
**AVANCEON**
Tomorrow's solutions, today.

MISSION 2020 Double it

**ANNUAL REPORT**
for the year ended
**December 31, 2018**


# YOUR PARTNER IN DIGITAL TRANSFORMATION

# LETTER FROM THE **FOUNDER & CEO**

## Dear Shareholders, Partners, Customers and Team,

Welcome to the 2018 Avanceon Annual Report.
At one of our Communication Meeting, I was asked a probing question by one of our younger colleagues,
*'Is Avanceon still an Automation and Control Company?'*
Have to confess that I had to gather my thoughts for a bit before responding with another question,
*'Is the field of Automation the same as it was ten years ago?*

Automation, traditionally a very conservative arena, is evolving at the most breathtaking pace of its business history and it's very difficult to exactly predict what would be the ruling technologies and business model of the future. Our strategy to handle this beautiful problem is to continuously challenge our thinking and business belief through the variables of emerging technologies and customer feedback.

In 2013 we promised our shareholders and investors that we will get to US$50 Million in five years. Looked quite an audacious target at that time but we achieved it ahead of time. But as they say, one has to think of a bigger challenge the moment you meet one. Our Mission 2020 challenge promises to test us to the fullest. Here are the key points of our Mission 2020 promise,

- Pakistan Core Business to double order generation by 2020
- Middle East arm to increase order generation by 1.5 times by 2020
- After Market Support to double order generation in Pakistan and establish sustainable recurring revenue business in the Middle East
- Octopus Digital to launch and establish sustainable recurring revenue business in Pakistan

2018 saw Pakistan go through a political change and a weakening economy. Slow growth in the Middle East presented challenges to consumers of all incomes. Our sturdy business model, however, prevailed and we were able to yet again outperform our projections in all regions. Similar to previous year's trend, our business operations in Qatar, Saudi Arabia, UAE and Pakistan returned solid top and bottom line growth.

We now are the only Water Segment Specialist for Schneider Electric in the region. Despite the challenges, Qatar is thriving and remains one of our most profitable regions. Avanceon was chosen to integrate all SCADA systems for the Public Works Authority of Qatar, Ashghal, the largest project of its kind in the region. The KSA region also saw promising returns with the first phase of Riyadh Metro completed and Avanceon awarded contract on line 2 & 3.

In Pakistan, 2018 saw the launch of our Fuel Retail Automation business and Shell with its 300 sites became our first customer. Avanceon also launched its BMS division in 2018. Partnering with Siemens Building Technologies, Avanceon won its first BMS contract with GIGA Group and DHA Lahore for Gold Crest Mall.

And now one of the most exciting initiative that I can't stop talking about. Octopus Digital has been launched as a fully owned subsidiary of Avanceon and has partnered with Microsoft platform services to take on the Pakistan market in its first phase. We are confident that the investment in this new line of business would prove to be the most stellar value proposition for our investors. I would be my pleasure to talk about this digital journey at length during my next investor brief.

From a cultural standpoint, Avanceon remains a confident and resilient organization. Our ability to quickly adapt to our changing environment is the foundation of our strong performance year in year out. Accountability, clarity in direction, improved communication and commitment to inclusiveness are the pillars on which Avanceon stands.

This past year has been a remarkable one for Avanceon. From Highway 50 to Mission 2020, Avanceon is evolving and taking on bigger and tougher challenges. And we couldn't have achieved this without your support and our team's commitment to excellence. Our mantra of delighting our customers has never been more relevant.

I would like to thank all our shareholders, investors, partners and the team for their unequivocal support and trust in our capabilities.

Thank you for being a part of our journey.

**BAKHTIAR H. WAIN**
FOUNDER AND CEO, AVANCEON

# COMPANY **INFORMATION**


## DIRECTORS

**Mr. Khalid Hameed Wain**
DIRECTOR / CHAIRMAN

**Mr. Bakhtiar Hameed Wain**
DIRECTOR / CHIEF EXECUTIVE OFFICER

**Mr. Tanveer Karamat**
DIRECTOR / CHIEF OPERATING OFFICER

**Mr. Amir Waheed Wain**
DIRECTOR

**Mr. Naveed Ali Baig**
DIRECTOR

**Mr. Tajammal Hussain**
DIRECTOR

**Mr. Umar Ahsan Khan**
DIRECTOR

**Mr. Saeed Ullah Khan Niazi**
CHIEF FINANCIAL OFFICER

**Mr. Ahsan Khalil**
COMPANY SECRETARY

## AUDIT COMMITTEE

**Mr. Tajammal Hussain**
CHAIRMAN

**Mr. Amir Waheed Wain**
MEMBER

**Mr. Naveed Ali Baig**
MEMBER

## HUMAN RESOURCE & RENUMERATION COMMITTEE

**Mr. Umar Ahsan Khan**
CHAIRMAN

**Mr. Bakhtiar Hameed Wain**
MEMBER

**Mr. Khalid Hameed Wain**
MEMBER

## AUDITORS

**EY Ford Rhodes**
Chartered Accountants

## LEGAL ADVISOR

**Chima & Ibrahim**
Advocates and Corporate Council

## WEB PRESENCE

www.avanceon.ae
www.avanceon.qa

## BANKERS

- Faysal Bank Limited - Pakistan
- Habib Bank Limited - Pakistan & United Arab Emirates
- National Bank of Fujairah - United Arab Emirates
- Habib Bank AGA, Zurich - United Arab Emirates
- National Penn Bank - United States of America
- Bank of Singapore - United Arab Emirates & Singapore
- MCB Bank Limited - Pakistan
- United Bank Limited - Pakistan, United Arab Emirates & Qatar
- National Bank of Pakistan Limited - Pakistan
- Standard Chartered Bank Limited - Pakistan
- JS Bank Limited - Pakistan
- Qatar Islamic Bank – QIB - Qatar
- Doha Bank – Qatar
- Qatar International Islamic Bank – QIIB
- Mashreq Bank - Qatar
- JS - Bahrain
- National Bank of Fujairah – NBF

## SHARE REGISTRAR

FAMCO Associates (Pvt) Ltd.
8-F, Next to Hotel Faran,
Nursery, Block-6, P.E.C.H.S,
Shahra-e-Faisal, Karachi.
Phone: +92 (21) 3438 0101-5
Fax No: +92 (21) 3438 0106
www.famco.com.pk

## REGISTERED OFFICE

The Avanceon Building
19-KM, Main Multan Road,
Lahore 54660, Punjab, Pakistan
Phone: +92 (42) 111 940 940
Fax No: +92 (42) 375 151 28
Email: support@avanceon.ae

## REGIONAL HEADQUARTERS - MIDDLE EAST

Avanceon FZE - Dubai, UAE
FZS1 BD04 JAFZA
P.O. Box 18590, Dubai, United Arab Emirates
Phone: +971 4 88 60 277
Email: support.mea@avanceon.ae

**Abu Dhabi, UAE**

In Partnership with Ali & Sons
Ali &Sons Bldg., Zayed 2nd Street
P.O. Box 915, Abu Dhabi, U.A.E.
Phone: +971 4 88 60 277
Email: Support.mea@Avanceon.ae

**Doha, Qatar**

Avanceon Automation Control WLL
Office No. 12, M Floor, Al-Jaber Engg. HO Building,
P.O. Box 15976, Fox Hills, Lusail, Doha, Qatar.
Phone: +974 4040 9835
Email: support@avanceon.qa

**Jeddah, Saudi Arabia**

In Partnership With Atco Llc
Atco Building,
Kuwait St. Faisaliyah District,
P.o. Box 1298 Jeddah, Ksa.
Phone: +966-12-6912204 ext: 127
Email: Support.mea@Avanceon.ae

**Dammam, Saudi Arabia**

In Partnership with ATCO LLC
ATCO Building, King Khalid Street,
P.O. Box 718 Dammam, KSA.
Phone: +966-12-6912204 ext: 127
Email: support.mea@avanceon.ae

**GLOBAL HEADQUARTERS AVANCEON GP EXTON, PA, USA**

180 SHEREE BOULEVARD, SUITE 1400
EXTON, PA 19341,
PHONE: +1 610 458 8700

**REGIONAL HEADQUARTERS - SOUTH**

**ASIA**

**Lahore, Punjab, Pakistan**

The Avanceon Building
19-KM, Main Multan Road,
Lahore, 54660 Punjab, Pakistan
Phone: +92 (42) 111 940 940
Email: support.sea@avanceon.ae

**Karachi, Sindh, Pakistan**

The Hive,
First Floor, MA Tabba Foundation Building,
Gizri Road, Block # 09, Clifton,
Karachi, 75600, Sindh, Pakistan
Phone: +92 (21) 111 940 940
Email: support.sea@avanceon.ae

**Islamabad, Pakistan**

299 Pansi Road, Safari Villas III,
Bahria Town,
Islamabad, Capital City, Pakistan
Phone: +92 51 573 3031
Email: support.sea@avanceon.ae

**TRADEMARK**

AVANCEON
Tomorrow's solutions, today.

# BOARD OF **DIRECTORS'**

**KHALID H. WAIN**
CHAIRMAN OF THE BOARD (NON-EXECUTIVE)

Khalid H. Wain brings over 40 years of international expertise in electrical engineering, cost engineering, project management and business strategy to the Avanceon Board of Directors. Mr. Wain advises on international business and technology.

**BAKHTIAR H. WAIN**
DIRECTOR AND CHIEF EXECUTIVE OFFICER

Bakhtiar brings over 30 years of exemplary leadership. An engineer with experience in leading global companies including Exxon Chemicals, Fauji Fertilizer and ICI Ltd, he founded Avanceon in 1984 and holds the position of Chief Executive Officer.

**TANVEER KARAMAT**
DIRECTOR AND CHIEF OPERATING OFFICER

Tanveer brings over 30 years of international business experience to Avanceon in automation solutions for the Oil & Gas and Power sector. Prior to joining Avanceon in 2003, he spearheaded business at Wartsila NSD and Honeywell as country head.

**AMIR W. WAIN**
DIRECTOR (NON-EXECUTIVE)

Amir brings over 27 years of strategic planning & international business development experience to the board. Amir is the founder and CEO of i2c Inc, a global provider of payment processing and emerging commerce solutions serving consumers in all 24 time zones.

**UMAR AHSAN KHAN**
DIRECTOR (NON-EXECUTIVE/INDEPENDENT)

Umar brings over 27 years of strategic accounting, finance and business management experience to the Avanceon Board of Directors. He currently holds the position of Chief Operating Officer at Thal Engineering.

**TAJAMMAL HUSSAIN**
DIRECTOR (NON-EXECUTIVE/INDEPENDENT)

Tajammal brings over 27 years of international accounting and financial acumen to the Avanceon Board of Directors. Chartered Accountant at Fakharuddin Yousaf ali & Co since 1989, he advises the Avanceon Board on risk management and financial strategy.

**NAVEED ALI BAIG**
DIRECTOR (NON-EXECUTIVE)

Naveed brings over 31 years of international business acumen to the Avanceon Board of Directors. He is currently spearheading the success of Innovative Pvt Ltd. through sound employee-centric management as CEO.

# BOARD OF
# DIRECTORS' PROFILE

Board of Directors Structure & Corporate Governance

## Composition Of Board And Directors' Independence

Implementing good governance, the Chairman of the Board is a non-executive director representing minority interest. The board comprises of 7 directors out of which 5 are non-executive directors, including 3 representing minority interests. The roles of Chairman and the CEO has been clearly defined and segregated. The CEO is responsible for operations of the company whereas the board performs under the Chairman.

## Chairman of the Board

**KHALID H. WAIN,**

Chairman – brings over 40 years of international expertise in electrical engineering, cost engineering, project management and business strategy to the Avanceon Board of Directors. Mr. Wain is the founder of H&G Control, which he owns and operates in Canada. H&G Control designs and manufactures customized electrical control panels. He is also the co-founding partner and director of Innovative Pvt. Ltd in Pakistan. Mr. Wain graduated in electrical engineering from University of Engineering, Lahore, in 1976. His entrepreneurial acumen led him to drive business in South Asia, the Middle East, the United States and now in Canada. Khalid Wain was selected as Chairman of the Board for his international business knowledge and extensive experience of companies in the technological sector.

## DIRECTORS' PROFILE

**BAKHTIAR H. WAIN,**

**Founder and Chief Executive Officer –** – brings over 30 years of exemplary leadership. An engineer with experience in leading global companies such as Exxon Chemicals, Fauji Fertilizer and ICI Ltd, he founded Avanceon in 1984 and currently holds the position of Chief Executive Officer. His entrepreneurial drive found its roots in his faith towards the educated and technically qualified human resource of Pakistan. From the onset, he wanted to build a company that could capitalize and promote this conviction globally, which he has implemented successfully ever since. Appointed CEO by the Board of Directors, he has spearheaded Avanceon towards market leadership in Pakistan and beyond.

**TANVEER KARAMAT,**

**Chief Operating Officer –** brings a wealth of international business experience to Avanceon, with 20 out of 30 professional years spent selling automation solutions to the oil and gas sector. After receiving a Bachelor's degree in Chemical Engineering from the University of Pakistan he embarked on his career as an Application Engineer at Zelin Pvt Ltd in 1986. Developing his sales, management and business skills at key industry companies such as Wartsila NSD as well as Honeywell where he held the position of Country Head, Tanveer joined Avanceon in 2003 as Regional Manager. He transformed the South Region revenues in less than three years with wise strategic counsel, capitalizing on a dormant customer base and an internal reshuffle. He was promoted to GM Operations in 2006 before becoming COO in 2011. Over the past decade, Tanveer's leadership has been a major contribution towards building value for the company. He was nominated as a member of the Board of Directors to help make informed decisions.

**AMIR W. WAIN,**

Director –brings over 27 years of international expertise within the information technology and payments industries. Amir is founder and CEO of i2c, a global provider of payment processing and emerging commerce solutions, where he is responsible for defining the company's vision and strategic direction. After graduating from the University of Texas with a Computer Science and Engineering degree, Amir founded Innovative Private Limited in 1987. Propelled by the success of Innovative, he founded i2c in 2001 to bring next-generation processing solutions to the payments industry. Under Amir's guidance, i2c has expanded dramatically and launched a number of industry firsts which include card-linked offers, event-driven account holder communications and gift card voice personalization. Today, as market opportunities for payments & emerging commerce expand at a dramatic rate, Amir is leading i2c's continued push to innovate the enabling infrastructure and solutions that transform commerce. He was appointed to the Avanceon Board of Directors to advise on innovation and business strategy.

**TAJAMMAL HUSSAIN,**

**Director –** brings 27 years international accounting and finance acumen to the Avanceon Board of Directors. Practicing as a Chartered Accountant with Fakharuddin Yousaf ali & Co since 1989, Tajammal oversees and maintains high quality outsourcing, financial and accounting services to a wide variety of global and local commercial enterprises. Tajammal Hussain comes with a broad spectrum of expertise and, besides Avanceon, he also sits on the boards of Xavor Pakistan and the Kashf Foundation. He holds an MPhil from the University of Cambridge and BSc from the London School of Economics & Political Science - both in Economics - and also qualified as a Chartered Accountant in 1988 from the United Kingdom. Tajammal was appointed as director because of his integrity and the values he shares with the company. He advises on risk management and financial strategy, which are amongst the strengths he brings to the Avanceon Board.

**NAVEED ALI BAIG,**

**Director –** brings over 31 years international business acumen to the Avanceon Board. 11 years of achievements as Chief Operating officer, Naveed was appointed Chief Executive Officer at Innovative Pvt in 2011, where he spearheads the success of his company through sound employee-centric management. Prior to joining Innovative, he worked for multi-nationals such as Gallup International and Ferguson Associates, a regional affiliate of Price Waterhouse Coopers. He completed his post-graduate studies in Systems Analysis and Design from IBA. Naveed was appointed as director because of his constructive and inspiring leadership, which are amongst the strengths he shares with the Avanceon Board.

**UMAR AHSAN KHAN,**

**Director –** brings over 27 years of strategic accounting, finance and business management experience to the Avanceon Board. He currently holds the position of Chief Operating Officer at Thal Engineering. Previously he had served as Chief Financial Officer of Dawlance Group, which is the leading house appliances company in Pakistan. Umar has been the key catalyst as advisor for business process re-engineering and group restructuring over the past 5 years. He worked his way up from trainee to corporate finance manager at ICI Pakistan Limited, which was then a part of a Fortune 500 Company, Akzo Nobel. He holds a BSc and an MSc in Accounting and Finance from the London School of Economics & Political Science. Umar was appointed as a director because of his strategic and hands on approach to business and financial management, which are amongst his core strengths he brings to the Avanceon Board.

# CHAIRMAN REVIEW
# REPORT OF BOARD PERFORMANCE

**The year 2018 marked the 34th anniversary of your organization. Looking back, i still remember Avanceon's humble beginnings and the grand aspiration with which this organization aimed to become a leader within the automation and control space. As I pen this letter, I'm pleased to announce that your organization has successfully crossed the $50 Million revenue recognition mark this year and we are well on our way towards our next challenge - Mission 2020.**

**During these past three decades, Avanceon has successfully completed some of the biggest and most challenging projects. It has forged valuable partnerships with the world's leading technological powerhouses and built a strong reputation in project execution. In spite of a turbulent economy in 2018, your organization's Profit after Tax (PAT) was up by 36% at 767 Million PKR, Net Sales were up by 24% at 3481 Million PKR and your Earning Per Share was up by 32% at 5.62 PKR. Reporting these numbers gives me immense pleasure and satisfaction.**

My responsibility as the Chairman of the Board includes an overview of the board's overall performance, its effectiveness and the role it is playing to achieve your organization's goals and objectives for the future.

The Avanceon board is responsible for the overall management of the company. Being the highest management platform, it devises all strategies and policies. The board itself is governed by the statute and Company's Articles and its duties, obligations, responsibilities and rights as defined and prescribed therein.

The composition of the Board of Directors reflects a mix of varied backgrounds and rich experience in the fields of business, finance, technology, and regulations. The Board of Directors provide strategic direction to the management and are available for guidance when needed. In addition to approving budgets and ensuring that a competent and energetic team is in place to achieve set goals, the Board also ensures compliance of all regulatory requirements by the Management.

Here are the highlights of the Board's performance for the year 2018,

**Board & Management Relationship –** The roles and responsibilities of the Board and Management are clearly defined. Both arms are operating in a climate of mutual trust and respect.

**Assessment of CEO's Performance –** The performance of the CEO was assessed following a fair and systematic procedure. The Board has come to the conclusion that the CEO's performance is aligned with Avanceon's objectives and goals.

**Information of Operational Activities –** Through regular and detailed reports from the management, the board is aware of all the program and operational activities.

**Financial Oversight –** The Board is regularly informed and sought advice from in matters relating to financial resources of the organization.

**Avanceon's New Strategic Direction –** Mission 2020 is a byproduct of countless discussions between the board and the management. The board is fully aware of the new goals and objectives of the company.

In 2018, the Board of Directors met on four occasions in person and online, besides this business decisions were taken via circulation of board resolutions. The Board carries out a review of its effectiveness and performance each year after the closure of the fiscal year, on a self-assessment basis. The overall effectiveness of the Board was assessed as satisfactory. Areas that required improvement were duly considered and suitable action plans were formulated.

In closing, on behalf of the board and myself, I would like to appreciate the performance of all Avanceoners, the trust of our shareholders, the commitment of our partners and the support of all our stakeholders in making Avanceon a truly world class organization that delivers Tomorrow's Solutions Today.

Best Regards,

**Khalid H. Wain**
Chairman of the
Board – Non-Executive

Lahore,
March 25, 2019

# NOTICE OF
# 16TH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN that the 16th Annual General Meeting of Avanceon Limited ("AVN") will be held at Fairways Hall Country Golf Club Sector C Bahria Town Lahore, on Thursday, 25 April, 2019 at 3.00 P.M. to transact the following business:**

A. ORDINARY BUSINESS

1. To confirm the minutes of the 15th Annual General Meeting held on 24th April, 2018.

2. To receive, consider and adopt the Standalone and Consolidated Audited Financial Statements of the Company for the year ended December 31, 2018 together with the Directors' and Auditors' Reports thereon and Chairman's Review Report.

3. To appoint Auditors of the Company and fix their remuneration. The Members are hereby notified that the Audit Committee and the Board of Directors have recommended the name of retiring auditors M/s EY Ford Rhodes, Chartered Accountants for appointment as auditors of the Company

B. SPECIAL BUSINESS

4. To consider, and if thought fit, to approve as recommended by the Directors, the issue of bonus shares @ 40% and pass the following resolution;

"**RESOLVED** that Ordinary Shares of Rs. 10/- each be issued as Bonus Shares and that the said shares be allotted as fully paid Ordinary Shares to the Members of the Company whose names appear on the Register of Members as at the close of the business on 17 April 2019 the company in the proportion of 40 Bonus Share for every 100 Shares held, that is at the rate of 40%, as a result of this action a sum of Rs. 545,295,000 (Rupees Five Hundred Forty-Five Million, Two Hundred and Ninety-Five Thousand only) out of the free reserves of the Company be capitalized and applied towards the issue of bonus shares.

These Bonus Shares shall rank pari pasuu as regards dividend and in all other respects with the existing Ordinary Shares of the Company.

**FURTHER RESOLVED** that fractional entitlements of the members shall be consolidated into whole shares and sold in the stock market and the sale proceeds shall be donated to a charitable institution.

5. **RESOLVED** that the Authorized Capital of the Company be increased from Rs. 2,000,000,000 (Rupees Two Billion only) divided into 200,000,000 (Two Hundred Million) of the nominal value of Rs.10.00 (Rupees Ten each) ordinary shares to Rs. 2,500,000,000 (Rupees Two Billion, Five Hundred Million Billion only) divided into 250,000,000 (Two Hundred and Fifty Million) of the nominal value of Rs.10.00 (Rupees Ten each) ordinary shares. and that

   (a) Clause V of the Memorandum of Association of the Company be and is hereby amended to read as follows:

   "V. The authorized share capital of the Company is Rs. 2,500,000,000 (Rupees Two Billion Five Hundred Million) divided into 250,000,000 (Two Hundred Fifty Million) shares of the nominal value of Rs.10.00 (Rupees Ten each) with the power to increase and reduce the capital and to divide the shares in the capital for the time being into several classes in accordance with the provisions of the Companies Act 2017.

   (b) Article 5 of the Articles of Association of the Company be and is hereby amended to read as follows:

   "5. The authorized share capital of the Company is Rs. 2,500,000,000 (Rupees Two Billion Five Hundred Million) divided into 250,000,000 (Two Hundred Fifty Million) ordinary shares of Rs. 10/- each with power to increase, consolidate, sub-divide, cancel, reduce or otherwise reorganize the share capital of the Company subject to the provisions of Section 85 and 89 of the Companies Act 2017.

   Any Other Business:

6. To transact any other business with the permission of the Chair.

By Order of the Board

**Ahsan Khalil**
Company Secretary

Lahore
Dated: **04 April, 2019**

# N.B

**Closure of Share transfer books for Bonus Entitlement**

(1) The share transfer books of the Company will be closed and no transfer of shares will be accepted for registration from Thursday 18 April 2019 to Thursday 25 April 2019 (both days inclusive). Transfer received in order at the office of our Registrar, Ms. FAMCO Associates 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi by the close of business (5.00 p.m.) on Wednesday 17 April 2019 will be treated to have been in time for the purposes of entitlement of bonus shares to the transferees and to attend & vote at the meeting.

(2) A member entitled to attend and vote at this Meeting shall be entitled to appoint another person, as his/ her proxy to attend, speak and vote instead of him / her, and a proxy so appointed shall have such rights, as respects attending, speaking and voting at the Meeting as are available to a member. Proxies in order to be effective, must be received by the Company not less than 48 hours before the meeting. A proxy need not be a member of the company.

(3) Members are required to timely notify any change in their address to Company's Shares Registrar, Ms. FAMCO Associates 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi.

# ADDITIONAL NOTES;

CDC Account Holders will further have to follow the under mentioned guidelines as laid down in circular #1 dated 26 Jan 2000, issued by **SECP.**

**FOR ATTENDING THE SHAREHOLDERS' MEETING**

I. In case of individuals, the account holder or sub-account holder and/ or the person whose securities are in group account and their registration details are up-loaded as per the Regulations, shall authenticate his identity by showing his original National Identity Card (NIC) or original passport at the time of attending the meeting.

II. The shareholders registered on CDC are also requested to bring their particular ID numbers and account numbers in CDS.

III. In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced at the time of the meeting

**FOR APPOINTING PROXIES:**

I. In case of individual, the account holder or sub-account holder and/ or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the duly completed and stamped proxy form accordingly.

II. The proxy form shall be witnessed by the two persons whose names, addresses and NIC numbers shall be mentioned on the form.

III. Attested copies of valid NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

IV. The proxy shall produce his/ her original NIC or original passport at the time of the meeting.

V. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted along with proxy form to the company.

**CIRCULATION OF NOTICE OF MEETINGS AND ANNUAL FINANCIAL STATEMENTS**

Pursuant to SRO 787 (1)/2014 Dated 08 Sep 2014 the SECP and Sec 223(6) of Companies Act 2017, circulation of Audited Financial Statements and the Notice of Annual General Meeting has been allowed to be circulated in electronic format through email. We are pleased to offer this facility to our members who desire to receive annual financial statements and notices through email in future. In this respect members are hereby requested to convey their consent via email on a standard request form which is available on company's website www.avanceon.ae  Please ensure that your email has sufficient rights and space available to receive such email which may be larger than 2 MB file in size. Further it is the responsibility of the member to timely update the share registrar of any change in the registered email address. Annual audited financial statement of the company for the year ended 31 Dec 2018 have been made available on the company's website www.avanceon.ae

**CONSENT FOR VIDEO CONFERENCE FACILITY**

In accordance with Sec 132(2) of the Companies Act 2017, Members can also avail video conference facility, if the company receives consent at least 07 days prior to the date of the meeting from members holding in aggregate 10% or more shareholding and residing in Karachi to participate in the meeting through video conference.

# NOTICE OF
# 16TH ANNUAL GENERAL MEETING

I /We _________________of ______________, being members of **Avanceon Limited** and holder of ___________ordinary shares as per registered folio no/CDC A/c No______________ hereby opt for video conference facility at Karachi.

For any query/information, members may contact our Share Registrar Ms. FAMCO Associates 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi.

Statement (s) under section 134(3) of the Companies ACT, 2017
This Statement is annexed to the Notice of the 16th Annual General Meeting of Avanceon Limited to be held on Thursday 25 April 2019 at which certain Special Business is to be transacted. The purpose of this Statement is to set forth the material facts concerning such special business;

**ITEM (4) OF THE AGENDA**

The Directors of the Company are of the view that the Company's profitability, financial position and its reserves justify the issuance of Bonus Shares in the proportion of 40 share for every 100 shares held, that is at the rate of 40%, to those Shareholders whose names appear in the Register of Members at the close of Business on Wednesday 17 April 2019. as a result of this action a sum of Rs. 545,295,000 (Rupees Five Hundred Forty-Five Million, Two Hundred and Ninety-Five Thousand only) out of the free reserves of the Company be capitalized and applied towards the issue of bonus shares.

