological advancement, expected resale values and expected usual wear and tear.

c) Employee benefits

The cost of defined benefit retirement plan (gratuity), accumulated long absences and long term association benefit are determined using actuarial valuations (projected unit credit method) performed by an independent actuary. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. All assumptions are reviewed at each reporting date and take into account factors such as prevailing interest rates, increments and promotions awarded by the Company in the recent past and projected for the future, health and age profile of employees.

d) Provisions

Provisions are recognized in the statement of financial position when the Company has legal or constructive obligation as a result of past events, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. The amount recognized as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

e) Contingent liabilities

Contingent liability is disclosed when:

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

Owned

Property and equipment, except freehold land which is stated at cost less impairment, are stated at cost less accumulated depreciation and impairment, if any.

Depreciation is charged to the statement of profit or loss on reducing balance method, so as to write off the historical cost of an asset over its estimated useful life, at the rates given in Note 5 and leasehold land on 33 year lease period.

Depreciation on additions is charged from the month in which the asset is put to use while no depreciation is charged from the month in which an asset is disposed off.

The assets' residual values and useful lives are reviewed at each financial year end, and adjusted if impact on depreciation is significant.

Maintenance and normal repairs are charged to the statement of profit or loss as and when incurred. Major renewals and improvements are capitalized. The gain or loss on disposal or retirement of an asset represented by the difference between sale proceeds and carrying amount of asset is recognized as an income or expense.

3.2 Accounting for leases

Right-of-use assets

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises 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 the costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which the asset is located.

The right-of-use asset is subsequently depreciated using straight line method from commencement date to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful life of right-of-use asset is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment, if any, and adjusted for certain remeasurements of the lease liability.

Lease liability

The lease liability is initially measured at present value of the lease payments over the period of lease term and 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 Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payment made. It is remeasured when there is a change in future lease payments arising from a change in rate or a change in the terms of the lease arrangement.

The Company applies judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use asset recognized.

Short term leases

The Company has elected not to recognize right-of-use asset and lease liability for short term leases of properties that have a lease term of 12 months or less. The Company recognizes lease payments associated with these leases as an expense.

3.3 Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Cost comprises acquisition and other directly attributable costs. Subsequent expenditures on intangibles assets are recognized as an expense when it is incurred, unless the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance.

Amortization is charged to the statement of profit or loss on straight line basis to cost of revenue over a period of three years. Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged from the month in which the asset is disposed off. The assets' residual values, useful lives and amortization methods are reviewed, and adjusted if appropriate, at each financial year end.

3.4 Investment properties

Investment properties are stated at cost less accumulated depreciation and impairment, if any.

Investment properties are derecognized either when they have been disposed off or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the statement of profit or loss in the period of derecognition.

3.5 Investments

3.5.1 Investments in subsidiaries

Investments in subsidiaries are stated at cost less impairment, if any.

3.5.2 Investment in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

3.6 Long and short term deposits

These are stated at fair value of consideration given.

3.7 Stationery stores

Stationery stores items are valued at lower of weighted average cost and estimated net realizable value.

3.8 Contract fee and other receivables

Contract fee and other receivables are carried at original invoice amounts. Contract fee receivable are amounts receivable from customers for goods transferred or services performed in the ordinary course of business. Other receivables generally arise from the transactions outside the usual operating activities of the Company. Subsequently, these are measured at amortized cost less impairment. The Company recognizes impairment using Expected Credit Loss model as fully explained in Note 4.13. Debts considered irrecoverable are written off.

3.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits with banks and other short term investments with original maturities of three months or less. For the purposes of statement of cash flows, cash and cash equivalents comprise cash in hand, balances with banks and short term investments maturing within three months.

3.10 Employees retirement and other long term benefits

The main features of such schemes operated by the Company for its employees are as follows:

3.10.1 Defined benefit plans

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. The most recent valuations were carried out as on 30 June 2021 using the projected unit credit method. Significant assumptions used for valuation of these schemes are mentioned in Note 21. The future contribution rates of these funds include allowance for deficit and surplus.