Pursuant to rule 4 (v) of the Companies (Further Issue of Shares) Regulations 2018, a Certificate of free reserves has been issued by the Auditors.

These Bonus Shares shall rank pari pasuu as regards dividend and in all other respects with the existing Ordinary Shares of the Company.

The Directors of the company are interested in the business to the extent of their shareholding in the company.

**ITEM 5 OF THE AGENDA**

The Board of Directors' in their meeting held on 28 Mar 2019 approved the increase in authorized share capital of the company to Rs. 2,500,000,000 (Rupees Two Billion, Five Hundred Million Billion only) divided into 250,000,000 (Two Hundred and Fifty Million) of the nominal value of Rs.10.00 (Rupees Ten each) ordinary shares from Rs. 2,000,000,000 (Rupees Two Billion only) divided into 200,000,000 (Two Hundred Million) of the nominal value of Rs.10.00 (Rupees Ten each) ordinary shares. The current increase in authorized capital is approved to anticipate any increase in issue of shares as the total authorized capital of the company is 68% issued, paid-up and subscribed. After the issue of bonus shares of 40% this will increase to 95%.

The Directors of the Company have no personal interest in the increase of Authorized Share Capital whether directly or indirectly except to the extent of the shareholding held by them in the Company.

# SHAREHOLDERS INFORMATION

**The 16th Annual General Meeting of Avanceon Limited will be held on 25th of April on 3pm at Fairways Hall, Country Golf Club, Sector-C, Bahria Town, Lahore, Punjab, Pakistan, the shareholders are encouraged to participate and vote, any shareholder may appoint a proxy to vote on his or her behalf. The Proxies should be filed with the company at least 48 hours before the meeting time. Shareholders or their Proxies are requested to bring with them copies of their valid Computerized National Identity Card or Passport along-with the Participant's ID number and their account number at the time of attending the Annual General Meeting in order to facilitate their identification.**

Major Resolution –

Shareholders information:

1. The Board of Director's recommended 40% Bonus share issue i.e. 40 shares for every 100 shares held to the members of the company.

The share transfer books of the Company will be closed and no transfer of shares will be accepted for registration from Thursday 18 April 2019 to Thursday 25 April 2019 (both days inclusive). Transfer received in order at the office of our Registrar, Ms. FAMCO Associates 8-F, Near Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi by the close of business (5.00 p.m.) on Wednesday 17 April 2019 will be treated to have been in time for the purposes of entitlement of bonus shares to the transferees and to attend & vote at the meeting.

2. The Board of Directors' approved the increase in authorized share capital of the company to Rs. 2,500,000,000 from Rs. 2,000,000,000.

The current increase in authorized capital is approved to anticipate any increase in issue of shares as the total authorized capital of the company is 68% issued, paid-up and subscribed. After the issue of bonus shares of 40% this will increase to 95%.

## Ownership

As on December 31, 2018 there were 2,414 holders on record of the Company's ordinary shares.

## Quarterly Results

The Company issues quarterly financial statements. The planned dates for release of the quarterly results in FY 2019 are:

| | |
|---|---|
| 1st quarter: | **April 28** |
| Half yearly: | **August 22** |
| 3rd quarter: | **October 25** |

All our quarterly reports are regularly posted to Pakistan Stock Exchange, all annual/quarterly reports are also placed at the Company's website: www.avanceon.ae The Company reserves the right to change any of the above dates, additionally, the pursuant to compliance of S.R.O.470 (I)/2017 dated May 31, 2017 issued by the SECP and subject to the consent and approval of the shareholders in AGM 2016 the Company shall circulate the Annual Audited Accounts of the company to its members through CD/DVD/ USB.

All registered shareholders should send information on changes of address to:

**FAMCO Associates (Pvt) Ltd.**
8-F, Next to Hotel Faran, Nursery,
Block-6, P.E.C.H.S,
Shahra-e-Faisal, Karachi. Phone: +92 (21) 3438 0101-5 Fax No: +92 (21) 3438 0106, www.famco.com.pk

# CONTENTS

## Key Highlights



## Introductory



## Corporate Governance

# FINANCIAL
# HIGHLIGHTS

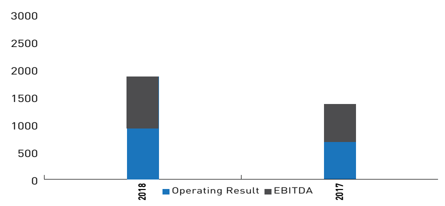
(As at December 31, 2018) Consolidated

**BAKHTIAR H. WAIN**
Founder & CEO

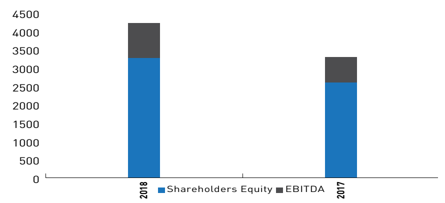
This past year has been a remarkable one for Avanceon. From Highway 50 to Mission 2020, Avanceon is evolving and taking on bigger and tougher challenges. And we couldn't have achieved this without your support and our team's commitment to excellence. Our mantra of delighting our customers has never been more relevant.

| Indicator | Change | 2018 | 2017 |
|---|---|---|---|
| Net Sales (Rs. in Million) | 24% | 3481 | 2814 |
| Operating Result (Rs. in Million) | 37% | 916 | 668 |
| Profit Before Tax (Rs. in Million) | 43% | 855 | 598 |
| Profit After Tax (Rs. in Million) | 36% | 767 | 563 |
| EBITDA (Rs. in Million) | 37% | 950 | 695 |
| EBITDA Margin Percentage of Net Sales (Percentage) | 10% | 27% | 25% |
| Earning Per Share (Rupees) | 32% | 5.62 | 4.26 |
| Equity (Rs. in Million) | 26% | 3,266 | 2,592 |
| Total Assets (Rs. in Million) | 30% | 5,993 | 4,597 |
| Return on Capital Employed (Percentage) | 9% | 26% | 23% |
| Current Ratio (Times) | -5% | 2.02 | 2.12 |
| Price Earning Ratio (Times) | 81% | 14.71 | 8.12 |

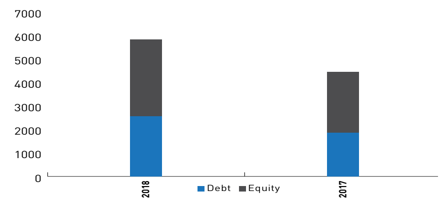
Operating Result and EBITDA




Operating Result and EBITDA




Operating Result and EBITDA



# VISION & MISSION
# STATEMENTS

**Avanceon Limited [PSX: AVN] has been in the automation business since 1984. Over the years, the Company has transformed into a 360 degree solution provider for automation, energy management, engineering services and maintenance for major blue chip companies. A certified member of the select group of Control System Integrators Association, Avanceon is also listed on the Control Engineering Magazine's System Integrator Hall of Fame.**

**Avanceon's values are deeply rooted within its processes and act as a guide when interacting with our internal and external stakeholders. At Avanceon, we are defined by our mission, our vision / mantra and our values.**

## VISION

Our Vision & Mantra is our everlasting commitment to always move forward and ensure that we always co-create value with each and every one of our stakeholders by delivering: Tomorrow's Solutions, Today.

## MISSION

Our mission is to passionately grow to be the leader of engineered solutions through the Inspired development of our teams by delivering forthcoming value to our customers.

## VALUES

Our values are deeply rooted within Avanceon and act as a guide in building value with both our internal and external stakeholders. These are the beliefs which drive our conduct and serves as a foundation of our business:


# PROFILE &
# GROUP STRUCTURE

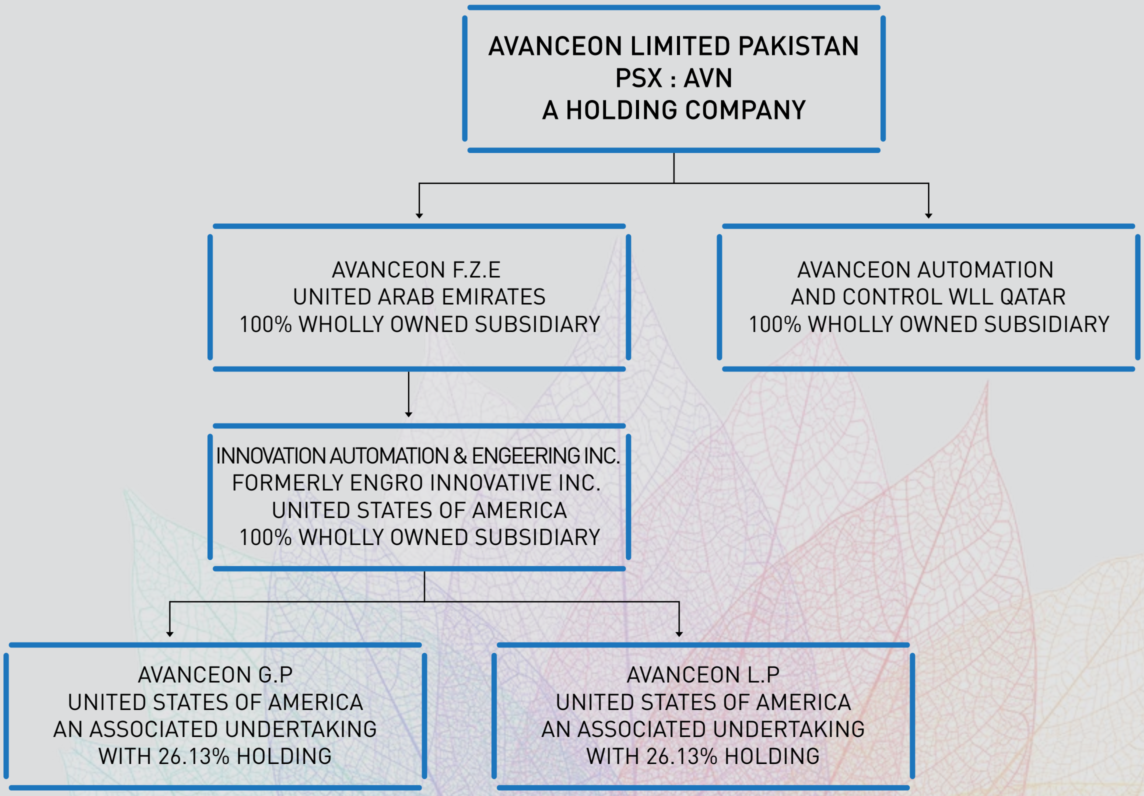
## CORPORATE PROFILE

CORPORATE PROFILE
Avanceon Limited [PSX:  AVN] is the leading provider of industrial automation, process control and systems integration as well as proprietary energy management solutions and support services. We have a strong market footprint through our offices in Dubai, United Arab Emirates and Doha, Qatar covering the Middle East region. Avanceon also has presence in Lahore, Karachi and Islamabad in Pakistan, covering South East Asia, and Exton, Pennsylvania, covering North America.

Avanceon has been in the automation business for the last 27 years and has transformed into a 360-degree solution provider for automation, energy management, engineering services and maintenance for major blue-chip companies. A certified member of the select group of Control System Integrators Association, Avanceon is also listed on the Control Engineering Magazine's System Integrator Hall of Fame. Avanceon recently expanded its footprint in the Middle East by setting up offices in Qatar and Kingdom of Saudi Arabia.

## ORGANISATIONAL STRUCTURE

Avanceon Limited is the holding company of the Avanceon Group. Having two wholly owned subsidiaries and an associated undertaking with various branches in different regions like Pakistan, United Arab Emirates, Qatar, Kingdom of Saudi Arabia and United States of America, Avanceon employs 200 plus highly qualified and trained resources.



# LETTER FROM THE
# CHIEF OPERATING OFFICER

## In 2018 we stayed true to our Highway 50 commitment and achieved it. Our next challenge is to build upon our previous successes.

**Mission 2020** will test our capabilities on two continents and the cloud.

The year 2018 confirmed our resolve to reach US$50 Million in revenue recognition. 2019 looks even more promising thanks to an impressive backlog of orders. To achieve our Mission 2020 target, every business unit of Avanceon will be adapting to the changing environment for the future.

## PAKISTAN HIGHLIGHTS

Beginning with our operations in Pakistan, the growth potential for core business remains enormous. In line with Mission 2020, Pakistan Core will double its order generation.

Our Oil & Gas division for the past eight years has been over performing and year 2018 was no different. By developing Turnkey solutions with major Oil & Gas players, Avanceon will reap benefits for years to come. With a healthy opportunity pipeline, the Oil & Gas division is expected to flourish in 2019.

With respect to product diversification in 2018 Avanceon took a bold business decision and ventured into the Retail Fuel Automation business. OMC giant Shell became our first client and currently we are deploying our solution at more than 60 of their sites with 200 more to follow.

One of the major reasons for our success was the economic performance of Pakistan. The GDP growth for Pakistan in FY18 was 5.8 percent which was the highest in 11 years. However, the projections for 2019 and 2020 are not as bright with the economy slowing down along with the GDP at 4.3% - 4.7% respectively. With our sturdy business model and a healthy pipeline of projects in place, we are confident it will not affect our top line.

## BUILDING MANAGEMENT SYSTEMS –

Avanceon BMS in collaboration with Siemens Technologies is up and running with its first contract secured and work underway. The growth potential for BMS remains in Malls, Hotels, Hospitals, Metros, Commercial Buildings, Airports, Industrial Plants (including Green Field projects) and Data Centres.

There is a growing demand for high rise and energy efficient buildings and Grade A office space in Lahore, Karachi and Islamabad due to rising consumer confidence and greater household spending power.

Avanceon BMS will be targeting large integrated projects requiring high level design and implementation skills. Our early entrance into Project Development and position as large integrator with sound engineering implementation and project management background will be one of our biggest strengths in this sphere.

Our other differentiating factors is value based AMS, already popular with customers, and specific BMS project execution experience on international infrastructure projects.

## MIDDLE EAST HIGHLIGHTS -

The Middle East remains a profitable region for Avanceon with potential for massive growth. For Mission 2020, our Middle East operations will be increasing their order generation by 1.5 times. To achieve this target, Avanceon will be looking to establish an Internal Panel Building and Staging Facility in Qatar. Lusail, Ashghal, Hamad, and Kahramaa will be our targets for sustainable business. Avanceon Qatar will be remodeling its Instrumentation and Control business and we will be aiming for a stronger local presence in the KSA region.

STATE OF QATAR – With the FIFA World Cup 2022 just around the corner, the State of Qatar is investing in a number of Real Estate and Transportation projects. Some of them include the expansion of the Hamad International Airport to cater 50 to 65 million passengers annually. The development of the Hamad Port to become one of the region's deepest ports and raising its capacity to handle 12 million containers annually. Completion of a large number of dwellings in Lusail City, which is expected to accommodate at least 200,000 residents. And construction of a large number of hotels to add more than 20,000 hotel rooms by 2022.
Our infrastructure portfolio in Qatar include several high-profile projects such as the VIP Building in Lusail City. BMS

# "2018 was a big year for Avanceon. Pakistan met its PO generation target and our Middle Eastern arm exceeded our sales forecast by an impressive margin."

for 12 new buildings under the new port package, and SCADA integration for the Drainage Network Management Centre (DNMC) for Public Works Authority of Qatar Ashghal.

**KINGDOM OF SAUDI ARABIA –** More than 5,200 construction projects are currently rolling out in the GCC's largest and most populous country. Valued at $819 billion, these account for 35% of the total value of active projects across the GCC.

In 2018, we became the first Water Segment Specialist for Schneider. Avanceon KSA sees significant market shift and challenges which we aim to curb with a strong local presence.

We've increased our sales force to tap into the growth opportunities with experienced resources specializing in business planning and forecasting.

**UNITED ARAB EMIRATES –** Despite global headwinds, the outlook for the UAE economy is highly positive. The country's real gross domestic product (GDP) is expected to grow by 3.7 percent this year, higher than the 2.9 percent in 2018 and the 0.8 per cent growth achieved in 2017.

With our prequalification approved at OPCOs (Oil Producing Companies) in Abu Dhabi and our time-tested partnership with Ali & Sons, Avanceon is fully geared up to explore possibilities and create opportunities to help customers in the region. In Dubai, we are executing Empower's (Emirates Central District Cooling Co.) largest geographically spread project that includes one hundred and twenty-six energy transfer stations located at seventy different sites throughout the emirate of Dubai. It also includes several semi-permanent district cooling plants that serve communities with reduced carbon footprint and increased operational efficiency through our system.

In 2018, Avanceon was able to re-engage Saudi giant Empower after a decade long absence.

Avanceon FZE aims to take advantage of this tailwind by leveraging qualifications with Oil Producing Companies, develop partnerships with key partners for 'Solution Status' and develop new base business.

## OUR INTERNATIONAL EXECUTION

2018 kept International Execution (IX) busy with multi-million-dollar flagship projects in UAE, Qatar and KSA. Avanceon's IX division designed and executed the Doha Metro, Sewerage Treatment Plant - Ashghal Qatar and NPP Port projects in the Middle East region. The Ashghal project for the Public Works Authority of Qatar deserves special mention here as these highly complex undertakings are being executed according to international quality standards following a cost-effective business model.

## AFTER MARKET SUPPORT

The After-Market Support's Mission 2020 is to double Business in Pakistan and establish International Business on Sustainable basis in the Middle East.

The growth potential for AMS include the establishment of a Professional Training Center and development of a Professional Trainings Portfolio
2018 saw the After-Market Support (AMS) division return its best numbers since its establishment in 2013. Having experienced exponential growth with an average 12% Year on Year growth, the AMS saw a healthy 20% bottom line growth in 2018. This trajectory is mainly due to an improved strategy, persistent business development activities over the past years and in-house competency development for delivering a larger portfolio of plant services. Another reason for its meteoric growth is the maturing of Avanceon's install base clients. The AMS division doubled its manpower in Pakistan and the business in Middle East is on a sustainable trajectory.

## PERFORMANCE MEASUREMENT & STEWARDSHIP

At Avanceon we are constantly measuring our performance. This is why we've instituted the 100-day plan methodology. This will help associates and managers know their superiors, get into the habit of communicating targets and results, help them get in front of their teams and delegate the share load. With the help of these measures, associates and managers will be able to prioritize their efforts, begin with quick wins, take deep dive on complexity and be creative by making it personal.

## THE FUTURE LOOKS DIGITAL

Technology is at the core of what we do. Advances in technology make us faster and safer and drive a more engaging customer experience, differentiating our businesses today and for the future. The pace of technology change is always increasing, and we challenge ourselves to think, innovate and deliver like a forward-thinking technology company.

As we enter 2019, we feel it is vital that our brand captures the essence of who we are and the energy and passion that we bring to our solutions. This is why we introduced a refreshed corporate brand and launched a new website, which presents the company in a more contemporary light. In making our culture as strong as possible, we have refreshed the values that guide our behaviour internally and our relationships with our partners, customers and investors.

I have never been more excited about the opportunities ahead. Our focus on innovation and aggressive approach to meet new challenges will continue to result in dynamic changes to our operating model as we best position our businesses for the future.

In so doing, we will maintain a relentless commitment to the highest standards of conduct, business ethics and safety.

Till we meet again -

Yours Truly,

**Tanveer Karamat**
Chief Operating Officer

# CODE OF BUSINESS CONDUCT
# & ETHICAL PRINCIPLES

**As an ethically unyielding, proactive and sustainable business, Avanceon has always upheld high standards across all practices without needing third party monitoring. However, we are honored to have been recognized and accredited, over the years, by industry organizations of excellence.**

**At Avanceon, we do not compromise on business ethics and practices. Working with us implies engaging with each and every one of our core values: candor, agility, creativity, quality, teamwork, integrity and sustainability. These values define how we work and how we achieve success.**

**Our values also define the very foundation of our outright business conduct and ethics:**

## Corruption and Bribery Prevention

At Avanceon, we prohibit any form of corruption or bribery. We oppose any action that breaches anti-corruption laws of all the countries in which we operate. Engaging with us implies adhering to uncompromised integrity at all levels. This is our pledge in delivering sustainable solutions that will never undermine our reputation or the companies that we work with. The TRACE certificate is a recognition of this integrity.

- Business Ethics
- Conflict of Interest Policy
- Social Compliance Policy
- TRACE Certification

## Information Technology & Communications

At Avanceon, we are committed to delivering information transparently to protect the reputation of the company and that of the stakeholders, and to promote the integrity of the company. Regardless of the purpose of the communication, each and every employee at Avanceon is responsible for delivering our message within the provision that has been set to ensure accuracy and safeguard internal and external stakeholders. We are committed to protect our customers and employees from internal or external information security threats, whether deliberate or accidental

- Information Security Governing Policy

## Employee Empowerment Framework

At Avanceon, we hire highly talented, energetic and dedicated people who can make a real contribution to our continuing success. As an employer we believe that our people are our biggest asset and our greatest investment in our future, which is essential to our long-term business success.

We go the extra mile in equipping them with the skills necessary for their professional growth, recognizing them for their outstanding performance and providing them with a world class experience to deliver their best in an enabling environment.

- Employee Professional Accreditations & Certifications Policy
- Employee Stock Option Schemes

## Equal Employment and Anti-Harassment

Avanceon represents over 200 employees recruited globally, and we have always been an equal opportunity employer. We believe that everyone benefits from co- building a positive work environment. As such we have zero tolerance for any form of discrimination or harassment.

- Non-discriminatory Policy
- Social Compliance Policy
- General Working Policy

## Customer Centricity and Sustainability

Avanceon's way of expressing our commitment towards our customers is accomplished through the qualitative execution of our sound solutions and strong work ethics, which are encapsulated in our Customer Bill of Rights & our Customer Project Bill of Rights. In order to achieve sustainable growth, we place sustainability at the center of what we do by making a positive difference in the lives of the people and communities we work with through sound and impactful investments:

- Customer Bill of Rights
- Customer Projects Bill of Rights

## Quality, Health, Safety and Environment

Avanceon is committed to deliver excellence without impacting any employee, community, subcontractor, visitor or the environment. We maintain an agile approach to project management with a clear focus on customer delight, which allows us to provide any EPC or End-User with Tomorrow's Solutions, Today.

Avanceon's unremitting growth and development is reliant on the very highest standards and best practices translated across all of our business. Quality, Health, Safety and Environment have utmost importance in every activity Avanceon performs. This commitment allows us to exceed international and national QHSE standards on a daily basis.

- Essential Health and Safety Environment Training Policy
- OHSAS 18001:2007 – Health and Safety
- ISO 9001:2015 – Quality Management
- ISO 14001:2015 – Environmental Management
- CSIA:2015 – Membership

## Customer Bill of Rights

- A harmonious and professional business relationship
- A prompt and honest response to all questions
- Superior product and solution performance
- Quality supplies and materials
- Professional innovative and expert guidance
- Every Avanceon associate will manage the customer's money as they would their own
- Courteous treatment from every Avanceon employee and partner
- Every Avanceon associate will manage the customer's money as they would their own
- Courteous treatment from every Avanceon employee and partner

## Customer Project Bill of Rights

- To set and follow specific objectives for the project
- To know how long the project will take and how much it will cost
- To decide whether to include a feature
- To make reasonable changes to the requirements throughout the course of the project
- To know upfront the cost of making and implementing changes
- To know the project's status clearly, timely and confidently
- To be apprised regularly of risks that could affect cost, schedule and quality
- To be provided options for addressing potential risks
- To have access to project deliverables throughout the project
- To address system acceptance and the human side of change adoption that every project brings prior to implementation
- To have a plan and option for post project support

# CORPORATE **GOVERNANCE**

**Corporate Governance is the framework of rules, practices and procedures which determines a company's direction and performance. The process takes into account the company's financial, corporate, legal, regulatory, institutional and ethical responsibilities to its shareholders while maintaining the correct balance of power and accountability.**

The Board of Directors of **Avanceon Limited** is committed to the principles and do comply with requirements of the Code of Corporate Governance included in the listing regulations of Pakistan Stock Exchange. The stakeholders expect that the Company is managed and supervised responsibly and proper internal controls and risk management policies and procedures are in place. This ensures efficient and effective operations of the Company, safeguarding of assets and shareholder wealth, compliance with the local laws, regulations and proper financial accounting and reporting in accordance with the International Accounting (IAS) and International Financial Reporting Standards (IFRS). The statement of compliance is enclosed.

## Role of the Board of Directors

The Board has a fiduciary responsibility for the proper direction and control of the activities of the Company. This responsibility includes such areas of stewardship as the identification and control of the Company's business risks, the integrity of management information systems and clear, transparent reporting to shareholders. The Board accepts its primary responsibility for the overall control architecture of the Company. However, it recognizes that the internal control system has to be cost effective and that no cost effective system will preclude all errors or irregularities. The system is based upon written procedures, policies, guidelines, an organogram that provides an appropriate division of responsibility, a program of internal audit, manning of all key functions by qualified personnel and constant training.

## Statement of Directors' Responsibilities

The Board regularly reviews the Company's strategic direction. Annual plans and performance targets for business are set by the Chief Executive and are reviewed in total by the Board in the light of the Company's overall objectives. The Board is committed to maintain the high standard of good corporate governance. The Company acts in compliance with the provisions set out by the Securities and Exchange Commission of Pakistan and accordingly amended listing rules of the Pakistan Stock Exchange. Following are the Statements on Corporate and Financial Reporting Framework:

a. The financial statements, prepared by the management of the Company, present its state of affairs fairly, the results of its operations, cash flows and changes in equity.
b. Proper books of accounts have been maintained by the Company.
c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
d. International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
e. The system of internal control is sound in design and has been effectively implemented and monitored.
f. There are no doubts upon the Company's ability to continue as a going concern.
g. The best practices of the Corporate Governance, as detailed in the listing regulations have been followed.

Respective Role of the Chairman & the CEO

## Role of the Chairman of the Board

The principal role of the Chairman of the Board is to manage and to provide leadership to the Board of Directors of Avanceon. The Chairman is accountable to the Board and acts as a direct liaison between the Board and the management of the Company, through the Chief Executive Officer. The Chairman acts as the communicator for Board decisions where appropriate. By separating the role of Chairman from CEO it points to an independency and more objective judgment focusing primarily on shareholder value. Duties and responsibilities of the Chairman include: linking management and board, ensuring the Directors have sufficient information to form appropriate judgments, acting as Chair at meetings of the Board and shareholder, recommending an annual time plan of Board and Committee meetings, reviewing and signing Board meeting minutes, to ensure that regularly, upon completion of the ordinary business of a meeting of the Board, the Directors hold discussions without management present.

## Role of the CEO

The roles and responsibilities of the CEO include: developing the Company strategy, supported by yearly business plans and budgets, for Board approval;

running the business in accordance with Board decisions; achieving the Company's financial and operating goals and objectives; succession planning; information technology planning; monitoring and reporting the Company's performance and compliance imperatives to the Board; ensuring that the Company complies with all relevant laws and corporate governance principles through adoption of best practices; serving as chief representative of the Company – ensuring that a long-term strategy is developed and recommended to the Board for added shareholder and company value.

The Chief Executive Officer must also: build the brand, reputation and franchise of Avanceon; diversify business evolve the company offering to bring more services and profitability; establish a company structure that optimizes execution of the Company's adopted strategies; foster a corporate culture that promotes sustainable ethical practices, encourages individual integrity and fulfills social responsibility goals; ensure a positive and constructive working environment where employees are motivated and retained.

The Board comprises of two executive and five non-executive directors including two independent directors. All the directors keenly take interest in the proper stewardship of the Company's affairs. The non-executive directors are independent of management of the Company, the existing directors tenure will complete the three year period on April 24, 2020. The Board has constituted the following committees:

1. Audit Committee
2. Human Resource and Remuneration Committee
3. Management Committee

Through its committees, the Board provides proactive oversight in some of the key areas of business and the performance of CEO. The Board regularly reviews the respective charters of these committees.

## CEO Performance Review by the Board

The Board of Directors evaluates the chief executive officer annually in light of corporate goals and objectives including performance of the business, accomplishment of long-term strategic objectives, development of management, etc., as established. The evaluation has been communicated to the chief executive officer and the chairman of the Board.

Management Initiatives on Corporate governance
In order to orient the key management personnel of the corporate governance concepts and best practices, the company conducts periodical workshops on different moderators covered varied topics on corporate governance: the role, importance & structure of the board; strategic planning through various models and analysis matrices; succession planning; risk management and internal controls

## Ethics

Ethics are an integral part of the culture at Avanceon & guide the behavior and conduct of all employees enabling them to meet objectives efficiently, transparently and fairly. There is a comprehensive, well-structured ethics program, based on a code of conduct, which has been approved by the board and is applicable to all employees.

The ethics program includes:
Code of ethics
Training for employees
Means of communicating
Mechanism to report wrongdoing - Whistle Blower Policy
System for detection and conducting inquiries
Taking corrective action

The code of ethics is supplemented by various function specific codes, which include:

Financial code of ethics – This code defines the acts and omissions to be followed by senior executives, especially those responsible for public disclosure and financial information.

Principles of good promotional practices – Defines the fundamental promotional rules recommended by the consulting firms

Personal data protection charter – This charter outlines Avanceon corporate rules for the collection, processing, use, dissemination, transfer, and storage of personal data in order to secure an adequate level of protection within the Avanceon group.

Code for prevention on insider trading – Defines rules for prevention of insider trading with Avanceon.

Ethical charter for buyers – This document defines the rules applicable to and the behavior required from all Avanceon employees who are involved in the buying process.

CORPORATE
# GOVERNANCE

*The purpose of CCG is to harmonize the procedure controls of the listed companies to promote and increase transparency of Corporate Governance and the ability of the shareholders and investors to evaluate the practices applied by a listed company. At Avanceon we follow best CCG practices to achieve a dual objective of value creation for our shareholders and abiding law in balance.*
*Ahsan Khalil, Company Secretary*

## Business Governing Principles and Values

Avanceon [AVN] conducts its business in a responsible manner and with honesty and integrity. We also have the same expectations from all those with whom we have relationships. We insist on doing what is right which sets the tone of our actions and underpins the functioning of our employees. We also insist that all transactions be open, transparent and within the legal framework culminating in responsible and accurate financial reporting.

## Integrity

Avanceon does not use bribery as an instrument for any business or financial gain. Employees are not authorized to give or receive any gift or payment which may be construed as such. Employees are also required to avoid engaging in any personal activity or financial interests/gains which would conflict with their responsibility to the Company.

## Code of Conduct

The Board has adopted a code of conduct for its members, executives and staff, specifying the business standards and ethical considerations in conducting its business. The code includes:

- Corporate governance
- Relationship with employees, customers and regulators
- Confidentiality of information
- Trading in Company's shares
- Environmental responsibilities

## Sustainability

Corporate Social Responsibility
Avanceon takes corporate social responsibility seriously. Through giving back to the people that work with us and the communities where we operate, we create meaningful societal values and traits.
Avanceon, as a socially responsible organization, has persistently worked towards increasing our emphasis on giving back to the community where we operate. This year the company enrolled all the children of its support staff, 38 in total, to a wholly-funded education program that covers all aspects of their educational journey including school fees, books, uniforms, home tutors and transportation. Avanceon supports the children all the way from primary school up to University level, and not only that, but also work towards finding them a suitable job. This company initiative was recognized by the National Forum for Education and Health in January 2017. The Avanceoners pledged to donate very material amount which was doubled by the same contribution amount by the company for Army relief funds for the IDP's, to make a difference and volunteering support for the under privileged individuals in effort to better their lives.

The 4 pillar audit covers some or all labor standards, health & safety, environment, and business practices, and the progress is monitored with each division. HSE performance data is collected, validated and consolidated with the Avanceon HSE data management system. The Company is dedicated and committed towards protection of the environment, energy conservation and welfare of all staff and broader society.

## Environmental Protection

As a service-providing company, our activities do not directly harm the environment, but the Company appreciates and takes part in several "green" initiatives. The Company believes in paperless working processes to preserve nature and is reducing physical administrative forms by utilizing the company intranet, encouraging on-demand printing only. Avanceon also started a campaign across all offices to generate environmental awareness amongst employees and their family members.

## Occupational Safety and Health

The Company always puts the safety and health of its employees as a priority and has invested significantly and committed to invest further in the future. The Company offers attractive health & safety policies such as periodic awareness sessions to promote preventative measures with the intention of ensuring safety and security of the employees.
The Company has established a safety department led by an experienced member of staff, equipped with sophisticated firefighting and safety equipment, at all locations. Similarly, we have established facilities of Nestle water and dispensaries and ambulances at all locations. The Company arranges office fumigation on a regular basis in order to prevent dengue and other diseases, as well as providing a nutritional lunch to employees without hierarchical discrimination.

## Equal Opportunity Employer

The Company is proud to be an equal opportunity employer, offering employment to both genders, different ethnicities and people with disabilities without any discrimination. Key roles are taken by various nationalities: American, Egyptian, Filipino, French, Indian, Japanese and Pakistani, women are especially encouraged across the company.
Avanceon's most valuable contribution to the Pakistan nation is providing a trained engineering workforce.

# AVANCEON'S WHISTLEBLOWER POLICY – "SPEAK OUT!"

The Board of Directors of Avanceon and its subsidiaries have adopted a number of policies related to ethics and responsible behavior which define the high standard of governance and business conduct to which we pledge ourselves as an organization. This has always been our core strength and is reinforced through voluntary reporting of irregularities and periodic reviews of business practices.

As an additional measure, a Whistleblower system has also been established. The Company expects employees, suppliers and contractors at all affiliated companies to not only abide by our standards of business conduct but also to **speak out** about any concerns they have regarding business ethics, safety, environmental performance, harassment and other employment related matters or other possible breaches of compliance.

Every effort is made to maintain the confidentiality of complainants and to protect them from any form of retaliation or victimization for genuinely held concerns that are raised in good faith.

Speak-outs are encouraged to report serious concerns that could have a significant impact on these organizations, such as actions that

- are unlawful or may damage the reputation of Avanceon or an affiliate
- are fraudulent and lead to a loss of assets
- may be intended to result in incorrect financial reporting
- are in violation of various corporate policies governing business conduct
- are in violation of Safety Health & Environmental standards applicable to the business
- give rise to harassment, discrimination or other unfair employment practices

**Independent "Speak Out" hotline 0092-42-37515129 or email to speakout@avanceon.ae to raise concerns. You can also write to Speak Out (PO Box 4012, Lahore - Pakistan.)**

# REVIEW REPORT
# TO THE MEMBERS

## ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE OF CODE OF CORPORATE GOVERNANCE

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Avanceon Limited (the Company) for the year ended 31 December 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the stat us of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations. As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not. ·

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2018

EY Ford Rhode

**EY Ford Rhodes**
Chartered Accountants
Engagement Partner: Abdullah Fahad Masood

Lahore: 02 April, 2019

# STATEMENT OF **COMPLIANCE**

## (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of Company: **Avanceon Limited**

For the year ended: **31 December, 2018**

**This statement is being presented to comply with the Code of Corporate Governance (the CCG) contained in Regulation No. 5.19 of Chapter 5 of the Listing Regulations of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.**

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:

a. Male: Seven
b. Female: None

Latest elections of the Board were held in April 2017 before these Regulations came into force. The Company shall comply with the requirement of at least one female director on its Board upon expiry of the term in 2020 as per clause 7 of the Regulations.

2: The composition of board as follows:

| Category | Name |
|---|---|
| Independent Directors | Mr. Umar Ahsan Khan<br>Mr. Tajammal Hussain |
| Executive Directors | Mr. Bakhtiar Hameed Wain<br>Mr. Tanveer Karamat |
| Non-Executive Directors | Mr. Khalid Hameed Wain<br>Mr. Naveed Ali Baig<br>Mr. Amir Waheed Wain |

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company.

4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

5. The board has developed a vision/ mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.

7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.

8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

9. The Board has arranged Directors' Training program for the following:

a. Mr. Umar Ahsan Khan

10. No new appointment of the CFO, Company Secretary and Head of Internal Audit occurred during the year.

11. CFO and CEO duly endorsed the financial statements before approval of the board.

12. The board has formed committees comprising of members given below:

a) Audit Committee

| | |
|---|---|
| Mr. Tajammal Hussain | Chairman |
| Mr. Amir Waheed Wain | Member |
| Mr. Naveed Ali Baig | Member |

b) HR and Remuneration Committee (Name of members and Chairman)

| | |
|---|---|
| Mr. Umar Ahsan Khan | Chairman |
| Mr. Khalid Hameed Wain | Member |
| Mr. Bakhtiar Hameed Wain | Member |

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.

14. The frequency of meetings (quarterly/ half yearly/ yearly) of the committee were as per following:

a) Audit Committee - Four quarterly meetings during the financial year ended 31 December 2018.

b) HR and Remuneration Committee- One meeting during the financial year ended 31 December 2018.

**15.** The board has outsourced the internal audit function to Grant Thronton Anjum Rehman, Chartered Accountants who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.

**16.** The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

**17.** The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

**18.** We confirm that all other requirements of the Regulations have been complied with.

ON BEHALF OF THE BOARD

**Mr. Khalid Hameed Wain**
Chairman

**Lahore**
**Date: 28 March 2019**

# CORPORATE **POLICIES**

## DISCLOSURE OF POLICY FOR ACTUAL AND PERCEIVED CONFLICTS OF INTEREST

Avanceon's disclosure of policy for actual and perceived conflicts of interest is covered in the Conflict of Interest Policy, which requires employees to disclose relationships with a potential Guarantor or Vendor and provides guidance on managing conflicts. The purpose of this policy is to provide guidance in identifying and handling potential and actual conflicts of interest involving the organization, and is applicable to all permanent, contractual and daily wage employees. Any action by an employee, which deliberately or recklessly breaches this conflict of interest policy, may result in disciplinary action which may lead to termination of employment.

## DISCLOSURE FOR IT GOVERNANCE POLICY

Information Security governing policy is covered in the Acceptable Use of IT Resources. The policy describes the acceptable use of IT resource for the Company. The purpose is to outline the usage of Avanceon IT resources by all its employees. This policy applies to the use of all Avanceon IT resources (e.g., desktop computers, laptops, printers, disk space storage, software, telecommunications equipment, networks, Internet, E-mail, etc.) and supporting infrastructure that is owned, leased, or controlled by Avanceon and used by its employees, contractors, interns, or other personnel at the Central, Regional, and Satellite office locations.

## AVANCEON'S WHISTLEBLOWER POLICY – "SPEAK OUT!"

The BOD of Avanceon and its subsidiaries have adopted a number of policies related to ethics and responsible behavior which define the high standard of governance and business conduct to which we pledge ourselves as an organization. This has always been our core strength and is reinforced through voluntary reporting of irregularities and periodic reviews of business practices.

As an additional measure a Whistleblower system has also been established. The Company expects employees, suppliers and contractors at all affiliated companies to not only abide by our standards of business conduct but also to speak out about any concerns they have regarding business ethics, safety, environmental performance, harassment and other employment related matters or other possible breaches of compliance.

They can use the independent "Speak Out" hotline 0092-42- 37515129 or email to speakout@avanceon.ae to raise their concerns.

They can also write to Speak Out (PO Box 4012, Lahore - Pakistan.)
Every effort is made to maintain the confidentiality of complainants and to protect them from any form of retaliation or victimization for genuinely held concerns raised in good faith.

Speak-outs are encouraged to report serious concerns that could have a significant impact on the organization. Actions that:

are unlawful or may damage the reputation of Avanceon or an affiliate
are fraudulent and lead to a loss of assets
may be intended to result in incorrect financial reporting
are in violation of various corporate policies governing business conduct
are in violation of Safety Health & Environmental standards applicable to the business
give rise to harassment, discrimination or other unfair employment practices

## HUMAN RESOURCE MANAGEMENT POLICIES INCLUDING PREPARATION OF SUCCESSION PLAN

Human Resource Management
Human Resource Management at Avanceon is covered across several polices, which serve as a comprehensive framework to managing people, workplace and culture. Hiring and confirmation provisions ensure that Avanceon reserves the right to assess prior work experience and skill levels, and to confirm applicants where applicable when considering full- time or part-time employment.
Compensation encompasses 10 policies, the purpose of which is to ensure employee's wellbeing and growth. These include: Vehicle Benefit, Education Allowance, Employee Professional Accreditations, Performance Bonus, Sales Incentive, Technical Services Employee Incentive, Performance bonus, Variable Pay Plan for managers and support staff, Umrah as well as Employee Stock Option Plan amongst others. Human Resources management that encompasses Salaries, Attendance, Asset Utilization, Rewards, health and other guidelines such as Mobile Usage are covered across 11 policies. Human Resource management has introduced the Pay Continuation Plan; over and above to the current benefits, grieved family will receive 50% of monthly gross salary for the period of ten years.

## OUR MEDICAL AND INSURANCE POLICY

One of the most important tasks in creating a high- performance culture is taking care of your employees.
When employees' needs are met, they feel aligned with the mission, vision and values of the organization. This results in high levels of engagement and commitment. They come to work with enthusiasm and are willing to go the extra mile to support the organization.

At Avanceon we ensure that the baseline rewards are fair and sufficient. These include some of the basic needs of an employee. One such need is medical and hospitalization cover. At Avanceon, we have hence, very carefully devised a medical policy to cover this criterion. With the best hospitals on our panel, we provide extensive hospitalization cover to the employee and his/her family, and unlimited OPD coverage as well.

Life insurance is also available to our employees under which they are covered for permanent partial disability, temporary total disability, accidental death and extended death benefit.
In 2018, Avanceon increased the room limit allowance by 22% and 16% for Plan A and B respectively. Furthermore, Avanceoners also receive clinic/lab, these centers are known as discount

center where employees can avail discount from 10% to 25 % by showing their medical insurance cards.

## COMPASSIONATE LEAVES

All permanent and contractual employees are entitled to compassionate or bereavement leaves which is in addition to casual/sick and annual leaves.

Compassionate leaves can be taken when a member of an employee's immediate family* or household passes away or suffers a life-threatening illness or injury and requires extensive medical care.

*Immediate family of an employee includes spouse, child, parent, sibling, grandparent and grandchild.

## PAY CONTINUATION PLAN

The demise of the bread earner can have a debilitating effect on a household. To ensure that none of our employee's families have to worry about their finances, life insurance policy has been revised to include the Pay Continuation Plan.

In addition to employee benefits, in the event of an employee's demise, the grieved family will receive 50% of the employee's monthly gross salary for the period of ten years.

## EDUCATION ALLOWANCE POLICY

At Avanceon we believe education can be a means to a tolerant and prosperous society. To facilitate our employees' children education in reputable institutes, we help in meeting associated costs. Avanceon has developed an education allowance policy which does not discriminate based on grades or cadres and is the same for all, across the board.

For our support staff, we have a separate CSR initiative in which we cover all the education expense of their children till graduation. From the initial admission to their tuition fee and pick n drop expenses, everything is covered by Avanceon.

## SUCCESSION PLANNING POLICIES

Succession Planning Policy for Avanceon encompasses the Company's best practice in terms of Human Resources Management. The purpose of the policy is to ensure replacement for key executive, management, and technical positions within the organization. This policy covers middle management positions and above in Avanceon Ltd. The point is to identify high-potential employees, ensure systematic and long-term development and provide a continuous flow of talent. The business-critical engineering skill set is being maintained through an engineering skill set matrix and managed for all engineering resources.

## SOCIAL & ENVIRONMENTAL POLICY

Social & environmental policy is covered in Avanceon's Quality, Health, Security and Environment [QHSE] policy. Avanceon's unremitting growth and development is reliant on the very highest standards and best practices translated across the entire business. QHSE has the utmost importance in every activity Avanceon performs. This commitment allows us to exceed international and national standards. Avanceon has a comprehensive set of procedures that ensures our solutions comply with international standards.

## POLICY AND PROCEDURE FOR STAKEHOLDER ENGAGEMENT

Stakeholder engagement policies and procedures map out all aspects of outreach with the broader audience interested in Avanceon. The Company involves committees at regular points throughout the year both for specific projects and general insights. The policies ensure that different parties are aware of the conduct and the function of the Company including Institutional Investors, Customers & Suppliers, Banks and other lenders, Media, regulators and analysts. Business Conduct for Avanceon addresses Stakeholder Engagement through five key commitments: Ethics, Ownership, Customer Delight, Continuous Improvement and Community Care, which need to be translated across all its communications.

## INVESTOR GRIEVANCE POLICY

Investor grievances are covered in the Securities & Exchange Commission of Pakistan rules as at May 11, 2001. These statutory rules have been published by the Government. The information pertaining to financial performance, shareholding pattern, compliance with Corporate Governance and announcements can be viewed or requested by the shareholders on http://www.avanceon.ae. Apart from this, www.avanceon.ae contains comprehensive information about the Company, its products, services, solutions, press releases and investor's information.

## SAFETY OF RECORD

Safety of Record is ensured by the Information Security Governing Policy, which provides a framework for Information privacy, accessibility and integrity to the operation and management of Avanceon, which are of great importance. Failure in any of these areas can result in disruption to the services, can hurt company business and can shake the confidence of existing and potential clients. Information and asset security therefore play a critical role in the successful operation of the company. The purpose of the Information Security Policy is to guarantee business continuity and curtail business damage by minimizing information security incidents to an acceptable level. Superior information security provision for our customers and employees is Avanceon's commitment to protect from internal or external information security threats, whether deliberate or accidental. Adherence to this policy is crucial to safeguarding these interests.

# TABLE OF CONTENTS

## FINANCIALS & DISCLOSURES



حصہ اردو

# ROLE OF THE **BOARD COMMITTEES**

## Responsibility to Stakeholders

Our primary purpose is to run our business efficiently and profitably to enhance shareholders' value but we do it with responsibility to all stakeholders. Profitability is essential to discharge this responsibility and the corporate resources are primarily deployed in the achievement of this end. However, the Company does not operate in isolation with its environment and accordingly feels responsible to all stakeholders which are:

1. Our Shareholders: To protect shareholders' investments and provide an acceptable return to them.

2. Our Customers: To win and maintain customers by developing and providing products and services, which offer value in terms of price, quality, safety and environmental impact supported by requisite technological expertise.

3. Our People: To respect the human and legal rights of its employees with good and safe conditions of work and competitive terms of service.

4. Our Business Partners: To seek mutually beneficial relationships with contractors and suppliers of goods and services to the Company.

5. Our Society: To conduct business as a responsible member of society, to observe laws, express support for basic human rights and give proper regard to health, safety and environment not only at our various campuses but also beyond, extending it to society at large.

## Composition Of The Audit Committee

The composition of the Committee is as follows:

1. **Mr. Tajammal Hussain,** FCA, Chairman, Independent Director

2. **Mr. Amir Waheed Wain,** Member, Non-executive Director

3. **Mr. Naveed Ali Baig,** Member, Non-Executive Director

The five meetings have been conducted during the year, with attendance noted as follows:

| Sr. No. | Member Name | Attend. |
|---|---|---|
| 1. | Mr. Tajammal Hussain, Chairman | 5 |
| 2. | Mr. Amir Waheed Wain, Member | 4 |
| 3. | Mr. Naveed Ali Baig, Member | 2 |

Mr. Saeed Ullah Khan Niazi, Chief Financial Officer, Mr. Farooq Hameed, Partner Ernst & Young Ford Rhodes (External Auditors), and Naeem Sarwar representing Partner Bilal Afzal Grand Thortan Anjum Rahman (Internal Auditor) also attend five, one-on-one meetings respectively on request of audit Committee as per requirement of Code of Corporate Governance.

## Role of the Audit Committee

The Audit Committee was established by the Board to assist the Directors in discharging their responsibilities for Corporate Governance for Financial Reporting and Corporate Internal Control. The committee consists of three members. The majority of members including the Chairman of the Committee are independent and non-executive directors.

The Audit Committee operates under terms of reference approved by the Board. The terms of reference of the Audit Committee addresses the requirement of the code of corporate governance issued by the SECP and includes the requirements of best practices. The Committee is accountable to the Board for the recommendation of appointment of external auditors, directing and monitoring the audit function and reviewing the adequacy and quality of the audit process. The CEO and CFO are responsible for the accuracy of financial information for inclusion in the annual report; the Committee provides the Board with additional assurance.

This Committee reviews the financial and internal reporting process, the system of internal controls, management of risks and the internal and external audit processes. An independent internal audit function reports to the committee regarding risks and internal controls across the organization. The Audit Committee receives reports from the internal and external auditors on any accounting matter that might be regarded as critical. The detailed Charter of the Audit Committee developed in accordance with the Code of Corporate Governance is contained in the listing regulations of the Pakistan Stock Exchanges.

The Audit Committee has reviewed the quarterly, half yearly and annual financial statements along with notes to the financial statements standalone and consolidated, besides the internal audit plan, material audit findings and recommendations to the internal auditor.

The Audit Committee is performing its duties in line with its terms of reference as defined and determined by the Board of Directors. The Committee also ensures that the Company has an effective internal control framework. These controls include safe-guarding of assets, maintaining of proper accounting records complying with legislation and ensuring the reliability of financial information.

## THE HUMAN RESOURCE & REMUNERATION COMMITTEE

The composition of the Committee is as follows:

1. **Mr. Umar Ahsan Khan,** Chairman/Member, Independent Director
2. **Mr. Bakhtiar H Wain,** Member, Executive Director
3. **Mr. Naveed Ali Baig,** Independent Director

The four meetings have been conducted during the year, with attendance noted as follows:

| Sr. No. | Member Name | Attend. |
|---|---|---|
| 1. | Mr. Umar Ahsan Khan, Chairman | 4 |
| 2. | Mr. Bakhtiar H Wain, Member | 4 |
| 3. | Mr. Naveed Ali Baig, Member | 1 |

The Human Resource & Remuneration (HR&R) Committee performs its duties in line with its terms of reference as determined by the Board of Directors. The Human Resource and Remuneration Committee was established by the Board to assist the Directors in discharging their responsibilities with regard to selection, evaluation, appraisal compensation and succession planning of key management personnel. It is also involved in recommending improvements in the Company's human resource policies and procedures and periodic review. The Committee consists of three members. The majority of members including the Chairman of the Committee are independent and non-executive members.

The HR & R Committee also reviews the human resource architecture of the Company and addresses the requirement of the Code of Corporate Governance. The Committee has been constituted to address and improve the crucial area of human resource development. Its aim is to assist the Board and guide the management in the formulation of the market driven HR policies regarding performance management, HR staffing, compensation and benefits. The expanded role of the Committee is to review CEO performance and recommend CEO compensation for the approval of the Board. Further, the selection, evaluation and compensation of CFO, Company Secretary and Internal Audit function is also reviewed and recommended to the Board by the Committee.

## MANAGEMENT COMMITTEE

The Management Committee ensures that a proper system is developed and working that enables swift and appropriate decision making. It acts in an advisory capacity to the Chief Executive at the operating level, providing recommendations relating to business and other corporate affairs. It is responsible for reviewing and forwarding long-term plans, capital and expense budget development and stewardship of business plans. The Committee is organized on a functional basis and meets monthly to review the performance of each function against set targets.

## GOVERNANCE AND EVALUATION COMMITTEE

The role of the Governance and Evaluation Committee is to assist the Board in the discharge of its function as well as compliance with the Company's governing principles. The Committee takes a leadership role in shaping the code of business conduct (governing principles) in order to keep them in line with international best practices. The committee will also monitor compliance with the Code of Corporate Governance other than those areas which fall under the oversight of the Audit Committee. The Committee also reviews from time to time the adequacy of succession and alignment of key factors with the Company strategy. Furthermore, the Committee evaluates the Board's Performance in line with the methodology approved by the Board and recommends the same to the Board for their review and approval.

# CORPORATE
# STRATEGY

Our strategy setting and reviews are conducted annually by a designated Business Strategy Committee that drives and channels the process. The Committee, comprising of our executive team, conducts an extensive 'SWOT analysis' regarding the business, by assessing internal and external issues and dependencies, counter measures, new opportunities and strengths.

## SWOT

### STRENGTHS

3 Clear leader for automation solutions in Pakistan
3 Sole publicly listed company in Automation & Control
3 3 times revenues of closest competition
3 Strong portfolio of clients with 39% being international blue chip clientele, 28% stock exchange customers
3 Strong reputation for quality of our technology and systems amongst industry Pakistani leaders

### WEAKNESSES

3 Actual marketing presence to be increased within the next 4 years
3 Key account management which is recently introduced, which has been growing at a steadfast speed
3 Pricing perceived as higher than other solutions in Drives, market but aligned with quality and longevity of products
3 Perceived as more focused on PLC than DCS in Oil & Gas

### OPPORTUNITIES

3 Existing plant automation systems are coming to maturity starting 2017 and need full up-gradation
3 Infrastructure in the ME soaring because of growing demography thereby offsetting Oil & Gas downturn
3 SMART technos IIoT, Big Data, Energy Management Solutions and after market support becoming critical
3 Great potential in Oil & Gas needs to be moved to AMS for upgradation & maintenance
3 Demand for efficiency and APC and Energy management based projects
3 Event driven growth opportunities in key countries, including CPEC (Pak), W/Cup (Qatar) and EXPO 2020 (UAE) for BMS initiative.