3.10.2 Gratuity fund

The Company operates a funded gratuity scheme that requires contributions to be made to separately administrated fund. The cost of defined benefit retirement plan (gratuity) is determined using actuarial valuations (projected unit credit method) performed by an independent actuary. The actuarial valuation involves making assumptions about discount rates, future salary increases and mortality rates. All assumptions are reviewed at each reporting date and take into account factors such as prevailing interest rates, increments and promotions awarded by the Company in the recent past and projected for the future, health and age profile of employees. Gratuity is paid to employees at the termination of service at the rate of number of years of association multiplied by the last drawn salary.

3.10.3 Accumulated compensated absences

The Company provides liability for accumulated compensated absences of its permanent and contract staff as per the Company policy. Compensated absences of an employee are accumulated throughout term of employment to the maximum accumulation of 180 days and can be availed on termination of service, however, encashment of compensated absence is allowed to maximum of 60 days.

3.10.4 Long term association benefit

The Company provides long term association benefit to its permanent employees. Under the plan, the employees who have completed ten years/ twenty years and thirty years of service are entitled to receive one month's/ two months' salary and three months' salary respectively. At each year end, the management records provision based upon the valuation performed by the independent actuary.

3.10.5 Defined contribution plan

The Company operates an approved defined contribution provident fund for all permanent employees. Equal monthly contributions are made by the employees and the Company to the fund at the rate of 10% of basic plus technical pay.

3.11 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities as the payment is due within one year or less (or in the normal operating cycle of the business, if longer).

Trade payables and other costs payable are initially recognized at fair value of the consideration to be paid in future for goods and / or services, whether or not billed to the Company and subsequently, measured at amortized cost using the effective interest method.

3.12 Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized. Contract liabilities are recognized as revenue when the Company performs under the contract.

3.13 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.

Financial assets

i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through the statement of profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of contract fee receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Contract fee receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized in trade date, i.e. the date that the Company commits to purchase or sell the asset.

ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the Effective Interest Rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost majorly includes contract fee receivables, contract asset, short term investments, loans and advances, short term deposits, interest accrued, cash and cash equivalents and other receivables.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not have any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have any financial assets for which it has elected to classify irrevocably under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e. removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment

The Company recognizes loss allowance for Expected Credit Losses (ECLs) on financial assets measured at amortized cost. The Company measures loss allowance at an amount equal to lifetime ECLs.

Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

At each reporting date, the Company assesses whether the financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of the financial assets have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial liabilities

i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities majorly include trade and other payables excluding sales tax payable, contract liabilities and dividend payable.

ii) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings)

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized 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 amortization is included as finance costs in profit or loss.

All of the Company's financial liabilities are measured under this category.

iii) Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

3.14 Foreign currencies

Transactions in foreign currencies are accounted for in Pak Rupees, which is the functional currency of the Company, at the rates prevailing on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rate of exchange prevailing at the reporting date. Non-monetary assets are not retranslated and are kept at the original transaction amount.

3.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable form contracts with customer in ordinary course of the Company's activities. The Company recognizes revenue when amount of revenue can be reliably measured and it is highly probable that a significant reversal in the amount of income recognized will not occur and specific criteria has been met for each of the Company's activities as described below:

a) The Company recognizes revenue from engineering services when services are rendered, over contractual period or as and when services are rendered to customers;

- i) **Lump sum contracts:**
  Revenue is recognized when the milestones are completed.
- ii) **Cost plus contracts:**
  Revenue is recognized on time proportionate basis.
- iii) **Percentage of completion:**

  Revenue is recognized based upon the percentage of completion i.e. based on contractor's invoice in accordance with consultancy agreement.

b) Dividend income is recognized when the right to receive the payment is established;
c) Income from bank deposits is recognized using effective interest rate method; and
d) Rental income is recognized on accrual basis.

3.16 Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle obligation and reliable estimate of the amount of obligation can be made.