### THREATS

3 Major OEMS and competitor in the O&G market trying to make the shift to infrastructure
3 OEMs trying to find their way back on the automation market most specifically on the oil & gas as well as the energy sector
3 Increase competition in O&G/F&B the two lucrative markets

Using a Balanced Scorecard approach, the Committee agrees on a strategic direction and objectives under the thee defined perspectives:

1. Financial & Customer Perspective
2. Internal / Operational Perspective, and
3. Innovation / Learning Perspective

At the core of strategy review and development process is alignment with our mission, vision and values. The process of translating the vision helps the leadership team build a consensus around the organization's vision and strategy that guides action at the local and unit levels.

To enable our people to act on the vision and strategy, we close in on integrated sets of objectives and measures, agreed upon by all senior executives, which describe the long-term drivers of success for our business. The Business Strategy Committee ensures that everyone understands the long-term goal of the Company and that departmental and individual goals are aligned with them. We measure and realign performance at the individual, departmental and entity level through regular feedback enabling real time learning and calibration.

Enhancing shareholder value through cost and quality leadership lies at the core of our corporate strategic objectives. We do this by ensuring that we hold strong to our mission and values by acting responsibly, maintaining cost, quality leadership and seeking to attract, develop and retain talent. Our operational strategy is centered on:

- Customer Focus
- Strong capital and financial position
- Conservative, sound risk management
- Operational agility: people development and process improvement to enhance quality and productivity
- Ethical behavior, observing the letter and the spirit of rules and regulations
- Leveraging our human capital alongside information systems infrastructure

## MANAGEMENT'S OBJECTIVES AND STRATEGIES

Objectives of the management are well aligned and synchronized with the overall corporate short, medium and long term Company objectives which account for the needs of all stakeholders. Excellent corporate governance is the initial priority that we achieve by engaging and retaining the experienced team of management professionals.

Objectives for the previous year included not increasing fixed costs, growing revenue over the previous year, no reduction in margins and efficient management of liquidity & working capital. Achieving these objectives has enabled the Company to remain profitable despite adverse local and international economic and political conditions, especially in Pakistan.

The management believes in achieving the objective of maximization of the shareholders' wealth along with an excellent market reputation and goodwill by delivering quality services. Efficient financial and non-financial management is one of the most important Company functions, with the management continuously evaluating and investing in new opportunities such as the new joint venture with ATCO in KSA, a project entirely aligned with long term corporate objectives.

In providing quality services as agreed and according to the needs of customers across the Middle East and USA, Avanceon has been able to build strong relationships with customers belonging to diversified business sectors in different regions. To achieve this objective, Avanceon consistently makes smart and timely investments in training and enhancing the capabilities of our local and internal engineering pools, encouraging and enabling the latest innovations and technologies.

## Corporate Level Strategy

The basis and essence of Avanceon's corporate strategy is its long term goals under a very clear vision, which can be highlighted: To be the leader in the field of System Integration and Automation, by delivering sustainable and qualitative engineered solutions that is of value to all stakeholders.

To increase shareholder value and confidence through qualitative management lies at the core of the corporate strategic goals. The Company will achieve this by upholding core values and by acting sensibly, responsibly, maintaining cost, quality management and looking for and retaining talented highly trained human resources.

Within the volatile business environment in our markets of operation, most specifically the nature of political imperatives in Pakistan, the Company is focusing on short-term & medium-term strategy ranging from one year to three-year business objectives, aligned to longer-term objectives as set.

## Business Level Strategy

The Annual meeting enables business review, renewal and repositioning of Business level strategic objectives for the next three financial years. The review process includes a review of the Company's strategic objectives and extensive business segment level. SWOT analyses that measure internal and external issues and dependencies, counter measures, new opportunities and strengths in existing and new areas. Avanceon's business strategy focuses on the growth and profitability of each business segment which will primarily entail expanding the core business base.

Avanceon has taken steps to proactively reshape and increase the portfolio of some new businesses in line with market demands. Avanceon's business level strategy is to fulfill the needs of customer segments in Pakistan across Oil & Gas, Power, Food & Beverage as well as FMCG where the Company has excelled and led for many years. There will be a focus on Sugar and Construction Material (Cement) segments, where Avanceon has a strong customer base. At the same time, the Company will refocus on capital and operational costs to improve competitiveness.

In UAE, KSA, Qatar and rest of the world, a strong focus on industrial related solutions are key. These markets are highly competitive and though Avanceon is clearly amongst the leading system integrators and engineering solutions providers, a renewed focus has been undertaken to grow and exhaust opportunities in automation and process control within these areas. Avanceon has been very active in supporting business development within the Middle East through successful prequalification and strategic partnerships with the main automation leaders.

## Avanceon's Market Strategy

The market strategy calls to accelerate business development in Pakistan, UAE, KSA, Qatar and rest of the world by leveraging sales objectives to ensure sustainable growth by capturing business within the Oil & Gas, Power and Infrastructure for the Middle East, Sugar and Cement for South Asia, predominantly Pakistan.

## Avanceon's Information Technology Strategy

The company IT strategy is strongly aligned with business goals and objectives, and is designed to continuously enhance company value and operational efficiency. We have plans to leverage more of our investments in enterprise resource planning systems and MS Share portal for business operational intelligence to support. This has enabled us to make accurate and timely business decisions and corrective actions backed up by data calculations and projections.

## Avanceon's Human Resource Strategy

Our HR Strategy is designed to contribute and implement for providing our people with good jobs and attractive working environments that help to maximize their skills and realize the potential of both individual employees and teams for individual and collective goals and objectives. The HR strategy focuses on

# CORPORATE **STRATEGY**

developing and introducing programs to supplement Company policies on quality and fair recruitment, training, performance evaluation, measurement and correct arm's length remuneration in a manner that builds confidence, loyalty and strengthens the organization's skilled and non-skilled human capital. It also helps to develop a friendly corporate culture, comfortable and hygienic working environment and upholds our values. The Human Resource strategy focuses on enhanced local and international training of our human capital with measurable outcomes, promoting an interactive environment, improving succession readiness for future management and leadership, and developing a culture of innovation and accountability. We always listen to people and assess with fairness and liberty without any undue influence.

## Operational Level Strategy

The operational strategy aims at continuous improvement through active strong supply chain management and ever-improving risk management. Our strategy-setting and accomplishment reviews are conducted to gauge on a quarterly basis for short-term objectives, and on an annual basis for medium-term objectives, which processes are driven and channeled by a designated Business Strategy Committee (the Committee). The Committee comprises the Company's executive core management team, which meets once every quarter to review progress on strategic short-term and long-term objectives.

To enable our management and technologically-trained human resources to act on the vision and strategy of the company, we have integrated an agreed set of objectives and measures by all senior executives, which describe the long-term drivers of success for our business. The Business Strategy Committee ensures that every stakeholder in the company understands the long-term goals of the Company and each business segment, department and individual goals & objectives are aligned with these.

We measure and readjust performance across the individual, departmental, entity and wholly-controlled subsidiary level, understanding through regular feedback sessions to enable real-time learning and optimised training sessions. Our operational corporate strategy is centered on:

- Adherence and compliance of local laws and regulations
- True and fair presentation of financial transactions, accounting and reporting under prevailing accounting and financial reporting standards
- Enhancing shareholders' confidence and value by generating reasonable and sustainable returns
- Conservative, sound risk profile management and monitoring
- Zero tolerance ethical behaviour, preserving the compliance and spirit of Company rules and regulations
- Sustainable organic growth including geographical expansions
- Functional & Operational agility
- Meeting international standards of quality for health, safety and environment (QHSE)
- Hiring, retaining, training, developing and leveraging quality human resource capital

## Human Resources

Being the premier and pioneer automation company in Pakistan and having excellent standing in the Middle East and USA, the Company provides direct and indirect employment to talented engineers and supporting staff. As on 31 December 2017, the total number of employees directly employed by the Company were 281 and more were engaged in different activities of the Company. Being a technological services provider, the management considers its experienced, talented and highly trained technical human resource the main force behind the Company's profitability and growth.

Employees' motivation and satisfaction are stimulated through an attractive compensation package and work environment such as the best Employee Share Option Schemes, premium healthcare policies, well defined sales incentives and variable pay plans (VPP plans). Our human resource management is in line with the contemporary human resource practices which dovetail employees' growth needs with the corporate objectives of the Company.

The Company has implemented a very transparent electronic web-based mechanism for annual performance evaluation of its employees in accordance with its Human Resource Policies. Under this mechanism, department KPIs are defined collectively by the COO, HR Department, business heads and employees. Each employee KPI is derived from the operational objectives of the management.

Rewards for achieving KPIs is predetermined and well defined. At the end of each financial year, actual performance of the employee is measured, analyzed against predefined KPIs and the employee is awarded accordingly. The management of the Company believes this performance evaluation mechanism is the key reason behind the sustainable growth of the Company because employees act like partners and direct stakeholders, especially due to the Employee Share Option Scheme, playing a vital role in the future and growth of the Company. This performance evaluation mechanism is the key reason behind the company's sustainable growth, with employees behaving like partners and direct stakeholders.

# CRITICAL
# PERFORMANCE INDICATORS

| Objectives | CPIs | Analysis for the current year | Relevance for the future |
|---|---|---|---|
| Increase in revenue of the Company | 25% net increase in revenue of the company over the corresponding year with minimum of 25% gross margins on each order | We achieved 24% net consolidated increase in revenues of the Company over the corresponding year which was satisfactory with respect to this CPI (PKR 667m increased over FY 2017). The company also achieved 4% above the targeted CPI for gross margin i.e. 29%, which was below the FY-2017 GP, but company is very much confident to maintain the GP on 25% and above | This Critical Performance Indicator (CPI) shall remain relevant in the future |
| Perseverance of net profit margins and increase in profitability of the Company | Perseverance of 20% net profit margins and minimum of 10% net growth in net profit and return on capital employed | The Company successfully achieve the 20% target of net profit margin and also company persevered net profit margins and observed 36%% growth in net profit margins on group level. | This CPI shall remain relevant in the future |
| Control over fixed cost the company | Maximum of 15% increase on every financial year | We observed 36% net increase in Admin and selling expenses, this increase mainly due to one time provision and written-off of old balances amounting to PKR 95m, if we exclude this PKR 95m, so there is only 13% net increase in fixed cost, which is as per targeted CPI for current period (FY 2018) | This CPI target has been revised from 15% to 20% for financial year 2018. |
| Leading the market by outshining the competitors and introducing new improved quality of services by highly trained Engineers | Providing and delivering products & engineering services to customers which believe in no compromise on high quality | Due to retention and maintained a pool of highly trained engineers of different automation technologies have enabled us to increase the sales in the current year by delivering high end quality services to the customers as per their requirements which also helped us in retaining major customers in competitive environment. | This CPI shall remain relevant in the future |
| Broaden the customer portfolio | Increase in sales | Despite of financial depression in UAE and KSA markets, our revenues remained positive as compared to last year, but except for these two the rest of the business segments performed very well. | This CPI shall remain relevant in the future |
| Development and promotion of the Company image & presence in Middle East, Pakistan and rest of the world | Interaction and Relationship with the all stakeholders | Retention of the highly trained competitive employees, good reputation of the Company among its customers and suppliers, fulfilling all its obligations towards Government and regulators projects a good image of the Company. | This CPI shall remain relevant in the future |
| Promotion of environmental and corporate social responsibility | Awareness and continuous improvement in the approach of all level of management and employees | Throughout the year, we have not taken any activity or part of any activity which is against the protection of the environment and we have developed extra ways to save energy. As a social responsibility, we have opted to provide a clean environment to our society by disposing of old generators which were producing more smoke and have taken 100% responsibility of our low-income employees' children education by paying all direct and indirect expenses such as admission, books, uniforms, stationery, tuition, tutor, transportation etc. | This CPI shall remain relevant in the future |
| Adoption of technology trends to facilitate the overall efficiency and productivity of support and engineering staff | Availability of efficient ERP tools for timely and error free reporting and effective decision making | We have fully trained and developed accounting, finance and supply chain process which helps in error-free accounting as per IAS, accurate reporting as per IFRS with timely availability of reporting and effective decision making and cost effectiveness in a larger context. Our IT department updates and follows the latest IT technology that helps in increasing our efficiency of support and engineering staff. | This CPI shall remain relevant in the future |
| Highly trained certified staff on Company SOPS | Certification of support and engineering staff on company SOPs of Accounting, Finance, Supply Chain and Project Management | All Supply Chain Management staff have obtained 100% certification by obtaining full marks on company SOPS test. | This CPI shall remain relevant in the future |

# ROLE OF **SHAREHOLDERS**

The Board aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to the shareholders in the annual report, interim quarterly reports and through the information portals of Pakistan Stock Exchange as and when required. The Board encourages the shareholders' participation at the Annual General Meetings to ensure a high level of accountability and participation, that is why we are arranging our AGM's in Lahore instead of Karachi because most of the retail investors that have invested company share belong to Punjab. The Company's financial statements are available on the Company's website www.avanceon.ae in investor tab. We have an officer, designated to answer all shareholder inquiries.

## ANNUAL EVALUATION OF THE BOARD'S PERFORMANCE

The board has set the following broad criteria for evaluation of its performance, being the trustee of the shareholders:

- Review of the business risks, strategic plans, significant policies, financial structure, monitoring and approval
- Monitor company performance against the planned objectives and advise the management on strategic initiatives
- Ensuring maximum attendance at board meetings to enhance the quality of decision-making as well as effective discharge of its roles & responsibilities
- Compliance with the applicable laws & regulations including the Memorandum and Articles of Association of the company
- Ensuring orientation of the board of directors including new appointments so that each member is fully aware of his roles & responsibilities
- Establishing an adequate internal control system in the company and its regular assessment through internal audit activities

## BUSINESS CONTINUITY PLAN

Operational continuity is of paramount importance for short, medium and long-term objectives and overall success and viability of any Company. Avanceon has developed business continuity plans, which also provide a mechanism for disaster recovery in all respective areas. The Company has arranged the security and complete comprehensive insurance (by A Class insurance company) of tangible and non-tangible assets (all office/sites, stock, vehicles, plant, generators, warehouses and work places) by hiring well-trained security personnel.

Backup of virtual assets such as IT programs, spreadsheets and software are regularly taken on clouds, arranged and monitored. Very efficient and effective firefighting systems are in place at all our offices and sites which is led by very experienced personnel, staff and volunteers. Standard Operating Procedures for all the processes have been devised and documented according to the best practices prevailing in the industry. All transactions and affairs of the Company are properly documented, stored and checked, with said documents appropriately preserved & safeguarded according to our Policy for safety of records at all locations in and outside Pakistan.

## ENERGY CONSERVATION AND SAVING MEASURES TAKEN BY THE COMPANY

The ongoing energy crisis within our country has become a great concern of every individual living in and every organization operating in Pakistan. Energy is very important for our daily activities and the lifeline of each business. Although not a major electricity consumer, Avanceon is an environmentally aware and responsible company, and has taken initiatives that are ecologically favourable, such as upgrading all conventional tube lights with more energy efficient LED lights and solar panels at different locations within the Company. All employees are responsible for turning off the lights, AC and power switches when they are not around, during tea break, lunch or at day end.

# RISK &
# OPPORTUNITY REPORT

## The major risk and challenges faced by the company along with steps and measures taken to overcome these risks:

| MAJOR BUSINESS RISKS | EXTENUATING FACTORS / ACTIONS IN PLACE |
|---|---|
| **MACRO-ECONOMIC SITUATION AND POLITICAL INSTABILITY** | |
| The overall current liquidity position in the economies like Pakistan, UAE, KSA and Qatar, especially fiscal deficit & political instability in Pakistan may adversely affect the business of our predominantly Pakistani customers, thereby indirectly having an impact on the Company's operations. | The Company operates through diversified business segments which are competing in different industries each with its distinct opportunities and risks in Pakistan, UAE, KSA and Qatar. The Company constantly seeks to increase its customer base and best quality services offering to maintain and grow its revenues. |
| **MATERIAL/AUTOMATION EQUIPMENTS & SERVICES SOURCING / PRICING** | |
| Inability to access materials and increase in cost of expenses and materials may adversely influence the operations; non-availability of materials may lead to liquidated damages. Furthermore, sensitivity in price movements of materials may lead to decrease of margins. | The Company believes in long-term relationships with suppliers to acquire materials and safeguard their constant delivery at the best terms and conditions and obviously at the best possible controlled price. The Company supplier base is constantly increased to ensure timely and uninterrupted procurement and reduction in lead times by not compromising quality of material, equipment and services. |
| **SHORT TERM INVESTMENT RISK** | |
| Decrease in discount rate by State Bank of Pakistan may affect the markup income of Term Deposits Receipts (TDRs). | To reduce this risk The Company does not invest in more than three month TDRs to avoid any risk of loss of any markup and actively manages its portfolio to match the required risk profiles. |
| **FOREIGN CURRENCY RISK** | |
| Exchange rate fluctuations may have an impact on financial results due to reliance on imports of material & equipment. | The Company uses various available means to hedge against currency fluctuations to minimize any resulting exchange losses by shifting the material portion of orders to UAE company in US Dollar to meet supplier payments in US Dollars with any exchange loss. |
| **CREDIT RISK** | |
| Credit risk is the risk of financial loss to the Company if a customer, intermediate party, bank or any counterparty to a financial instrument fails to meet their contractual & mutually agreed obligations, and ascends principally from trade receivables, bank balances/deposits, security deposits, accrued income & markup and investment in debt securities. | To manage exposure to credit risk in respect of trade receivables, management performs regular credit reviews taking into account the customer's financial position and credit history, past experience and other factors. The business approval committee as per Limits of Authority Manuals approves sales orders and credit terms. In almost all cases authorized officials considered necessary, advance payments are obtained without bank guarantee from certain parties whereas mostly sales made to major customers are secured through at-site letters of credit. Further, we limit our exposure to credit risk by investing in counterparties that have minimum of A+ credit ratings and sound financial health. |

| MAJOR BUSINESS RISKS | EXTENUATING FACTORS / ACTIONS IN PLACE |
|---|---|
| **SAFETY AND SECURITY OF TANGIBLE AND INTANGIBLE ASSET** | |
| There is a risk that operational demo equipment of the company may be lost, damaged or made redundant due to theft, fire or any other unforeseen events that will adversely affect operations. | The company has designed and applied very high quality standards for safety and security of all the operational demo equipment, maintaining a rigorous log of each piece of equipment and compliance with such safety standards is strictly ensured and monitored. Apart from safety and security policies, standards & procedures, the Company has fully insured all assets of the Company from A class Insurance companies to safeguard them from any unanticipated adverse event and to lessen the resulting financial and operational loss to a minimum level. |
| Exhaustion in the steady & smooth availability of funds for operational and non-operational free funds and rise in markup rates may adversely affect liquidity and overall financial conditions & availabilities of running finance from banks. | Our company believes in running the operations with organic cash generated from business by getting advance payments from customers instead of working capital from banks, to mitigate these risks our company has been maintaining suitably sufficient banking facilities in Pakistan, KSA and UAE for project financing to meet any urgent and unexpected cash needs, the company has also been maintaining enough free cash balances to meet any cash needs. |
| **INTERNAL CONTROLS & COMPLIANCE** | |
| In the absence of effective internal controls and regulatory bodies, the Company may be exposed to financial irregularities as well as tarnishing a well-earned reputation in front of key stakeholders. | A very strong internal control system is in place in our company and all wholly-controlled subsidiaries that are being continuously monitored by the Company's Internal Audit Function and through other monitoring committees in light of very strict and zero tolerance policies and procedures. The process of monitoring internal controls is an ongoing process with the objective to further strengthen the controls and bring continuous improvements in the system. The controls in place also cover areas ranging from safeguarding of all tangible and intangible assets, very strict compliance with laws, regulations with accuracy and reliability of records and financial reporting as per Internal accounting and reporting standards as applicable and adopted voluntarily. |
| **EMPLOYEE RECRUITMENT, TECHNOLOGICAL & OTHER TRAININGS AND RETENTION** | |
| Failure to attract and retain the right and highly experienced and technologically trained human resources may adversely affect the achievement of the Company's growth plans and goals. | A strong emphasis is being placed on the Company's technologically trained and experienced human resource capital. We operate the best talent management, engineering and human resource instruments to attract, retain, motivate, educate and nurture personnel via a friendly working environment and strong incentive policies, such as the attractive Employee Share Option Schemes. |

# DIRECTORS' **REPORT**

The directors of the company take pleasure in presenting their report together with the Company's audited annual financial statements along with consolidated financials for the year ended December 31, 2018, the all financial statements and notes to the accounts have been prepared by the management of the company as under:

1. They presented fairly its state of affairs, the result of its operations, cash flows and all changes in equity.

2. Proper books of account of the company have been maintained.

3. Appropriate accounting policies have been adopted and consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.

4. All International Accounting Standards and Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

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

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

7. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations of Pakistan Stock Exchange.

8. Where any statutory payment on account of taxes, duties, levies and changes is outstanding, the amount together with a brief description and reasons for the same has been disclosed.

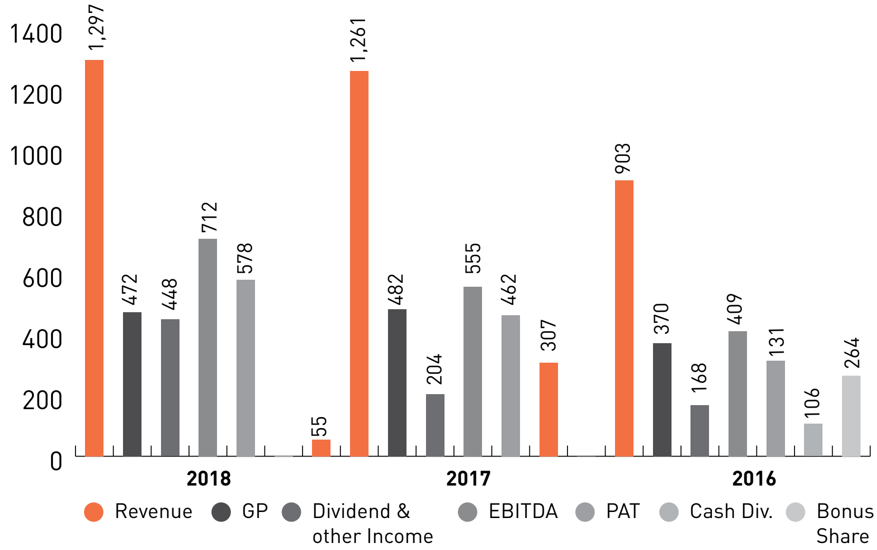
The Directors' Report, prepared under relevant sections of the prevailing Companies Ordinance, in Pakistan, will be put forward to the members at the 16th Annual General Meeting of the Company to be held on April 25, 2019 (Thursday) at 3pm at Fairways Hall, Country Golf Club, Sector-C, Bahria Town, Lahore, Punjab, Pakistan.

## The Report

The performance of the Company remained on the upswing in terms of order generation, revenues, profit before and after tax, other income, control over fixed costs (excluding provision for bad debts and old balances written off), excellent management of liquidity, maintenance of sufficient banking facilities at very competitive costs, timely repayments of working capital and commitments. All business segments performed well in terms of order generation with all-time high figures. Our joint venture with ATCO and Arkan Integrated Development LLC in the Kingdom of Saudi Arabia and Qatar kicked off very successfully and during the year we achieved all targets as set by BOD for management. The revenues and net profits grew with predicted pace as highlighted in last year director report and during two analyst briefings. The financial year 2018 ended with the highest ever backlog of USD 56million which bodes very well for revenues and net profit of FY 2019 at another positive trend figures.

**Operating results (standalone)**

| (Rupees in ,000) | 2018 | 2017 | Variation | %age Variation |
|---|---|---|---|---|
| Revenue | 1,296,965 | 1,260,594 | 36,371 | 3% |
| Profit before tax | 646,775 | 496,691 | 150,084 | 30% |
| Profit after taxation | 577,761 | 462,108 | 115,653 | 25% |




## Subsequent Appropriations

The Directors have recommended a cash dividend NIL (2017: 22.5%) and bonus shares 40% (2017: NIL).

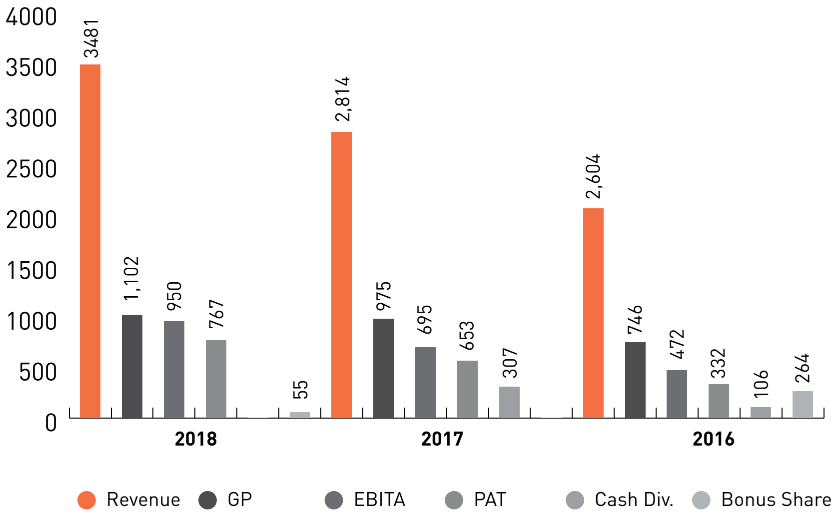
The following appropriations have been made:

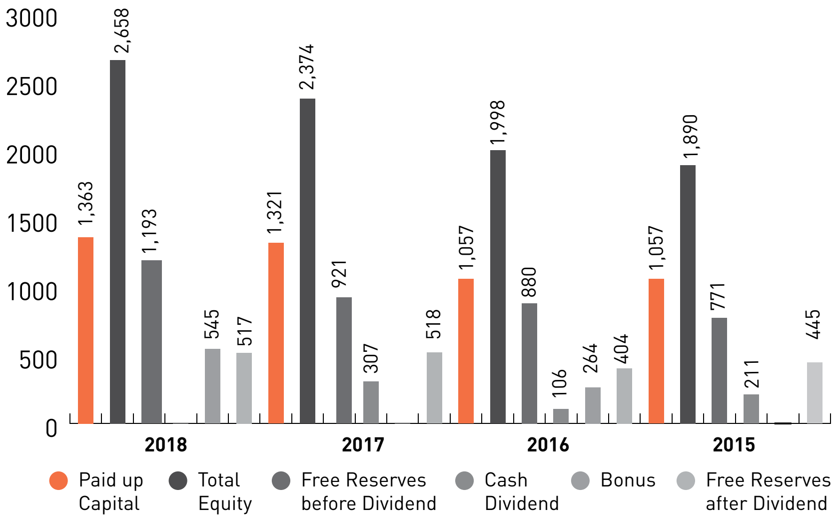
| (Rupees in ,000) | 2018 | 2017 |
|---|---|---|
| Reserve available for appropriations | | |
| (at standalone financials) | 1,192,698 | 920,870 |
| Appropriation: | | |
| Proposed Dividend @ Nil (2017:22.5%)) | - | (306,729) |
| Proposed Bonus @ 25% (2017:Nil) | (545,295) | - |
| Unappropriated reserve carried forward | 647,4036 | 614,140 |

# DIRECTORS
# REPORT

**Operating results (consolidated)**

| (Rupees in ,000) | 2018 | 2017 | Variation | %age Variation |
|---|---|---|---|---|
| Revenue | 3,480,942 | 2,813,898 | 667,044 | 24% |
| Profit before tax | 855,390 | 598,054 | 257,335 | 43% |
| Profit after taxation | 766,748 | 563,472 | 203,275 | 36% |




## Earnings Per Share (EPS)

Earnings per share of the Company remained steady over the last five years except for FY 2017 and improvement in this year due to reasons mentioned above which is indicative of consistent performance in all business segments and regions and meeting the expectations of the shareholders.

**Consolidated**

The basic earnings per share after tax is Rs. 5.62 (2017: Rs. 4.26).

**Standalone**

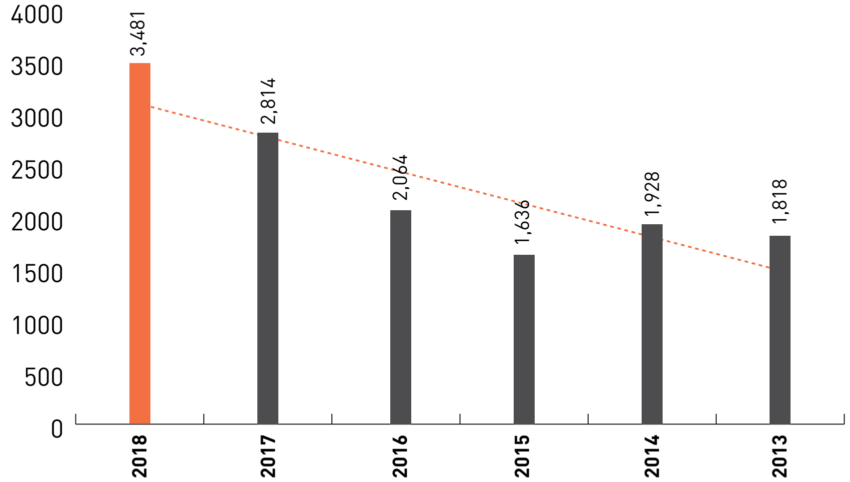
The basic earnings per share after tax is Rs. 4.24 (2017: Rs.3.50).

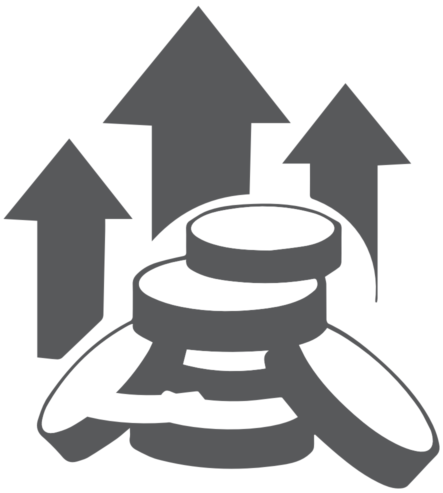
## Financial Performance (consolidated)

**Revenue**

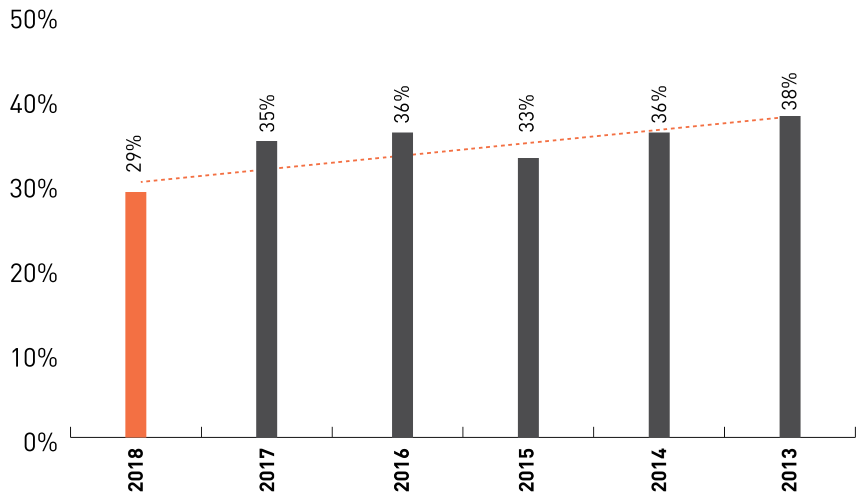
The Company revenue of Rs. 3.481 billion has 24% increased as compared to last year whereas we observe very moderate and expected growth of revenues over the financial year 2016 and 2017. The number could have been more higher if some projects in the Kingdom of Saudi Arabia (KSA) and Qatar were not delayed in 3rd & 4th Quarter 2018. However, the order generation in 3rd & 4th Quarter of financial year 2018 and in 1st Quarter of Financial year 2019 is as per the projected figure and we can forecast solid growth in the1st, 2nd and 3rd Quarters of financial year 2019 as we seen excellent growth in same quarters of financial year 2018. The Company's revenues maintained a positive trajectory throughout the financial year with growth over financial year 2016 and 2017.

## Revenue



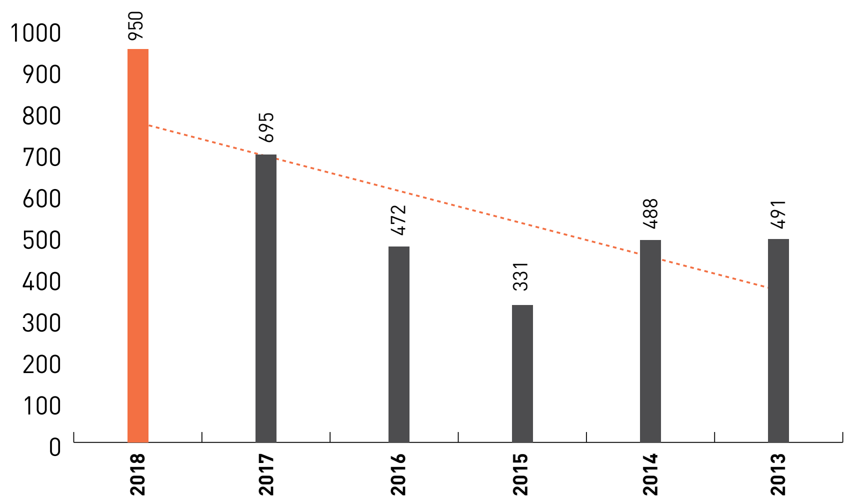
## Gross Profit




## Gross Profits

We observed a 6% decrease in gross margins as compared to the last financial year due to competitive business environment in Pakistan and middle east. The management is very confident to maintain the current gross margin of 29% in financial year 2019 and 2020 because this gradual decrease in gross margin from financial year 2013 to 2018 was predicted and as per the management point of view now this is at stable level which could be easily maintain by the management.

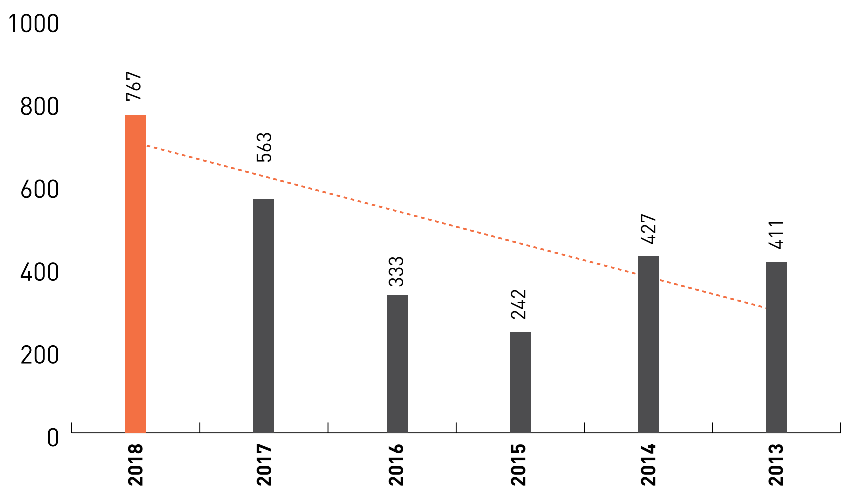
## EBITDA




**Earnings before Interest, Taxes, depreciation and amortization (EBITDA)**

# DIRECTORS REPORT

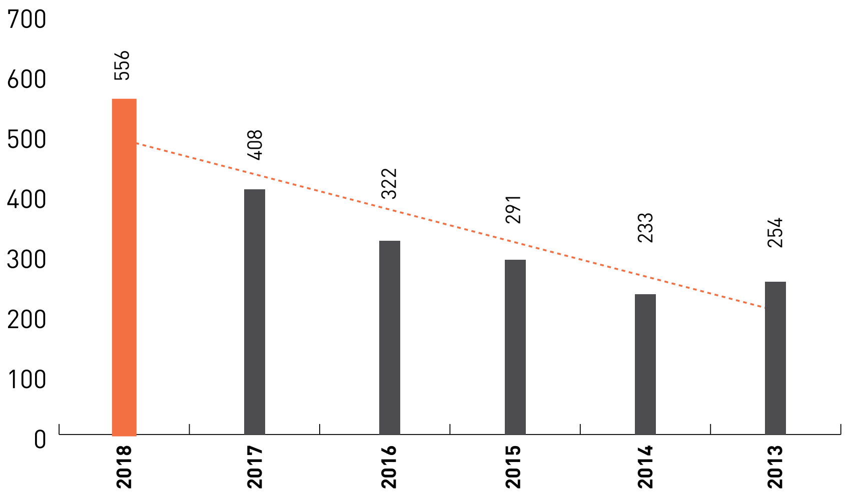
**Profit After Tax**




## Profit after taxation

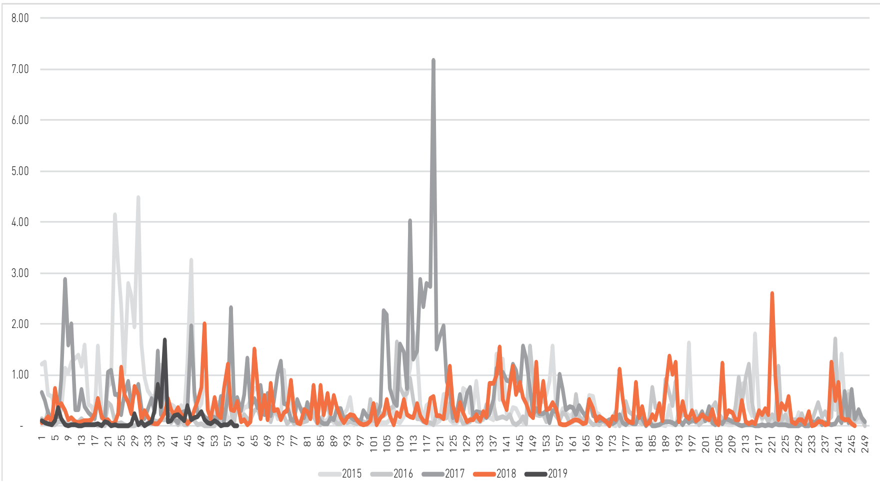
A 36% increase in net profit after taxation is very encouraging which include Rs. 457million unrealized exchange gain on translation of foreign receivables. The management is very confident to maintain gross & net profit margins in upcoming FY 2019 and 2020 due to a very strong pipeline of unrecognized business of over USD 56m (calculated) as of March 31, 2019. The management is also very much confident to achieve the targeted revenues in FY 2019.

**Fixed Cost**




## Fixed Cost

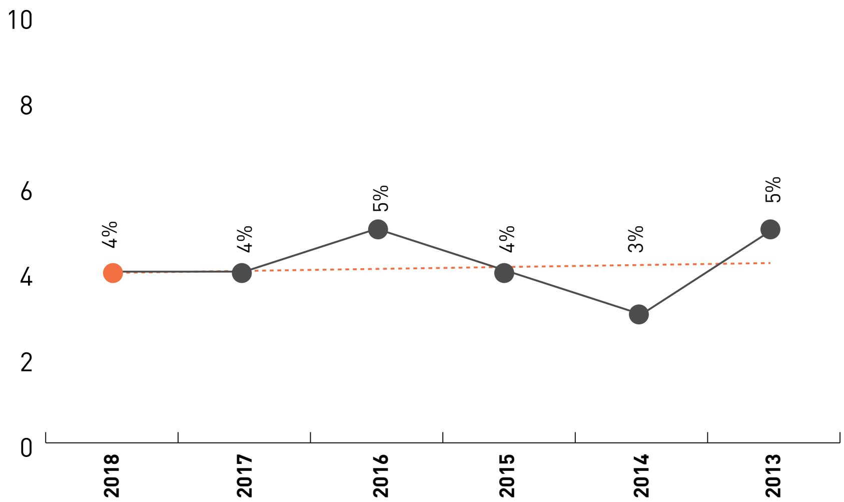
We observed 36% (2017: 27%) net increase in fixed cost mainly due to Rs. 95m provisions for bad debts & earning in excess of billing and written-off of old balances, other increase include 13% net increase in salaries and other administrative expenses and cost of selling due to inflation. The remaining increase is as align with increase of sales growth. The management is trying to keep the incremental impact below 15% excluding impact of inflation.



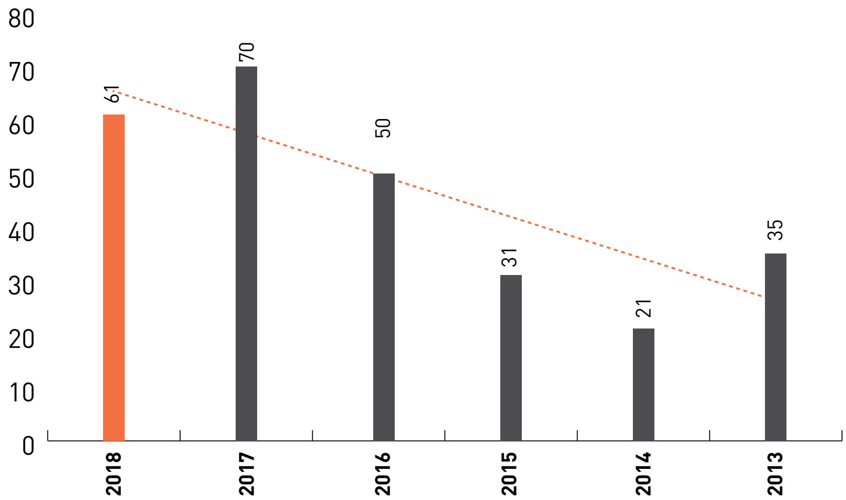

## Stock Liquidity

The company successfully offered 25.166 million ordinary shares by Initial Public offering (IPO) to achieve specific business objectives like profile uplifting, employee retention through Employee Share Option Scheme (ESOS), business expansion and capacity building. The Company completed the IPO in first quarter 2014 through two phases. Firstly: offered 18.875 million shares through book building process to high-end investors and 6.292 million shares to the general public at Rs. 14 each respectively. Both book building and the general public portions have been fully subscribed and successfully completed with over-subscriptions which reflects the investors' confidence on the Company's present

Gearing Ratio




Financial Expense




and future growth. Since the date of listing, the company stock performed very well and provided liquidity and capital appreciation to shareholders, which has been highlighted as under:

## Capital Structure

The Company is a very low geared business entity and maintains a balance capital structure which is evidence of its financial strength and excellent liquidity management. The company only utilized working capital lines to bridge the short-term cash needs. The Company successfully paying without any delay all of its short-term loan liabilities including finance and operating leases, the gearing ratio has improved materially over the previous two financial years. The Company has maintained enough banking facilities including short term, long term and project financing in Pakistan and the United Arab Emirates to meet any long-term loan needs.

## Working Capital Management

Based on current and quick ratios for the last five years, we can see solid liquidity improvement and strong short-term financial working capital position of the Company's operating activities. The company is managing all its working capital needs by negotiating best credit terms with customers by making every order cash positive and collectable within reasonable agreed timeframes. The company effectively managed its working capital requirement through very vigorous & strict financial discipline by maintaining all short-term loans at reasonable levels to avoid financial cost by generating positive cash inflow. In FY 2017, the company took out short term loans to finance two big value orders in Pakistan and UAE respectively; in FY 2018, the management has plans to keep working capital balances at FY 2016 levels.

# DIRECTORS REPORT

## Strategy to Overcome Liquidity Issues

The low stream of revenue in FY 2015 disturbed the positive increasing trend in liquidity that remained at a lower level to produce enough cash and strengthened the liquidity of the Company to finance its working capital requirements. This helped in curtailing financial implications at the previous year's levels (from 2011 to 2017) and the management has made a plan In FY 2018 to handle and restore the liquidity trend at FY 2014 levels; the management is very confident to achieve till June 30, 2019.

## Future Prospects

A vision of the future is an important ingredient in the formation of our board and management strategy and plans.

Creating a permanent operational presence in Qatar has increasingly become a business requirement in the fossil fuel-rich country, in order to continue to maintain a high level of service on existing projects but also because large tenders up for bid tend to mandate this requirement. This latest joint venture increases Avanceon's Middle East presence to four permanent offices alongside Dubai, Dammam and Jeddah, with key partnership agreements in place in Abu Dhabi with Ali & Sons and ATCO.

The Company is very hopeful that the next year will bring full global economic recovery especially in the UAE, KSA, Qatar, Oman, USA and particularly the political and economic stability in Pakistan.

## Service to Society

We are committed to being active and responsible corporate citizens. We believe in "giving something back" by helping address key issues such as education, healthcare, public safety and environmental health. This comes from our belief that individual entities when they work together can create powerful synergies and help to improve the conditions of the society in which they operate.

## Health, Safety and Environment

At Avanceon we take maintenance of health and safety standards at our working sites and offices seriously. We are committed to actively managing health and safety risks associated with our business and are actively working towards improving our procedures to reduce, remove or control the risk of fire, accidents or injuries to employees and visitors.

All our activities at all our campuses are required to conform to international standards for health and safety certified by ISO14001:2004.

We also ensure that our products are shipped in a safe manner complying with safety standards and legal requirements.

## Issues Raised in the Last AGM

During the Annual General Meeting 2017 No Major issues were raised.

**Agenda #1:**
Confirmation and approval of 14th Annual General Meeting which was held on April 25, 2017.

**Agenda # 2:**
Consider the Audited Accounts for the year ended 31 December 2017 and the Directors' and Auditors' Reports thereon.

**Agenda # 3:**
The Appointment of present auditor "EY Ford Rhodes, Chartered Accounts" being eligible and have offered themselves for reappointment.

**Agenda # 4:**
To approve and full and final dividend @ 2.25 per share i.e 22.5% for the year ended 31st December 2017.

**Agenda # 5:**
Increase of authorized capital of the company from Rs. 1.5 billion to Rs. 2.00 billion.

**Agenda #6:**
Approval of 4th ESOS, the details are mentioned in 15th Annual General Meeting notice.

All above agenda items have been discussed, approved and adopted, a Question & Answer session was conducted, where a few members inquired as to the business nature of the company, outlook for the coming year, and business prospects.

The Director (Mr. Tanveer Karamat) and CFO (Mr. Saeed Ullah Khan Niazi) answered all queries, explaining the industrial automation business of the company. The future outlook was discussed as to be prosperous and dependent on the growth of Pakistan Economy in line with the setting up of new industrial plants.

## Board Of Directors' Remuneration

All directors of the Company are Non-Executive except for the Chief Executive Officer (CEO) and Chief Operating officer (COO). The CEO and COO are paid fixed salary and benefits as per Company's HR policies and salary levels. Performance of CEO & COO is evaluated against approved criteria by the Human Resource and Remuneration Committee and recommended to the Board for approval. No other directors are being paid for attending board meetings.

## Transactions With Related Parties

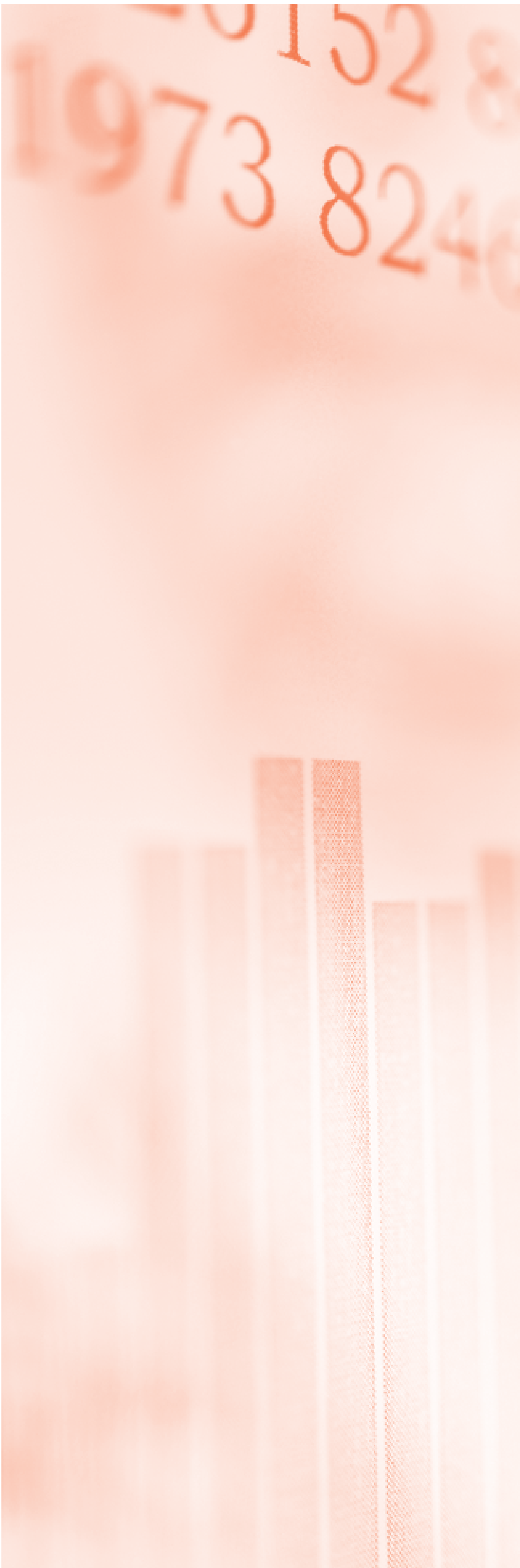
The transactions with related parties were carried out at arm's length prices and purely on commercial terms determined in accordance with the comparable uncontrolled prices method. The Company has fully complied with best practices on "Transfer Pricing" as contained in the Listing Regulations of Pakistan Stock Exchange (Formerly Karachi and Lahore Stock Exchanges).

## Corporate Governance Practices

The Board of Directors of Avanceon Limited is committed to the company principles and complies with requirements of Code of Corporate Governance included in the listing regulations of the Pakistan Stock Exchange (PSX). The code of Corporate Governance has been disclosed and discussed in detail on Page 68 of Management Report, along with the Statement of Compliance.

## Board Of Director's Training

During the year, directors training conducted for Umer Ahsan Khan (Director).