3.17 Dividends and appropriations to reserves

Dividend and appropriations to reserves are recognized in the financial statements of the period in which these are approved.

3.18 Taxation

Taxation for the year comprises current and deferred tax. Taxation is recognized in profit or loss except to the extent that it relates to items recognized outside profit or loss (whether in other comprehensive income or directly in equity). if any, in which case the tax amounts are recognized outside profit or loss.

Current

Provision for current taxation is the amount computed on taxable income at the current rates of taxation or alternative corporate tax computed on accounting income or minimum tax on turnover, whichever is higher, and taxes paid/payable on final tax basis, after taking into account tax credit available, if any. The charge for current tax also includes adjustments where necessary, relating to prior years which arise from the assessments made/finalized during the year.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except in the case of items credited or charged to equity or OCI in which case it is included in equity or OCI, as the case may be.

3.19 Related party transactions

Parties are said to be related if they are able to influence the operating and financial decisions of the Company and vice versa. Related party transactions are carried out in accordance with terms and conditions set by the Board of Directors of the Company.

3.20 General reserves

This reserve is created by the Board to be utilized for following purposes:

- For meeting contingencies;
- For equalizing dividends; and
- For any other reason as and when decided by the Board.

ANNEX - E

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
PROJECTED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2026,2027 and 2028

	2028	2027	2026
		--- (Rupees in thousand) ---	
ASSETS			
NON CURRENT ASSETS			
Property and equipment	1,466,255	1,345,805	1,226,246
Intangible assets	2,706	2,478	2,248
Investment properties	72,285	75,460	78,710
Investment in subsidiaries	2,960	2,960	2,960
Investment in associates	246,037	242,085	238,365
Long term loans and advances	1,266	1,319	1,359
Long term deposits	414,307	398,870	378,256
	2,205,816	2,068,978	1,928,144
CURRENT ASSETS			
Stationery stores	14,328	14,020	13,867
Trade debts	17,651,539	16,184,624	14,613,656
Contract assets	804,597	715,197	646,360
Loans and advances	299,195	289,497	282,850
Deposits and prepayments	142,254	135,505	129,077
Interest accrued	50,269	55,241	58,149
Other receivables	483,470	455,889	450,928
Short term investments	4,005,427	3,898,226	3,739,305
Tax refunds due from government - net	1,440,696	1,324,778	1,235,224
Cash and bank balances	2,183,387	2,028,228	1,917,946
	27,075,161	25,101,204	23,087,362
TOTAL ASSETS	29,280,977	27,170,182	25,015,506
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	5,000	5,000	5,000
Issued, subscribed and paid up share capital	5,000	5,000	5,000
Revenue reserves			
General reserve	11,557,516	11,557,516	11,557,516
Accumulated Profit/(Loss)	8,327,663	6,280,120	4,325,211
	19,890,179	17,842,636	15,887,727
NON CURRENT LIABILITIES			
Lease liabilities	69,348	70,763	72,207
Employees retirement and other long term benefits	751,985	737,240	722,784
	821,333	808,003	794,992
CURRENT LIABILITIES			
Trade and other payables	7,327,058	6,966,488	6,818,081
Current portion of lease liabilities	15,306	15,780	16,268
Contract liabilities	1,227,101	1,537,275	1,498,439
	8,569,465	8,519,543	8,332,788
TOTAL EQUITY AND LIABILITIES	29,280,977	27,170,182	25,015,506

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
PROJECTED STATEMENT OF PROFIT & LOSS
FOR THE YEAR ENDED JUNE 30, 2026,2027 and 2028