# DIRECTORS' REPORT

## Shares Traded By Executives

During the year, the below mentioned executives have traded the stock of Avanceon and informed to Stock Exchange:

| Name of Company | Employee Name | Designation | Transaction Type | No. of Shares | Price | Transaction Type | Date of Transaction | Date of submission |
|---|---|---|---|---|---|---|---|---|
| Avanceon Ltd | Bakhtiar Hameed Wain | Chief Executive Officer/ Director | Purchase | 187,000 | 37.35 | CDC | 01-05-18 | 01-08-18 |
| Avanceon Ltd | Hussain Ahmad | Corporate Manager HR | Purchase | 42,500 | 37.17 | CDC | 01-05-18 | 01-09-18 |
| Avanceon Ltd | Saeed Ullah Khan Niazi | Chief Financial Officer | Purchase | 5,500 | 40.31 | CDC | 01-09-18 | 01-10-18 |
| Avanceon Ltd | Sarmad Mehmood Qureshi | General Manager- Middle East | Purchase | 22,500 | 39.5 | CDC | 23/01/2018 | 26/01/2018 |
| Avanceon Ltd | Saeed Ullah Khan Niazi | Chief Financial Officer | Purchase | 2,500 | 45.58 | CDC | 14/02/2018 | 16/02/2018 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Sale | 10,000 | 48.43 | CDC | 23/02/2018 | 26/02/2018 |
| Avanceon Ltd | Hussain Ahmad | Corporate Manager HR | Sale | 52,500 | 49.59 | CDC | 26/02/2018 | 26/02/2018 |
| Avanceon Ltd | Arif Shuja | Business Development Manager | Sale | 5,000 | 49.46 | CDC | 26/02/2018 | 28/02/2018 |
| Avanceon Ltd | Armaghan Yusuf | Regional Sales Manager- KSA West | Sale | 11,000 | 51.46 | CDC | 02-08-18 | 03-08-18 |
| Avanceon Ltd | Arif Shuja | Business Development Manager | Sale | 15,000 | 53.04 | CDC | 03-09-18 | 03-12-18 |
| Avanceon Ltd | Arif Shuja | Business Development Manager | Sale | 13,000 | 54.82 | CDC | 03-12-18 | 03-12-18 |
| Avanceon Ltd | Masood Kareem | Manager Engineering Operations | Sale | 1,749 | 59.66 | CDC | 04-10-18 | 16/04/2018 |
| Avanceon Ltd | Junaid Mushtaq Paracha | General Manager Sale | Sale | 46,000 | 63.07 | CDC | 30/05/2018 | 06-07-18 |
| Avanceon Ltd | Junaid Mushtaq Paracha | General Manager Sale | Purchase | 29,500 | 62.98 | CDC | 06-06-18 | 06-07-18 |
| Avanceon Ltd | Ahsan Khalil | Company Secretary | Sale | 47,000 | 62.5 | CDC | 16/05/2018 | 06-07-18 |
| Avanceon Ltd | Masood Kareem | Manager Engineering Operations | Sale | 38,000 | 65.46 | CDC | 06-04-18 | 06-07-18 |
| Avanceon Ltd | Hussain Ahmad | Corporate Manager HR | Sale | 5,000 | 62.55 | CDC | 22/05/2018 | 06-07-18 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Sale | 20,000 | 65.5 | CDC | 06-04-18 | 06-07-18 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Purchase | 3,500 | 64 | CDC | 06-05-18 | 06-07-18 |
| Avanceon Ltd | Imran Ashraf | Software Solutions Architect | Sale | 89,000 | 56.18 | CDC | 15/05/2018 | 06-07-18 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Purchase | 16,500 | 63.5 | CDC | 06-06-18 | 06-12-18 |
| Avanceon Ltd | Arif Shuja | Business Development Manager | Purchase | 13,500 | 64.69 | CDC | 14/06/2018 | 20/06/2018 |
| Avanceon Ltd | Arif Shuja | Business Development Manager | Purchase | 3,000 | 62.56 | CDC | 20/06/2018 | 22/06/2018 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Purchase | 500 | 59 | CDC | 25/06/2018 | 28/06/2018 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Purchase | 500 | 60.8 | CDC | 28/06/2018 | 28/06/2018 |
| Avanceon Ltd | Junaid Mushtaq Paracha | General Manager Sale | Sale | 25,000 | 74.55 | CDC | 17/07/2018 | 18/07/2018 |
| Avanceon Ltd | Ahsan Khalil | Company Secretary | Sale | 100,000 | 74.54 | CDC | 17/07/2018 | 18/07/2018 |

| Name of Company | Employee Name | Designation | Transaction Type | No. of Shares | Price | Transaction Type | Date of Transaction | Date of submission |
|---|---|---|---|---|---|---|---|---|
| Avanceon Ltd | Masood Kareem | Manager Engineering Operations | Sale | 36,125 | 74.49 | CDC | 17/07/2018 | 18/07/2018 |
| Avanceon Ltd | Arif Shuja | Business Development Manager | Sale | 8,000 | 74.49 | CDC | 17/07/2018 | 18/07/2018 |
| Avanceon Ltd | Arif Shuja | Business Development Manager | Sale | 8,500 | 71.15 | CDC | 16/07/2018 | 18/07/2018 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Sale | 25,000 | 75.41 | CDC | 19/07/2018 | 23/07/2018 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Purchase | 25,000 | 72 | CDC | 20/07/2018 | 23/07/2018 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Sale | 50,000 | 76.67 | CDC | 27/07/2018 | 31/07/2018 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Purchase | 50,000 | 72.8 | CDC | 30/07/2018 | 31/07/2018 |
| Avanceon Ltd | Junaid Mushtaq Paracha | General Manager Sale | Purchase | 20,000 | 73.59 | CDC | 30/07/2018 | 08-01-18 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Sale | 74,500 | 76.49 | CDC | 31/07/2018 | 08-02-18 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Sale | 97,178 | 77.17 | CDC | 08-01-18 | 08-02-18 |
| Avanceon Ltd | Junaid Mushtaq Paracha | General Manager Sale | Sale | 10,000 | 78.5 | CDC | 08-01-18 | 08-06-18 |
| Avanceon Ltd | Tanveer Karamat | Chief Operating Officer/ Director | Sale | 200,000 | 82 | CDC | 08-07-18 | 08-09-18 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Purchase | 13,500 | 77.68 | CDC | 30/08/2018 | 09-03-18 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Sale | 13,500 | 83.84 | CDC | 09-04-18 | 09-10-18 |
| Avanceon Ltd | Hussain Ahmad | Corporate Manager HR | Sale | 45,000 | 83.71 | CDC | 09-06-18 | 09-11-18 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Purchase | 6,000 | 83.96 | CDC | 19/09/2018 | 19/09/2018 |
| Avanceon Ltd | Junaid Mushtaq Paracha | General Manager Sale | Sale | 16,000 | 84 | CDC | 13/09/2018 | 26/09/2018 |
| Avanceon Ltd | Junaid Mushtaq Paracha | General Manager Sale | Sale | 10,000 | 84 | CDC | 17/09/2018 | 26/09/2018 |
| Avanceon Ltd | Junaid Mushtaq Paracha | General Manager Sale | Sale | 54,000 | 88.25 | CDC | 19/10/2018 | 30/10/2018 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Purchase | 4,000 | 85.55 | CDC | 31/10/2018 | 11-05-18 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Purchase | 1,000 | 81.5 | CDC | 11-01-18 | 11-05-18 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Purchase | 4,000 | 85.55 | CDC | 11-06-18 | 11-08-18 |
| Avanceon Ltd | Masood Kareem | Manager Engineering Operations | Sale | 10,000 | 95.2 | CDC | 16/11/2018 | 19/11/2018 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Purchase | 2,000 | 94.94 | CDC | 23/11/2018 | 27/11/2018 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Purchase | 11,500 | 87.57 | CDC | 27/11/2018 | 28/11/2018 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Purchase | 7,000 | 85.75 | CDC | 29/11/2018 | 12-03-18 |
| Avanceon Ltd | Muhammad Saqib Rauf | Manager Commercial | Purchase | 1,000 | 82.9 | CDC | 12-03-18 | 12-03-18 |
| Avanceon Ltd | Arif Shuja | Business Development Manager | Purchase | 11,000 | 87.01 | CDC | 27/11/2018 | 12-12-18 |

# DIRECTORS' REPORT

## BOARD OF DIRECTOR'S MEETINGS

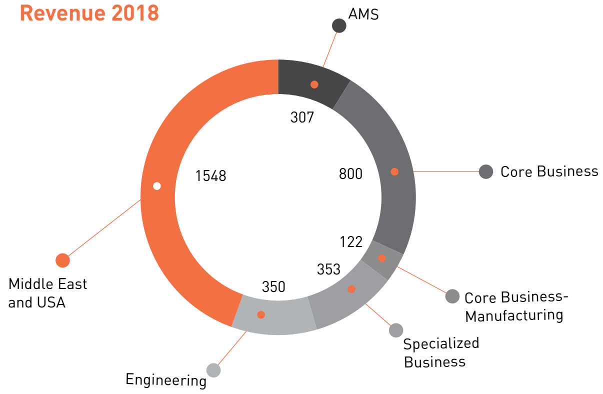
During the year, the Board of Directors has conducted four board meetings (all conducted in Pakistan), the following honorable members participating:

| Sr No. | Name of Director | Present | Leave Granted |
|---|---|---|---|
| 1. | Mr. Khalid H. Wain | 4 | 0 |
| 2. | Mr. Bakhtiar H. Wain | 4 | 0 |
| 3. | Mr. Amir W. Wain | 4 | 0 |
| 4. | Mr. Tanveer Karamat | 4 | 0 |
| 5. | Mr. Umer Ahsan Khana | 4 | 0 |
| 6. | Mr. Tajammal Hussain | 3 | 1 |
| 7. | Mr. Naveed Ali Baig | 3 | 1 |

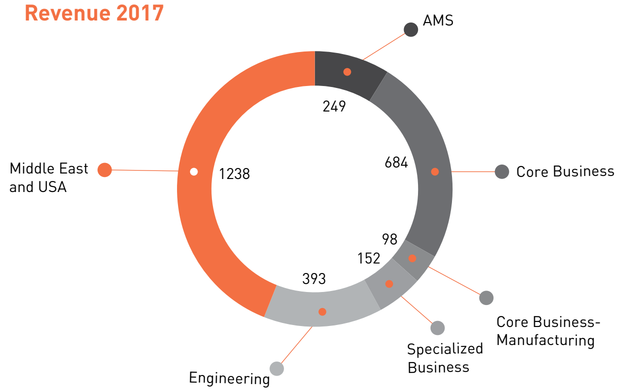
## SEGMENTAL BUSINESS PERFORMANCE AND MARKET SHARE INFORMATION

According to the Control Engineering Giants List 2014, Avanceon's market share nears 2% and ranks amongst the top 15 system integrators worldwide, the current market leader taking 9% of the market. The main objective of Avanceon resides in maintaining market leadership in Pakistan whilst increasing market share by developing untapped markets and growing the portfolio of customers to other verticals such as infrastructure & transportation based on common success in the Middle East; in other words, pioneering in fields that understand the relevancy of the solutions but have not yet ventured into implementing them. Based on our current knowledge of the automation and process control market in Pakistan, market share for Avanceon is leading with 63% of the existing market share, which represents roughly threefold the revenues of its closest competition.

**Revenue 2018**




**Revenue 2017**




## PROCEDURES ADOPTED FOR QUALITY ASSURANCE

The HSE data management system, data collection process and transparent reporting are essential elements of corporate responsibility at Avanceon. The Company reports its HSE performance in accordance with the SMETA 4 pillar guidelines for sustainability reporting as well as ISO standards.

This system provides all management levels throughout with necessary information to take early action if deviation from targets occurs. Systems and processes are reviewed by third parties – in addition to corporate and divisional HSE audits.

## Pattern Of Shareholding

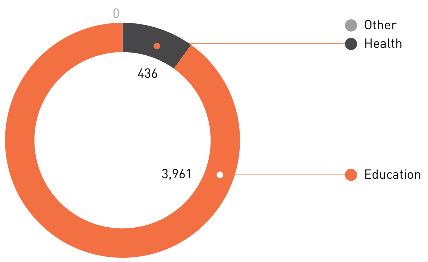
The pattern of shareholding as at December 31, 2018 is annexed on subsequent Page No. 48 of this Report. The Directors, Chief Executive, Chief Financial Officer, Company Secretary and their spouse and minor children have made no transactions of the Company's shares during the year, except those reported in the pattern of shareholding.

# DONATION & CHARITY

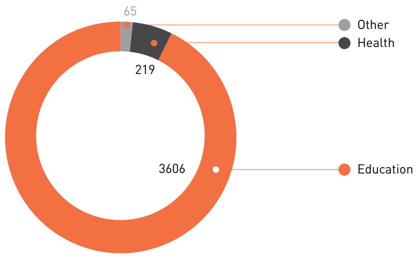
The Company has a policy to donate maximum of up to 1% of it prior year's profit before tax to a charitable institution. During the last year the Company donated as follows:

| Nature | 2018 | 2017 |
|---|---|---|
| Health | 436 | 219 |
| Education | 3,961 | 3,606 |
| Other | 0 | 65 |
| | 4,397 | 3,890 |

Donation & Charity 2018




Donation & Charity 2017



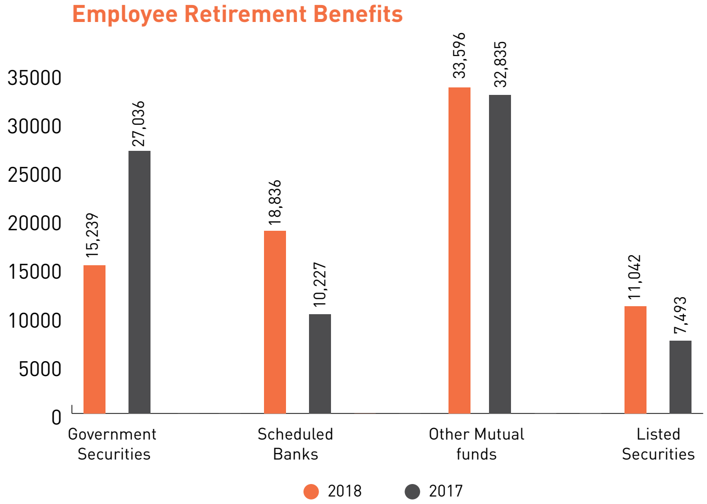

# Employees' Retirement Benefits

The Company operates a defined contribution plan for its permanent employees through a recognized provident trust fund.

Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

| | 30 June 2018 | | 30 June 2017 | |
|---|---|---|---|---|
| | Investments (Rupees in '000) | Investment as % of size of the fund | Investments (Rupees in '000) | Investment as % of size of the fund |
| Government Securities | 15,239 | 17% | 27,036 | 31% |
| Scheduled Banks | 18,836 | 21% | 10,227 | 12% |
| Other Mutual Funds | 33,596 | 38% | 32,835 | 37% |
| Listed Securities | 11,042 | 12% | 7,493 | 9% |
| | 78,713 | | 77,591 | |

Employee Retirement Benefits




Investments out of provident fund have been made in accordance with the provisions of the section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose. Financial year of the provident fund trust is 30 June..

# Operating Financial Data

Operating, financial data and key ratios of the Company for the last six years as disclosed are annexed on subsequent pages in the Management part of this Report.

# STATUTORY AUDITORS OF THE COMPANY

The present Auditors, M/s. Ernst & Young Ford Rhodes, Chartered Accountants retire and, being eligible, offer themselves for re-appointment. The Audit Committee of the Company has been recommended their re-appointment as Auditors of the Company for the year ending December 31, 2019.

# Communications

The present Auditors, M/s. Ernst & Young Ford Rhodes, Chartered Accountants retire and, being eligible, offer themselves for re-appointment. The Audit

# Acknowledgement

The Board is pleased with the continued dedication and efforts of the employees of the Company.

For and on behalf of the Board of Directors

Lahore:
March 28, 2019

**Mr. Bakhtiar H. Wain**
Director,
Chief Executive Officer

# FORWARD-LOOKING **STATEMENT**

Depending on our current financial strength, operational ability and excellent liquidity, we have maintained a positive growth trend in revenues, gross profits, controlled over fixed costs, decreased financial costs and increased net profits. Distribution of shareholder earnings via dividends and bonus shares as per expectation of the Company shareholders, the Company successfully maintained the leading position as best system integrator/automation company of Pakistan along with excellent standing in the Middle East and American markets. Our equity and cash reserves also provide us with great support to invest further in projects/joint ventures which will further enhance the prospects of future earnings for the Company.

## Performance in Financial Year 2018

The Company has maintained a positive growth trend in revenues, gross profits, other incomes, net profits but couldn't achieve the targeted increase in fixed cost due to inflation and reduction in financial cost, increased net profits and distributions of sustainable earnings amounts to shareholders via dividends and bonuses due to reasons as mentioned in the early part of this report but maintained the leading position as best system integrator/automation Company of Pakistan along with excellent standing in the Middle East and American markets, whilst successfully achieving the retention of trained staff.

## Forward-Looking Statement for Financial Year 2019

Avanceon is expecting to maintain its leading position as Best System Integrator and Automation Company of Pakistan with excellent standing in the Middle East and American markets. The Company can expect positive increases in revenue, gross profit and controlled fixed costs. This assessment is largely based on a strong pipeline of unrecognized orders as a backlog from the 2017 financial year, as well as continued excellent management of financial & liquidity needs and an overall increase in net profits. The distribution of sustainable earnings will remain as per history of the Company and a minimum of 80% retention of our most experienced and highly-trained staff.

# PERFORMANCE INDICATORS
# RATIOS FOR 6 YEARS

| Years | | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|
| **PROFITABILITY RATIOS** | | | | | | | |
| Gross profit ratio | | 29% | 35% | 36% | 33% | 36% | 38% |
| Operating result ratio | | 26% | 24% | 22% | 19% | 24% | 26% |
| Profit before tax | | 25% | 21% | 19% | 17% | 23% | 24% |
| Profit after tax | | 22% | 20% | 16% | 15% | 22% | 23% |
| Return on capital employed | | 26% | 23% | 19% | 14% | 22% | 30% |
| Interest coverage ratio | (Times) | 15.1 | 9.5 | 8.9 | 9.8 | 22.1 | 13.5 |
| EBITDA | (Rs. in million) | 950 | 695 | 472 | 331 | 488 | 491 |
| EBITDA Margin | | 27% | 25% | 23% | 20% | 25% | 27% |
| **GROWTH RATIOS** | | | | | | | |
| Net sales | | 24% | 36% | 26% | -15% | 6% | -14% |
| Operating results | | 37% | 49% | 48% | -35% | -2% | -44% |
| EBITDA | | 37% | 47% | 43% | -32% | -1% | -43% |
| Profit after tax | | 36% | 69% | 38% | -43% | 4% | -46% |
| **COST RATIOS** | | | | | | | |
| Cost of sales (% of sales) | | 71% | 65% | 64% | 67% | 64% | 62% |
| Administrative & selling cost (% of sales) | | 16% | 14% | 16% | 18% | 12% | 14% |
| Financial cost (% of sales) | | 2% | 2% | 2% | 2% | 1% | 2% |
| **RETURN TO SHAREHOLDERS** | | | | | | | |
| Return on equity-before tax | | 26% | 23% | 19% | 14% | 23% | 31% |
| Return on equity-after tax | | 23% | 22% | 16% | 12% | 22% | 29% |
| Earning per share (basic) | (Rs.) | 5.62 | 4.26 | 2.51 | 2.29 | 4.09 | 5.19 |
| Earning per share (diluted) | (Rs.) | 5.48 | 4.02 | 2.39 | 2.19 | 3.90 | 5.19 |
| Break up value per share without surplus on revaluation | (Rs.) | 23.96 | 19.62 | 19.68 | 18.48 | 18.18 | 18.65 |
| Break up value per share with surplus on revaluation | (Rs.) | 25.19 | 20.73 | 20.74 | 19.52 | 19.04 | 19.76 |

| Years | | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|
| **EQUITY RATIOS** | | | | | | | |
| Price earning ratio | | 14.71 | 8.12 | 13.88 | 17.82 | 8.28 | 0 |
| Dividend per share | | 0% | 22.5% | 10% | 20% | 22.5% | 20% |
| Dividend payout ratio | | 0% | 53% | 40% | 87% | 55% | 39% |
| Market value at the end of the year | | 82.68 | 34.60 | 34.85 | 40.80 | 33.85 | 0 |
| Market value at the start of the year | | 34.60 | 34.85 | 40.80 | 33.85 | 14.00 | 0 |
| Highest value during year | | 100.37 | 59.44 | 40.03 | 45.23 | 39.24 | 0 |
| Lowest value during year | | 35.07 | 32.64 | 28.19 | 30.77 | 14.00 | 0 |
| Dividend yield ratio | | 0.00% | 0.65% | 0.29% | 0.49% | 0.66% | 0 |
| Dividend cover ratio | | 0.00 | 2.67 | 1.57 | 1.14 | 1.02 | 2.04 |
| **ASSET UTILIZATION** | | | | | | | |
| Total asset turnover | (Times) | 0.58 | 0.61 | 0.63 | 0.57 | 0.75 | 0.75 |
| Fixed asset turnover | (Times) | 10.32 | 10.16 | 8.86 | 7.08 | 9.31 | 9.30 |
| Inventory turnover | (Times) | 28.93 | 19.56 | 13.04 | 18.30 | 24.74 | 20.23 |
| Trade debts turnover | (Times) | 0.87 | 0.97 | 1.12 | 1.09 | 1.43 | 2.01 |
| Trade creditors turnover | (Times) | 1.20 | 1.36 | 1.89 | 2.12 | 2.82 | 2.41 |
| Capital employed turnover | (Times) | 0.97 | 0.98 | 0.90 | 0.77 | 0.93 | 1.16 |
| **OPERATING CYCLE** | | | | | | | |
| Inventory holding period | (No. of days) | 13 | 19 | 28 | 20 | 15 | 18 |
| Trade debt collection period | (No. of days) | 418 | 375 | 325 | 334 | 256 | 182 |
| Trade creditors payment period | (No. of days) | 303 | 269 | 193 | 172 | 130 | 152 |
| **LIQUIDITY/LEVERAGE** | | | | | | | |
| Current ratio | (Times) | 2.03 | 2.12 | 2.49 | 2.81 | 3.62 | 1.91 |
| Quick ratio | (Times) | 1.99 | 2.07 | 2.39 | 2.72 | 3.52 | 1.84 |
| Cash to current liabilities | (Times) | 0.10 | 0.21 | 0.28 | 0.43 | 0.48 | 0.64 |
| Financial leverage ratio | (Times) | 0.05 | 0.05 | 0.05 | 0.04 | 0.03 | 0.05 |
| Total liabilities to equity | (Times) | 0.78 | 0.72 | 0.53 | 0.41 | 0.29 | 0.66 |

# ANALYSIS OF **FINANCIAL STATEMENTS**

## GROUP BALANCE SHEET

**ASSETS** (Rupees in million)

| Particulars | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| **Non-Current Assets** | | | | | | |
| Property and equipment | 337 | 277 | 233 | 231 | 207 | 195 |
| Intangible assets | 0 | 0 | 0 | - | - | 0 |
| Goodwill | - | - | - | - | - | - |
| Long term investments | 746 | 599 | 567 | 569 | 546 | 571 |
| Capital work in progress | - | - | - | - | - | - |
| Long term deposits | 38 | 33 | 31 | 27 | 23 | 20 |
| **Total Non-Current Assets** | 1,121 | 909 | 831 | 827 | 776 | 787 |
| **Current Assets** | | | | | | |
| Stock in trade | 85 | 94 | 101 | 60 | 50 | 56 |
| Current portion of deferred employee Compesnation | - | - | - | - | - | - |
| Trade debts-billed | 1,952 | 1,019 | 650 | 752 | 760 | 553 |
| Trade debts-earning in excess of billing | 2,030 | 1,874 | 1,188 | 747 | 592 | 351 |
| Short term investments | 189 | 195 | 156 | 181 | 200 | 140 |
| Advances, deposits, prepayments and other receivables | 562 | 337 | 243 | 163 | 157 | 123 |
| Investments in stocks | 1 | - | - | - | - | - |
| Cash and bank balances | 53 | 169 | 116 | 134 | 40 | 407 |
| Non current assets attributable to discontinued operations | - | - | - | - | - | - |
| **Total Current Assets** | 4,872 | 3,688 | 2,454 | 2,037 | 1,799 | 1,630 |
| **Total Assets** | 5,993 | 4,597 | 3,285 | 2,864 | 2,574 | 2,417 |

# GROUP BALANCE SHEET

## EQUITY AND LIABILITIES

(Rupees in million)

| Particulars | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| **Share Capital and Reserves** | | | | | | |
| Issued, subscribed and paid up capital | 1,363 | 1,321 | 1,057 | 1,057 | 1,057 | 755 |
| Employees' share compensation reserve | 40 | 70 | 52 | 45 | 45 | 45 |
| Exchange revaluation reserve | 446 | 245 | 209 | 210 | 185 | 211 |
| Share premium | 62 | 62 | 62 | 62 | 62 | - |
| Un-appropriated profit | 1,355 | 894 | 700 | 579 | 574 | 397 |
| | 3,266 | 2,592 | 2,080 | 1,953 | 1,922 | 1,408 |
| Non controlling interest | - | - | - | - | - | - |
| | 3,266 | 2,592 | 2,080 | 1,953 | 1,922 | 1,408 |
| Surplus on revaluation of property, plant and equipment | 168 | 146 | 112 | 110 | 90 | 84 |
| **Non-Current Liabilities** | | | | | | |
| Long term finances | 2 | 20 | - | - | - | 7 |
| Liabilities against assets subject to finance lease | 64 | 52 | 45 | 35 | 34 | 33 |
| Defered Liabilities | 88 | 49 | 65 | 40 | 31 | 31 |
| **Total Non-Current Liabilities** | 154 | 121 | 109 | 75 | 65 | 71 |
| **Current Liabilities** | | | | | | |
| Current portion of long-term liabilities | 26 | 26 | 22 | 18 | 19 | 18 |
| Current portion of long term loan | 18 | 26 | - | - | - | - |
| Finances under mark up arrangements and other credit facilities - secured | 312 | 340 | 266 | 190 | 39 | 50 |
| Short term loan from directors - unsecured | - | - | - | - | - | 55 |
| Cash received against IPO | - | - | - | - | - | 264 |
| Creditors, accrued and other liabilities | 2,049 | 1,354 | 697 | 518 | 439 | 467 |
| Liabilities directly associated with assets classified as Disc. Operations | - | - | - | - | - | - |
| **Total Current Liabilities** | 2,406 | 1,738 | 984 | 726 | 497 | 854 |
| **Total Equity And Liabilities** | 5,993 | 4,597 | 3,285 | 2,864 | 2,574 | 2,417 |

# ANALYSIS OF
# FINANCIAL STATEMENTS

## GROUP PROFIT AND LOSS

(Rupees in million)

| Particulars | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| Sales | 3,481 | 2,814 | 2,064 | 1,636 | 1,928 | 1,818 |
| Cost of sales | (2,469) | (1,839) | (1,317) | (1,098) | (1,237) | (1,125) |
| Gross profit | 1,012 | 975 | 747 | 538 | 691 | 694 |
| Administrative and selling expenses | (556) | (408) | (322) | (291) | (233) | (254) |
| Other charges | (5) | (4) | (10) | (5) | (25) | (0) |
| Other operating income | 465 | 105 | 32 | 61 | 31 | 32 |
| | (96) | (307) | (300) | (235) | (227) | (222) |
| Profit/(loss) from operations | 916 | 668 | 447 | 303 | 464 | 471 |
| Finance cost | (61) | (70) | (50) | (31) | (21) | (35) |
| Profit/(loss) before tax | 855 | 598 | 397 | 272 | 443 | 436 |
| Taxation | (89) | (35) | (64) | (31) | (16) | (25) |
| Profit/(loss) after tax | 767 | 563 | 333 | 242 | 427 | 411 |
| Loss for the year from disc. Operations | - | - | - | - | - | - |
| Profit/(loss) after disc. Operations | 767 | 563 | 333 | 242 | 427 | 411 |
| **Combined earnings/(loss) per share** | | | | | | |
| Basic in Rs. | 5.62 | 4.26 | 2.51 | 2.29 | 4.09 | 5.19 |
| Diluted in Rs. | 5.48 | 4.02 | 2.39 | 2.19 | 3.90 | 5.19 |

## CASH FLOW STATEMENT

(Rupees in million)

| Particulars | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| Cash flow from operating activities | 72 | 135 | (23) | 181 | (76) | 62 |
| Cash flow from investing activities | 1 | (29) | 40 | 27 | (45) | (140) |
| Cash flow from financing activities | (189) | (52) | (34) | (113) | (197) | 191 |
| Increase/(decrease) in cash & cash equilant | (117) | 54 | (17) | 94 | (318) | 113 |

# CONSOLIDATED CASH FLOW STATEMENT

(Rupees in million)

| Particulars | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | |
| Cash generated from continuing operations | 170 | 255 | 53 | 225 | (41) | 86 |
| Finance costs paid | (38) | (49) | (27) | (16) | (12) | (20) |
| Retirement benefits paid | (2) | (0) | (0) | (2) | (7) | (3) |
| **Taxes paid** | **(59)** | **(71)** | **(50)** | **(27)** | **(15)** | **(1)** |
| **Net cash (used in) / generated from operating activities** | 72 | 134 | (23) | 181 | (75) | 62 |
| Purchase of property, plant and equipment and capital work in progress | (18) | (7) | (7) | (11) | (5) | (8) |
| Purchase of intangible asset | - | - | (0) | - | - | - |
| Proceeds from disposal of property, plant and equipment | 11 | 5 | 11 | 11 | 6 | 7 |
| Income on bank deposits received | 8 | 15 | 13 | 14 | 16 | 0 |
| Short term investment | 4 | (39) | 25 | 19 | (60) | (136) |
| Long Term investment | - | - | 0 | - | 0 | - |
| Net increase in long term deposits | (5) | (3) | (3) | (5) | (2) | (4) |
| **Net cash generated from investing activities** | 1 | (29) | 39 | 27 | (45) | (140) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | |
| Repayment of long term finances | - | - | - | - | (10) | (64) |
| Issue of share capital | 4 | - | - | 0 | 49 | 264 |
| Dividend paid | (98) | (146) | (98) | (238) | (201) | - |
| Finances under markup arrangements | (28) | 74 | 75 | 151 | 39 | - |
| Repayment of loan from directors | - | - | - | - | (55) | 7 |
| Long term loan received | (18) | 38 | - | - | - | - |
| Repayment of finance lease liabilities | (50) | (18) | (11) | (26) | (19) | (16) |
| **Net cash used in financing activities** | **(189)** | **(52)** | **(34)** | **(113)** | **(197)** | **191** |
| **Net increase / (decrease) in cash and cash equivalents** | (117) | 54 | (19) | 94 | (317) | 113 |
| **Cash and cash equivalents at the beginning of the year** | 169 | 116 | 134 | 40 | 358 | 245 |
| **Effect of cash and Cash equivalents of subsidiary disposed off** | - | - | - | - | - | - |
| **Cash and cash equivalents at the end of the year** | **53** | **169** | **116** | **134** | **40** | **358** |

# 6 YEARS
# VERTICAL AND HORIZONTAL ANALYSIS

## BALANCE SHEET

### ASSETS

| Particulars | VERTICAL ANALYSIS (in %age) 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | HORIZONTAL ANALYSIS (in %age) 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Non-Current Assets** | | | | | | | | | | | | |
| Property plan and equipment | 6% | 6% | 7% | 8% | 8% | 8% | 122% | 119% | 101% | 112% | 106% | 116% |
| Intangible assets | 0% | 0% | 0% | 0% | 0% | 0% | - | - | - | - | 0% | 16% |
| GoodWill | 0% | 0% | 0% | 0% | 0% | 0% | - | - | - | - | - | - |
| Long term investments | 12% | 13% | 17% | 20% | 21% | 24% | 125% | 106% | 100% | 104% | 96% | 108% |
| Capital work in progress | 0% | 0% | 0% | 0% | 0% | 0% | - | - | - | - | - | - |
| Long term deposits | 1% | 1% | 1% | 1% | 1% | 1% | 115% | 106% | 115% | 117% | 113% | 121% |
| Deferred taxation | 0% | 0% | 0% | 0% | 0% | 0% | - | - | - | - | - | - |
| Deferred employee compensation | 0% | 0% | 0% | 0% | 0% | 0% | - | - | - | - | - | - |
| **Total Non-Current Assets** | 19% | 20% | 25% | 29% | 30% | 33% | 123% | 109% | 100% | 107% | 98% | 110% |
| **Current Assets** | | | | | | | | | | | | |
| Stock in trade | 1% | 2% | 3% | 2% | 2% | 2% | 91% | 93% | 168% | 120% | 90% | 98% |
| Current portion of deferred employee compensation | 0% | 0% | 0% | 0% | 0% | 0% | - | - | - | - | - | - |
| Trade debts - Billed | 33% | 22% | 20% | 26% | 30% | 23% | 192% | 157% | 86% | 99% | 137% | 70% |
| Trade debts - Earning in excess of billing | 34% | 41% | 36% | 26% | 23% | 15% | 108% | 158% | 159% | 126% | 169% | 240% |
| Short term investments | 3% | 4% | 5% | 6% | 8% | 6% | 97% | 125% | 86% | 91% | 143% | 4058% |
| Advances, deposits, prepayments and other receivables | 9% | 7% | 7% | 6% | 6% | 5% | 167% | 139% | 149% | 104% | 127% | 88% |
| Investments in Stocks | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Cash and bank balances | 1% | 4% | 4% | 5% | 2% | 17% | 31% | 146% | 87% | 335% | 10% | 166% |
| Non current assets attributable to discontinued operations | 0% | 0% | 0% | 0% | 0% | 0% | - | - | - | - | - | - |
| **Total Current Assets** | 81% | 80% | 75% | 71% | 70% | 67% | 132% | 150% | 120% | 113% | 110% | 118% |
| **Total Assets** | 100% | 100% | 100% | 100% | 100% | 100% | 130% | 140% | 115% | 111% | 106% | 115% |

## EQUITIES AND LIABILITIES

| Particulars | VERTICAL ANALYSIS (in %age) | | | | | | HORIZONTAL ANALYSIS (in %age) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| **Share Capital and reserves** | | | | | | | | | | | | |
| Issued, subscribed and paid up capital | 23% | 29% | 32% | 37% | 41% | 31% | 103% | 125% | 100% | 100% | 140% | 189% |
| Employees' share compensation reserve | 1% | 2% | 2% | 2% | 2% | 2% | 57% | 135% | 116% | 100% | 100% | - |
| Exchange revaluation reserve | 7% | 5% | 6% | 7% | 7% | 9% | 182% | 117% | 100% | 114% | 88% | 138% |
| Share premium | 1% | 1% | 2% | 2% | 2% | 0% | 100% | 100% | 100% | 100% | - | - |
| Un-appropriated profit | 23% | 19% | 21% | 20% | 22% | 16% | 152% | 128% | 121% | 101% | 145% | 103% |
| | 54% | 56% | 63% | 68% | 75% | 58% | 126% | 125% | 107% | 102% | 137% | 150% |
| Non controlling interest | 0% | 0% | 0% | 0% | 0% | 0% | | | - | - | - | - |
| Surplus on revaluation of property, plant and equipment | 3% | 3% | 3% | 4% | 3% | 3% | 115% | 130% | 102% | 122% | 137% | 150% |
| **Non-Current Liabilities** | | | | | | | | | | | | |
| Long term finances | 0% | 0% | 0% | 0% | 0% | 1% | - | - | - | - | - | 37% |
| Liabilities against assets subject to finance lease | 1% | 1% | 1% | 1% | 1% | 1% | 123% | 116% | 129% | 103% | 102% | 108% |
| Defered liabilities | 1% | 1% | 2% | 1% | 1% | 1% | 180% | 75% | 163% | 129% | 100% | 150% |
| **Total Non-Current Liabilities** | 3% | 3% | 3% | 3% | 3% | 3% | 127% | 111% | 145% | 115% | 91% | 101% |
| **Current Liabilities** | | | | | | | | | | | | |
| Current portion of long-term liabilities | 0% | 1% | 1% | 1% | 1% | 1% | 102% | 118% | 122% | 95% | 106% | 27% |
| Current portion of long-term loans | 0% | 0% | 0% | 0% | 0% | 0% | 101% | 0% | 0% | 0% | 0% | 0% |
| Finances under mark up arrangements and other credit facilities - secured | 5% | 7% | 8% | 7% | 2% | 2% | 92% | 128% | 140% | 487% | 79% | 8,267% |
| Short term loan from directors - unsecured | 0% | 0% | 0% | 0% | 0% | 2% | - | - | - | - | 0% | 114% |
| Cash received against IPO | 0% | 0% | 0% | 0% | 0% | 11% | - | - | - | - | 0% | - |
| Creditors, accrued and other liabilities | 34% | 29% | 21% | 18% | 17% | 19% | 151% | 194% | 135% | 118% | 94% | 51% |
| Liabilities directly associated with assets classified as disc. Operations | 0% | 0% | 0% | 0% | 0% | 0% | - | - | - | - | - | - |
| **Total Current Liabilities** | 40% | 38% | 30% | 25% | 19% | 35% | 138% | 177% | 136% | 146% | 58% | 83% |
| **Total Equity and Liabilities** | 100% | 100% | 100% | 100% | 100% | 100% | 130% | 140% | 115% | 111% | 106% | 115% |

# 6 YEARS
# VERTICAL AND HORIZONTAL ANALYSIS

## PROFIT AND LOSS STATEMENTS

| | VERTICAL ANALYSIS (in %age) | | | | | | HORIZONTAL ANALYSIS (in %age) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Particulars** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** |
| Sales | 100% | 100% | 100% | 100% | 100% | 100% | 124% | 136% | 126% | 85% | 106% | 86% |
| Cost of sales | -71% | -65% | -64% | -67% | -64% | -62% | 134% | 140% | 120% | 89% | 110% | 90% |
| Gross profit | 29% | 35% | 36% | 33% | 36% | 38% | 104% | 131% | 139% | 78% | 100% | 80% |
| Administrative and selling expenses | -16% | -14% | -16% | -18% | -12% | -14% | 136% | 127% | 111% | 125% | 92% | 94% |
| Other charges | 0% | 0% | 0% | 0% | -1% | 0% | 126% | 40% | 200% | 20% | 13855% | 87% |
| Other operating income | 13% | 4% | 2% | 4% | 2% | 2% | 443% | 328% | 52% | 197% | 96% | 13% |
| | -3% | -11% | -15% | -14% | -12% | -12% | 31% | 102% | 128% | 104% | 102% | 713% |
| Profit/(loss) from operations | 26% | 24% | 22% | 19% | 24% | 26% | 137% | 149% | 148% | 65% | 98% | 56% |
| Finance cost | -2% | -2% | -2% | -2% | -1% | -2% | 87% | 140% | 161% | 148% | 60% | 79% |
| Profit/(loss) before tax | 25% | 21% | 19% | 17% | 23% | 24% | 143% | 151% | 146% | 61% | 102% | 55% |
| Taxation | -3% | -1% | -3% | -2% | -1% | -1% | 253% | 55% | 206% | 194% | 64% | 87% |
| Profit/(loss) for the year | 22% | 20% | 16% | 15% | 22% | 23% | 136% | 169% | 138% | 57% | 104% | 54% |
| Loss for the year from disc. operations | - | - | - | - | - | - | - | - | - | - | - | - |
| | 22% | 20% | 16% | 15% | 22% | 23% | 136% | 169% | 138% | 57% | 104% | 54% |
| **Combined earnings/(loss) per share** | | | | | | | | | | | | |
| Basic | 0.16% | 0.15% | 0.12% | 0.14% | 0.21% | 0.29% | 132% | 170% | 110% | 56% | 79% | 27% |
| Diluted | 0.16% | 0.14% | 0.12% | 0.13% | 0.21% | 0.29% | 136% | 168% | 109% | 56% | 75% | 27% |

## CASH FLOW STATEMENT

| | VERTICAL ANALYSIS (in %age) | | | | | | HORIZONTAL ANALYSIS (in %age) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Particulars** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** | **2018** | **2017** | **2016** | **2015** | **2014** | **2013** |
| Cash Flow From Operating activities | -62% | 250% | 135% | 193% | 24% | 55% | 54% | -585% | -13% | -238% | -123% | 12% |
| Cash Flow From Investing activities | -1% | -53% | -235% | 29% | 14% | -124% | -2% | -72% | 148% | -60% | 32% | 107% |
| Cash Flow From financing activities | 162% | -97% | 200% | -120% | 62% | 169% | 364% | 153% | 30% | 57% | -103% | 212% |
| Increase/(Decrease) in Cash & Cash equivalent | 100% | 100% | 100% | 100% | 100% | 100% | -217% | -316% | -18% | -30% | -281% | 25% |

## CONSOLIDATED CASH FLOW STATEMENT

| Particulars | VERTICAL ANALYSIS (in %age) 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | HORIZONTAL ANALYSIS (in %age) 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | | | | | | | |
| Cash generated from continuing operations | -146% | 476% | -283% | 239% | 13% | 76% | 67% | 480% | 24% | -555% | -47% | 13% |
| Finance costs paid | 32% | -91% | 141% | -17% | 4% | -18% | 77% | 183% | 169% | 128% | 61% | 14% |
| Retirement benefits paid | 2% | 0% | 2% | -2% | 2% | -3% | 1035% | 45% | 24% | 22% | 255% | 48% |
| Taxes paid | 51% | -134% | 264% | -29% | 5% | -1% | 82% | 144% | 185% | 176% | 1520% | -260% |
| **Net cash (used in) / generated from operating activities** | -62% | 251% | 124% | 192% | 24% | 55% | 54% | -578% | -13% | -240% | -122% | 12% |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | | | | | | | |
| Purchase of property, plant and equipment and capital work in progress | 15% | -14% | 35% | -12% | 1% | -7% | 239% | 113% | 58% | 248% | 61% | 195% |
| Purchase of intangible asset | 0% | 0% | 1% | 0% | 0% | 0% | N/A | N/A | N/A | N/A | N/A | N/A |
| Proceeds from disposal of property, plant and equipment | -9% | 10% | -58% | 12% | -2% | 6% | 206% | 48% | 99% | 196% | 77% | 149% |
| Income on bank deposits received | -7% | 29% | -67% | 14% | -5% | 0% | 55% | 121% | 94% | 85% | 12344% | 73% |
| Short term investment | -3% | -73% | -135% | 20% | 19% | -121% | -10% | -155% | 137% | -31% | 44% | 4006% |
| Long Term investment | 0% | 0% | 0% | 0% | 0% | 0% | N/A | N/A | N/A | N/A | N/A | 0% |
| Net increase in long term deposits | 4% | -5% | 18% | -5% | 1% | -3% | 176% | 80% | 67% | 223% | 63% | 58% |
| **Net cash generated from investing activities** | -1% | -54% | -207% | 28% | 14% | -124% | -2% | -74% | 145% | -59% | 32% | 107% |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | | | | | | | |
| Repayment of long term finances | 0% | 0% | 0% | 0% | 3% | -57% | 0% | 0% | 0% | 0% | 16% | -95% |
| Issue of share capital | -4% | 0% | 0% | 0% | -16% | 235% | 0% | 0% | 0% | 0% | 19% | N/A |
| Dividend paid | 84% | -273% | 524% | -253% | 63% | 0% | 67% | 149% | 41% | 118% | N/A | N/A |
| Finances under markup arrangements | 24% | 138% | -400% | 161% | -12% | 0% | -37% | 99% | 50% | 387% | N/A | N/A |
| Repayment of loan from directors | 0% | 0% | 0% | 0% | 17% | 6% | 0% | 0% | 0% | 0% | -818% | 23% |
| Repayment of finance lease liabilities | 43% | -34% | 59% | -28% | 6% | -14% | 278% | 164% | 42% | 140% | 120% | 203% |
| **Net cash used in financing activities** | 147% | -168% | 183% | -121% | 62% | 169% | 363% | 152% | 30% | 58% | -103% | 212% |
| Net (decrease) / increase in cash and cash equivalents | 84% | 29% | 100% | 100% | 100% | 100% | -218% | -285% | -20% | -30% | -282% | 25% |

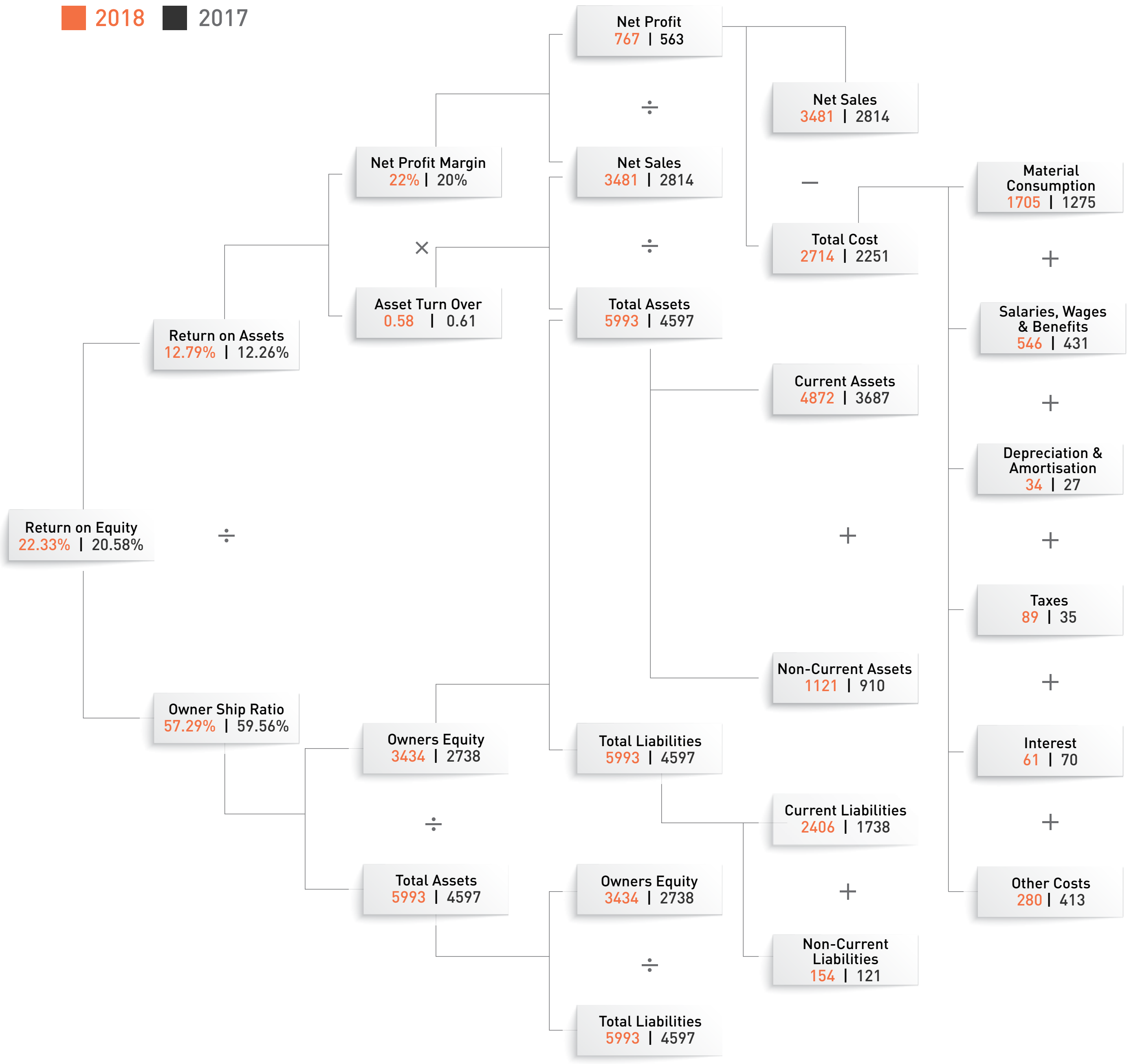
# ANALYSIS OF
# FINANCIAL STATEMENTS

## CONSOLIDATED CASH FLOW STATEMENT BY INDIRECT METHOD

(Rupees in million)

| Particulars | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | |
| Cash flows from Customers | (736) | (1,078) | (342) | (168) | (449) | 37 |
| Cash flows from Creditors | 486 | 696 | 65 | 76 | (25) | (437) |
| Cash flows from Stocks | 8 | 8 | (42) | (9) | 5 | 1 |
| Other cash flows from operations | 412 | 629 | 372 | 326 | 429 | 485 |
| Cash generated from continuing operations | 170 | 255 | 53 | 225 | (41) | 86 |
| Finance costs paid | (38) | (49) | (27) | (16) | (12) | (20)) |
| Retirement benefits paid | (2) | (0) | (0) | (2) | (7) | (3) |
| Taxes paid | (59) | (71) | (50) | (27) | (15) | (1) |
| Net cash (used in) / generated from operating activities | 72 | 134 | (23) | 181 | (75) | 62 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | |
| Purchase of property, plant and equipment and capital work in progress | (18) | (7) | (7) | (11) | (5) | (8) |
| Purchase of intangible asset | - | - | (0) | - | - | - |
| Proceeds from disposal of property, plant and equipment | 11 | 5 | 11 | 11 | 6 | 7 |
| Income on bank deposits received | 8 | 15 | 13 | 14 | 16 | 0 |
| Short term investment | 4 | (39) | 25 | 19 | (60) | (136) |
| Long Term investment | - | - | 0 | - | 0 | - |
| Net increase in long term deposits | (5) | (3) | (3) | (5) | (2) | (4) |
| Net cash generated from investing activities | 1 | (29) | 39 | 27 | (45) | (140) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | |
| Repayment of long term finances | - | - | - | - | (10) | (64) |
| Issue of share capital | 4 | - | - | 0 | 49 | 264 |
| Dividend paid | (98) | (146) | (98) | (238) | (201) | - |
| Finances under markup arrangements | (28) | 74 | 75 | 151 | 39 | - |
| Repayment of loan from directors | - | - | - | - | (55) | 7 |
| Long term loan received | (18) | 38 | - | - | - | - |
| Repayment of finance lease liabilities | (50) | (18) | (11) | (26) | (19) | (16) |
| Net cash used in financing activities | (189) | (52) | (34) | (113) | (197) | 191 |
| Net (decrease) / increase in cash and cash equivalents | (117) | 54 | (19) | 94 | (317) | 113 |
| Cash and cash equivalents at the beginning of the year | 169 | 116 | 134 | 40 | 358 | 245 |
| Effect of cash and Cash equivalents of subsidiary disposed off | - | - | - | - | - | - |
| Cash and cash equivalents at the end of the year | 53 | 169 | 116 | 134 | 40 | 358 |

# DUPONT **ANALYSIS**

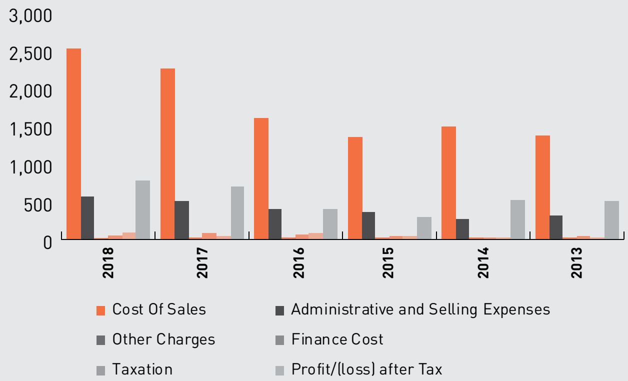



Avanceon showed excellent all-round performance in terms of PO generation, year on year growth of revenues, gross profits, other income and net profits in financial year 2018. Avanceon stock performed exceptionally well in terms of capital gains, distribution of profits/dividends since financial year 2014 with satisfactory stock liquidity. We are confident of our current business plan in financial year 2019. Well done team and thank you for your confidence in our capabilities.

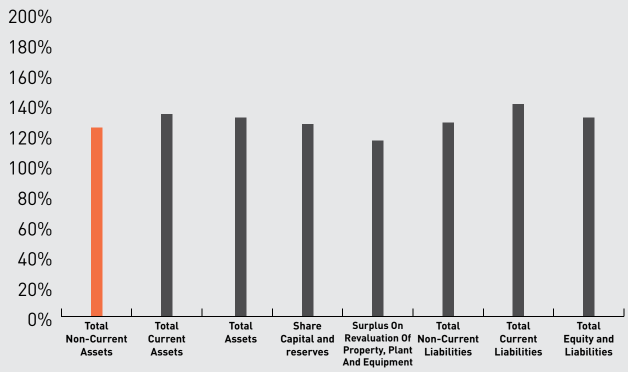
**Saeed Ullah Khan Niazi**
Chief Financial Officer

# GRAPHIC
# REPRESENTATION 2013-2018

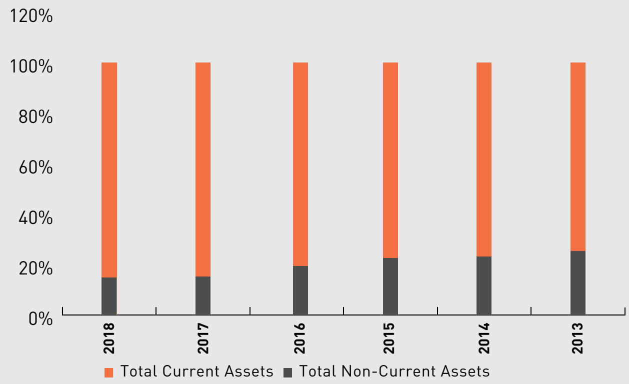

## Profit & Loss Analysis



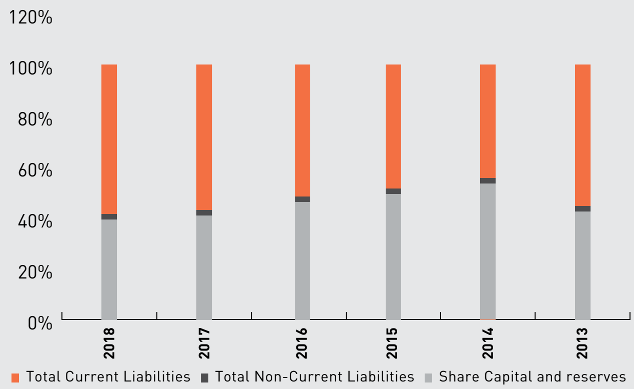

## Balance Sheet Horizontal Analysis

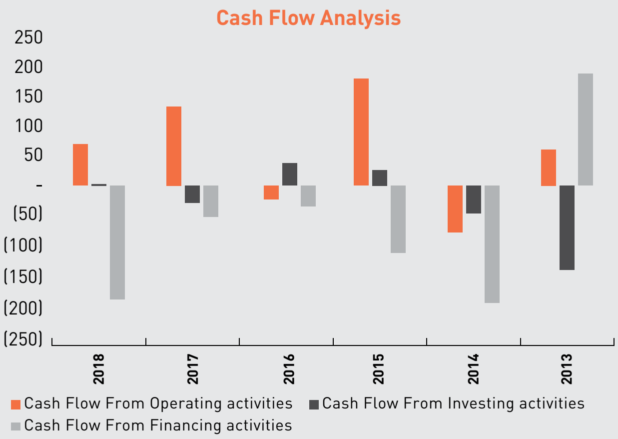


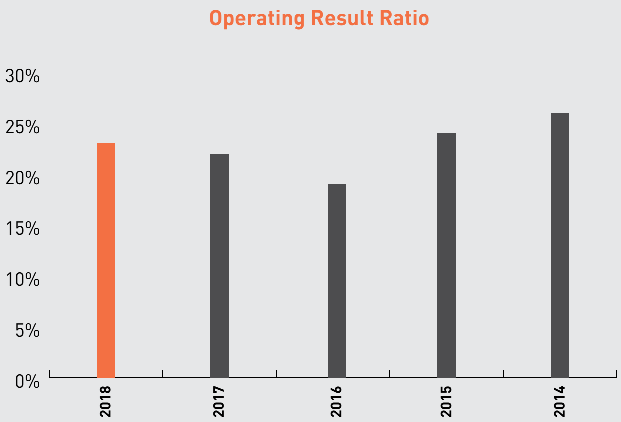

## Total Asset Analysis

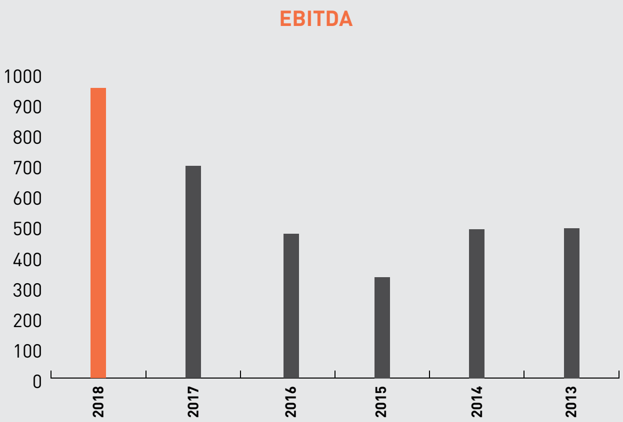


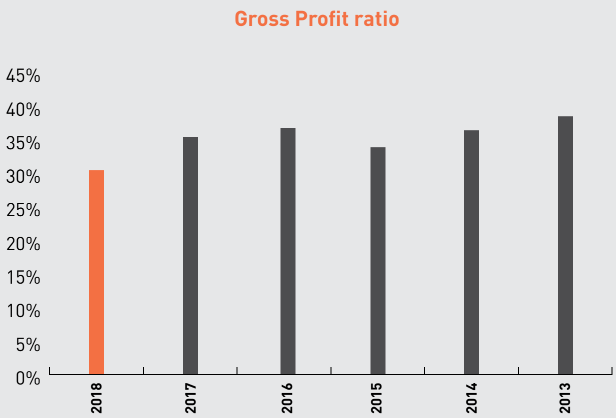

## Total liabilities Analysis

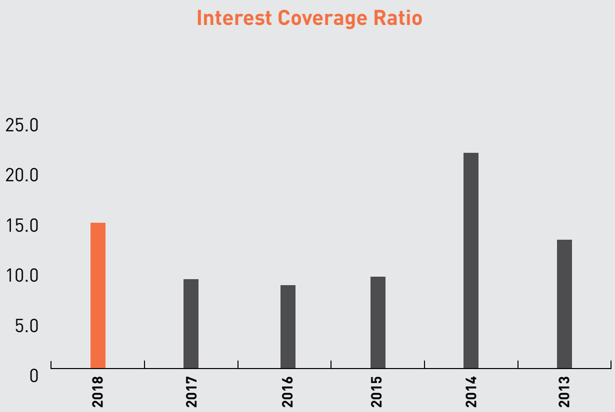


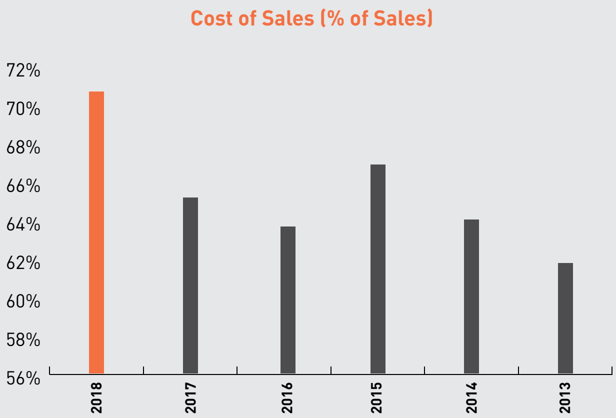

Cash Flow Analysis
250
200
150
100
50
-
(50)
(100)
(150)
(200)
(250)
2018
2017
2016
2015
2014
2013
Cash Flow From Operating activities
Cash Flow From Investing activities
Cash Flow From Financing activities