	2028	2027	2026
	--- (Rupees in thousand) ---		
Revenue from contracts with customers - net	18,162,984	17,256,992	16,023,205
Cost of revenue	(14,946,652)	(14,213,883)	(13,290,213)
Gross profit / (loss)	3,216,332	3,043,109	2,732,992
Selling expense	(15,595)	(15,178)	(14,844)
Other operating expense	(339,988)	(323,952)	(309,262)
Other income	431,013	439,809	462,957
	75,430	100,679	138,851
Operating profit / (loss)	3,291,762	3,143,788	2,871,843
Finance cost	(19,209)	(18,713)	(18,293)
Share of profit from associates - net	84,077	79,694	75,993
	64,867	60,980	57,700
Profit / (loss) before taxation	3,356,629	3,204,768	2,929,543
Taxation	(1,309,085)	(1,249,860)	(1,142,522)
Profit / (loss) for the year	2,047,544	1,954,909	1,787,021

ANNEX - F

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
PROJECTED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2026, 2027 and 2028

	2028	2027	2026
	--- (Rupees in thousand) ---		
ASSETS			
NON CURRENT ASSETS			
Property and equipment	1,591,510	1,467,506	1,340,188
Intangible assets	2,706	2,478	2,248
Investment properties	72,285	75,460	78,710
Rentational receivables	77,204	73,774	70,665
Investment in associates	246,037	242,085	238,365
Long term loans and advances	1,266	1,319	1,359
Long term deposits	410,318	398,870	378,256
	2,401,326	2,261,492	2,109,791
CURRENT ASSETS			
Stationery stores	14,328	14,020	13,867
Trade debts	20,645,074	18,316,949	15,884,117
Contract assets	804,597	715,197	646,360
Loans and advances	313,597	296,154	288,931
Deposits and prepayments	857,302	810,534	728,990
Rentational receivables	88,497	85,936	82,806
Interest accrued	50,269	55,241	58,149
Other receivables	516,300	491,808	479,111
Short term investments	4,005,427	3,898,226	3,739,305
Tax refunds due from government - net	1,440,696	1,324,778	1,235,224
Cash and bank balances	3,260,166	2,908,228	2,517,946
	31,996,253	28,917,070	25,674,806
TOTAL ASSETS	34,397,580	31,178,563	27,784,597
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital	5,000	5,000	5,000
Issued, subscribed and paid up share capital	5,000	5,000	5,000
Revenue reserves			
Retained earnings	13,455,027	10,027,087	6,856,641
Other reserves	11,557,516	11,557,516	11,557,516
	25,017,543	21,589,603	18,419,157
NON CURRENT LIABILITIES			
Lease liabilities	69,348	70,763	72,207
Employees retirement and other long term benefits	751,985	737,240	722,784
	821,333	808,003	794,991
CURRENT LIABILITIES			
Trade and other payables	7,308,223	7,220,138	7,048,163
Current portion of lease liabilities	15,306	15,780	16,268
Provision for Zakat	8,074	7,765	7,580
Contract liabilities	1,227,101	1,537,275	1,498,439
	8,558,705	8,780,958	8,570,450
TOTAL EQUITY AND LIABILITIES	34,397,580	31,178,563	27,784,597

NATIONAL ENGINEERING SERVICES PAKISTAN (PRIVATE) LIMITED
PROJECTED CONSOLIDATED STATEMENT OF PROFIT & LOSS
FOR THE YEAR ENDED JUNE 30, 2026, 2027 and 2028

	2028	2027	2026
	--- (Rupees in thousand) ---		
Revenue from contracts with customers - net	25,883,713	24,361,142	22,504,519
Cost of revenue	(20,181,781)	(19,101,200)	(17,803,341)
Gross profit / (loss)	5,701,932	5,259,942	4,701,178
General and admin expenses	(452,806)	(440,687)	(434,174)
Other operating expenses	(339,988)	(323,952)	(325,026)
Other income	496,496	471,059	462,957
	(296,298)	(293,580)	(296,243)
Operating profit / (loss)	5,405,634	4,966,362	4,404,935
Finance cost	(18,293)	(18,713)	(18,293)
Share of profit from associates - net	75,993	79,694	75,993
	57,700	60,981	57,700
Profit / (loss) before taxation	5,463,334	5,027,343	4,462,635
Taxation	(2,035,395)	(1,856,897)	(1,662,795)
Profit / (loss) for the year	3,427,939	3,170,446	2,799,840