Operating Result Ratio
30%
25%
20%
15%
10%
5%
0%
2018
2017
2016
2015
2014


EBITDA
1000
900
800
700
600
500
400
300
200
100
0
2018
2017
2016
2015
2014
2013

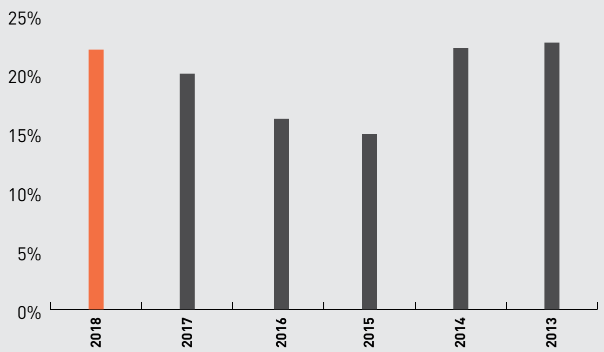

Gross Profit ratio
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
2018
2017
2016
2015
2014
2013


Interest Coverage Ratio
25.0
20.0
15.0
10.0
5.0
0
2018
2017
2016
2015
2014
2013

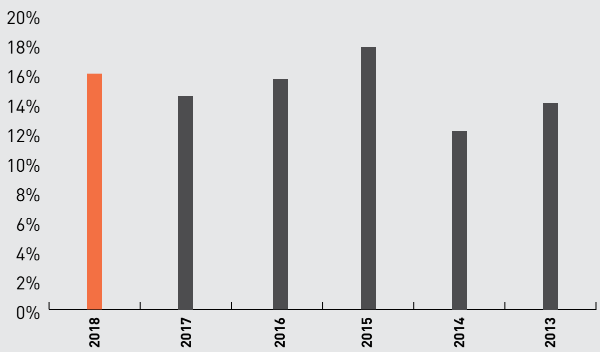

Cost of Sales (% of Sales)
72%
70%
68%
66%
64%
62%
60%
58%
56%
2018
2017
2016
2015
2014
2013

# GRAPHIC
# REPRESENTATION 2013-2018

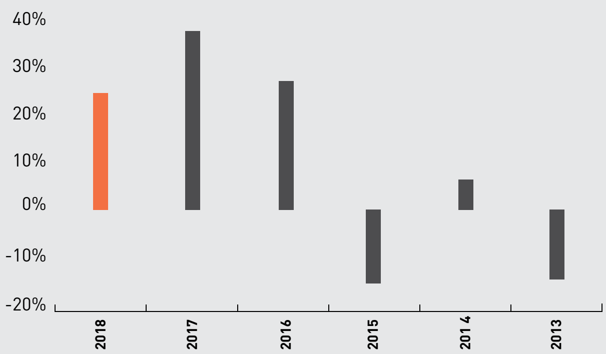
Profit After tax



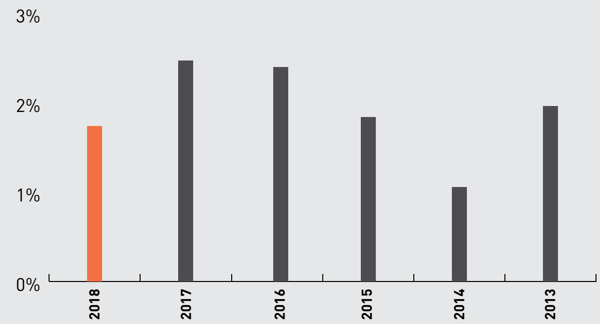

Administrative & selling Cost (% of Sales)



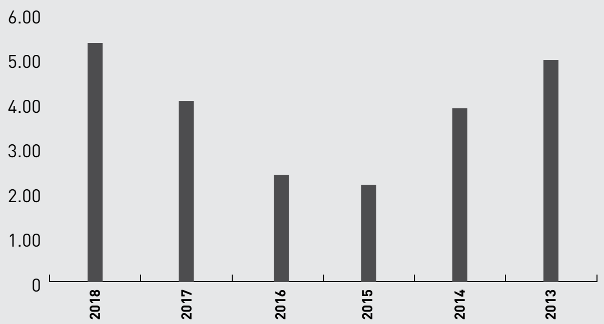

Net Sales (in %Growth)



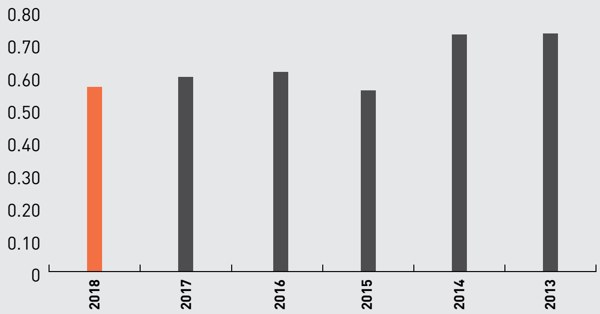

Financial Cost (% of Sales)



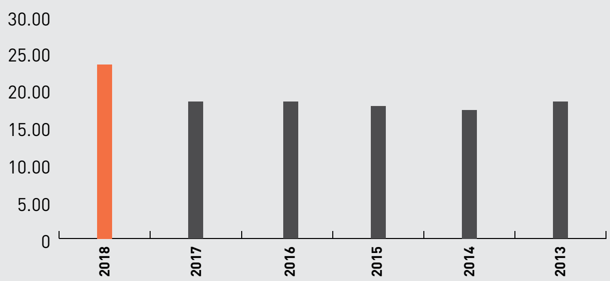

Earning per Share (Basic)



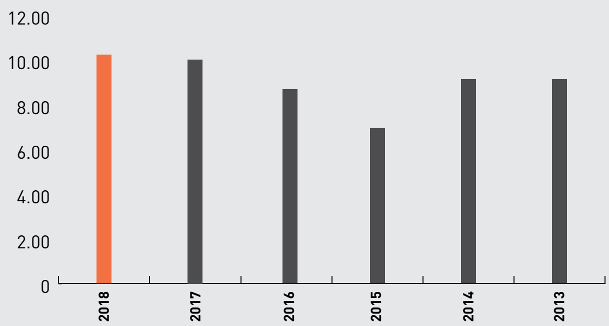

Total Asset Turnover



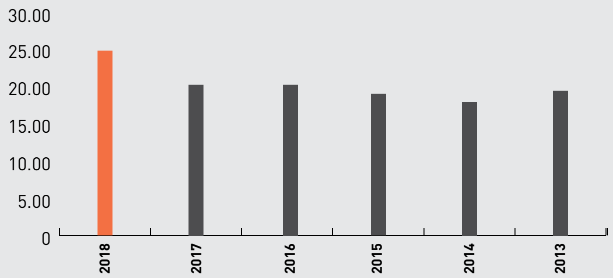

Break Up Value per Share without Surplus on Revaluation



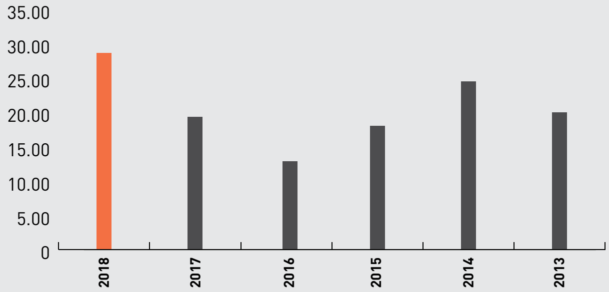

Fixed Asset Turnover



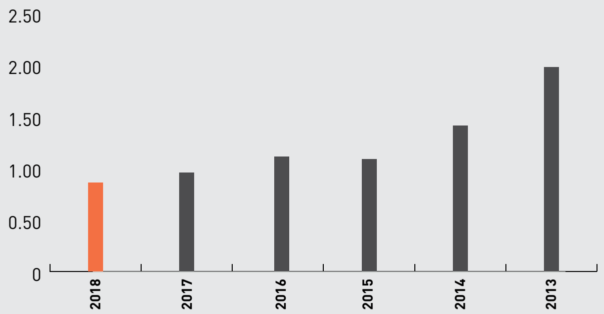
### Break Up Value per Share with Surplus on Revaluation



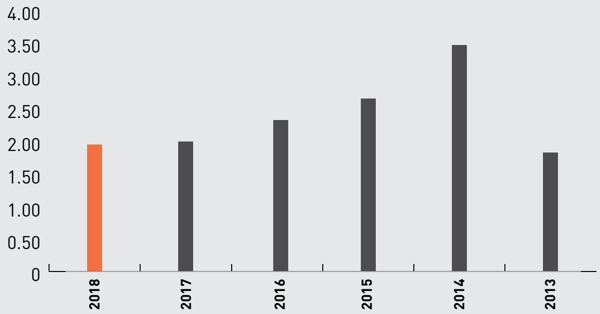

### Inventory Turnover



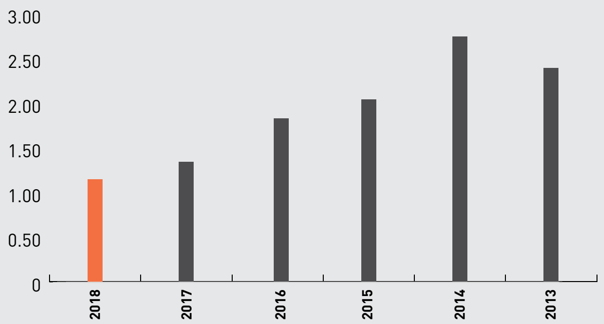

### Trade Debts Turnover



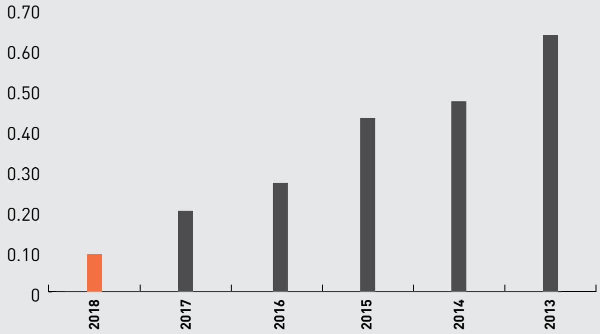

### Quick Ratio



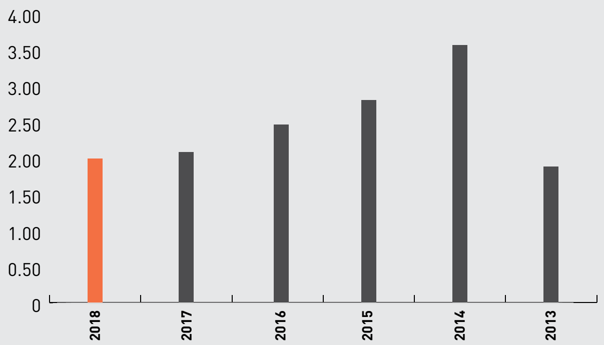

### Trade Creditors Turnover




### Cash to Current Liabilities




### Current Ratio



# COMMENTS ON
# RESULTS FOR THE PAST 6 YEARS

## Horizontal Analysis (Consolidated)

**Balance Sheet**

We observed 30% (Rs. 1,396m) increase in the balance sheet footing as compared to last year from amounting Rs. 5.993 Billion to Rs. 4.597 billion in positive trend due to accumulated increasing assets of the company specifically in receivables, advances deposits and prepayments and long-term tangible assets, increase in exchange translation reserve on foreign invest in Avanceon LP, USA due to PKR devaluation. We observed 25% (Rs. 728m) increased in net asset of the company which shows excellent growth in retained earnings and profitability as compared to last year and we can also see a positive trend from last six years as well. The company observed 32% (Rs. 1,184m) increased in current assets also depict increasing trends which is an evidence of effective use of the Company's earnings in further investment on human resource trainings, retention and growth of the company as compare to previous year, we observed 38% (Rs. 668) increase in current Liabilities of company as compared to FY 2017 to avail cheaper way of financing by excellent renegotiations of credit terms with creditors and banks. The Company maintaining year on year positive growth in current and non-current assets of the company as compared to less/ even negative trend in current and non-current liabilities from FY 2012 to FY 2018, which is also a valid evidence of use of company resources.

**Profit and Loss**

We observed 24% (Rs. 667m) increased in revenues as compared to FY 2017, due to excellent performance of Core segments in Pakistan, Qatar and KSA, we observed 36% (Rs. 148) increase in fixed cost as compared, but if we exclude the one-time provision and written-ff of old balances of Rs. 95m, after this, we can extract only 13% increase over the last year is justified due to increased cost of selling expenses (which is grouped in administrating and selling expenses) which are align with the increased revenues, we observed 13% net increase in salaries and benefits due to annual increments and performance bonuses which are very much justified with the increased revenue and profits. we observed a huge increase in other incomes from Rs. 105m to Rs. 465m (Rs. 360m increased) due to at sudden devaluation of PKR currency vs. US dollar which contributed exchange gain amounting Rs. 449m on translation of foreign receivables. The company observed 13% (Rs. 9m) decrease in finance cost as compared to FY 2017 which is align with excellent management of working capital as required for execution of projects and revenues which depict the better position of company liquidity and repayment of long term & short term working capital before maturity and effective use of company assets. Currently Company withdrawn short terms working capital to finance big values orders in Pakistan and Middle East to meet on time deliveries.

**Cash Flows**

- Operating Activities:
  We observed a negative trend in cash flow from operating activities amounting to Rs. 63m which is 47% decrease over the last year, we normally do billing in last quarter of each financial year and collect cash in early quarters of each upcoming financial year, we can have positive trend in cash flows from Q1 and Q2. We observed Year on Year change in cash flow from net operating activities like 46%, -13%, -240%, -122%, 12%, -2148% and -14% for 2017, 2016, 2014, 2013, 2012 and 2011 respectively. We also observed Year on Year growth in Cash and bank balances (Closing Balance) as compared to 2010 for 2017 except FY 2016 and FY 2017 due to use of bank balances in operations and paying out cash dividends.

- Investing Activities
  A glance of cash flows from investing activities reveals that the Company is always engaged in making investment in fixed capital expenditure, short term and long term investment in subsidiaries and associated company in order to ensure future cash flows.

- Financing Activities
  One of the certain cash outflow from the financing activities is the payment of dividend and repayments of all long and short term loans to avoid financial cost.

## Vertical Analysis (Consolidated)

**Balance Sheet**

Because of regular consistent net profits and effective debt management (long term and short term) has continuously improved the debt equity ratio on the Company over the last six years. The composition of current and non-current assets has provided attractive liquidity position and effective potential for growth.

**Profit and Loss**

The Company revenue, gross profit margin, fixed cost, net profits remains reasonable throughout the last six years due to consistent growth in revenue and reduction in fixed cost, tremendous reduction in financial cost and consistency of net profits, All these factors have contributed towards growth in the profit after tax over the last six years.

**Cash Flows**

- Operating Activities:
  We observed a positive cash flow from operating activities in FY 2017 and FY 2014 because of net increase in receivable (considered good) due to billing and Earning is excess of billing recognition in last quarter, subsequently we generated a positive inflow in net cash from operating activities in Q1 and Q2 of each FYs, we generated positive cash flow from 2011 to 2017 except 2011, 201 and 2017 an which generated enough cash for investing and financing activities.

- Investing Activities
  A glance of cash flows from investing activities reveals that the Company is always engaged in making investment in fixed capital expenditure, short term and long term investment in subsidiaries and associated company in order to ensure future cash flows.

- Financing Activities
  One of the certain cash outflow from the financing activities is the payment of dividend and repayments of all long and short term loans to avoid financial cost.

# ANALYSIS OF **VARIATION**

## RESULTS REPORTED IN INTERIM REPORTS

Quarterly Analysis

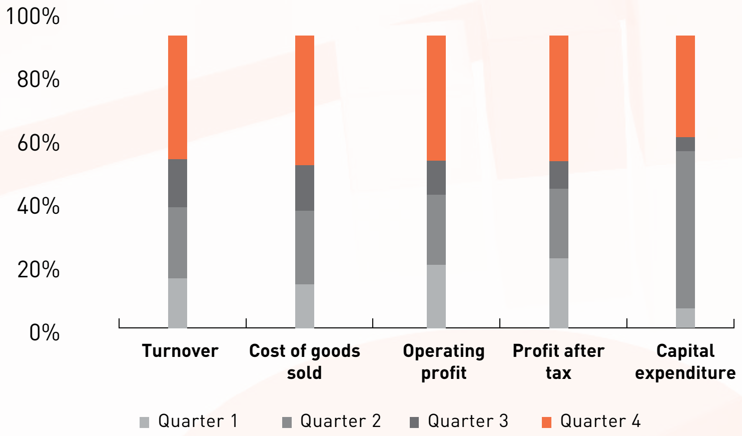
**Rs. In millions**

| Period | Turnover | Cost of goods sold | Operating Profit | Profit after tax | Capital Expenditures |
|---|---|---|---|---|---|
| Quarter 1 | 589 | 375 | 201 | 185 | 4 |
| Quarter 2 | 859 | 617 | 216 | 181 | 31 |
| Quarter 3 | 559 | 396 | 110 | 75 | 2 |
| Quarter 4 | 1474 | 1081 | 389 | 326 | 20 |
| Total | 3481 | 2469 | 916 | 767 | 56 |

## Revenue, Cost of Goods Sold, Gross Profits, Operating Profit and Net Profits

Historically, our revenue, cost and profits remain lower in early quarters and get start momentum in 2nd quarter and major portions of revenues of orders start getting recognition in 3rd and 4th quarter due to business cycle which is being observed from last many years and current year is also repeating the past trend, because, most of our major customers financial year start from January which enable us to approach for orders soon after their budget approvals, our sales team react accordingly for orders in 1st and 2nd quarter and revenue recognition/order execution in last quarters of FY 2017 but materially in 4th quarter.

Quartely Analysis




## Capital Expenditures

Rs. 56 million which is 52% increased as compared to last year, the total expenditure has been incurred in 2ns quarter mainly included Rs. 31 million for purchase of vehicles for official office use and for certain executives as per company policy.

# SHARE PRICE
# SENSITIVITY ANALYSIS

| Month | Max trade per day | Min trade per day | Total monthly | High price | Low price |
|---|---|---|---|---|---|
| Jan-18 | 733,000 | 57,500 | 4,484,500 | 41.01 | 35.07 |
| Feb-18 | 1,154,500 | 44,000 | 6,769,500 | 51.27 | 41.26 |
| Mar-18 | 1,999,000 | 25,000 | 8,859,500 | 55.42 | 49.04 |
| Apr-18 | 1,520,500 | 54,500 | 8,434,000 | 59.77 | 51.23 |
| May-18 | 799,500 | 24,500 | 5,615,000 | 65.12 | 57.78 |
| Jun-18 | 1,170,000 | 37,000 | 5,967,500 | 66.24 | 56.78 |
| Jul-18 | 1,553,000 | 86,000 | 10,875,000 | 78.27 | 63.97 |
| Aug-18 | 1,260,500 | 27,500 | 5,830,000 | 82.30 | 78.81 |
| Sep-18 | 1,121,000 | 16,500 | 5,145,000 | 87.02 | 79.85 |
| Oct-18 | 1,366,000 | 23,500 | 7,804,500 | 94.78 | 69.55 |
| Nov-18 | 2,598,500 | 46,500 | 9,152,500 | 100.37 | 85.15 |
| Dec-18 | 1,257,000 | 9,000 | 4,160,500 | 85.21 | 77.23 |

### TRADE PRICE

| Year | High Rate | Low Rate | High Volume | Low Volume |
|---|---|---|---|---|
| 2015 | 46.50 | 29.95 | 4,475,000 | 12,000 |
| 2016 | 41.40 | 28.00 | 1,714,000 | 9,500 |
| 2017 | 61.00 | 32.00 | 7,184,500 | 2,000 |
| 2018 | 100.37 | 35.07 | 2,598,500 | 9,000 |
| 2019 | 84.61 | 64.44 | 1,681,500 | 4,000 |

# SHARE PRICE SENSITIVITY ANALYSIS

## SENSITIVITY ANALYSIS

Avanceon holds a variety of businesses segments and operating in various regions including Pakistan, United Arab Emirate (UAE), Qatar, Kingdom of Saudi Arabia (KSA) and United State of America (USA) with a variety of external and internal factors that can affect the company's financial and non-financial performance. We observed very stable and upward performance of AVN stock, during the period company stock touched the ever high level of PKR 100.37 which indicate more and less as positive trend over PSX 100 index, we observed decreasing trend in trading volumes which it not coincide with PSX 100 index total trade volumes, but we are very much confident to restore trading volumes at financial year 2014 level in FY 2019 after issuance of 40% bonus shares which will increase the stock liquidity at true fair values, in this connection, we conducted two investors briefs in FY 2018 and for fy 2019 we have plan to conduct a series of investors awareness sessions along with redevelopment of investor relating function, redesign of investor webpage to provide true and accurate understanding of our nature of business and our existing and future plans of Avanceon Limited and its subsidiaries in foreign countries.

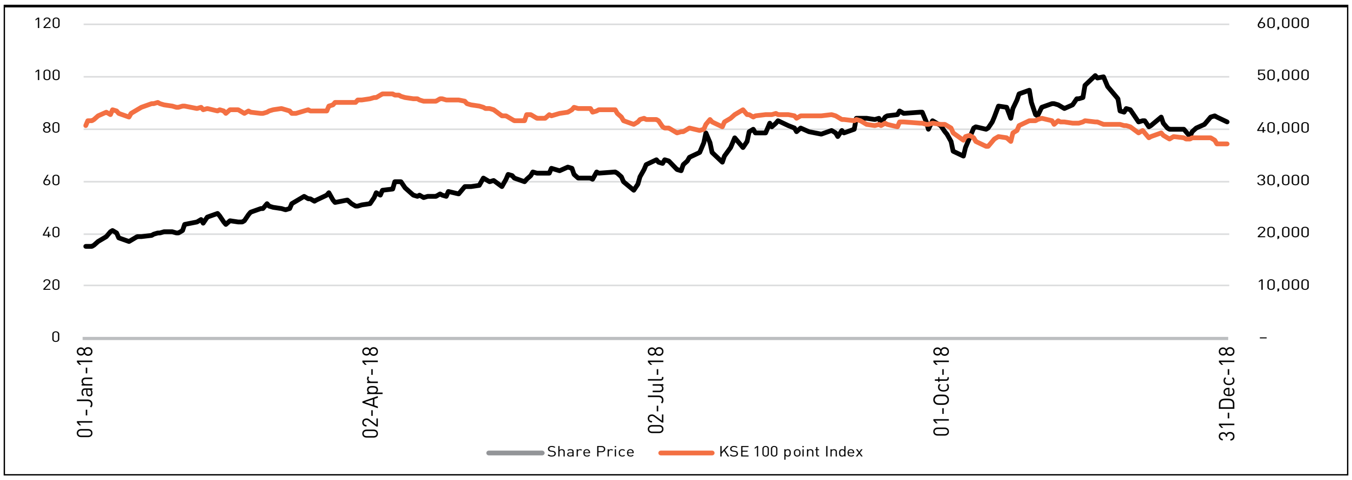
The AVN stock performed satisfactory in term of price appreciation as new entrant at PSX after listing in early month of financial year 2014 and delivered excellent results and payouts to its shareholders, we are very much confident that AVN stock will further improve its performance in financial year 2019 and try to maintain its history of excellent payouts as done in past, following are the factors that affected the share price and trading volumes:

1. **Business Segment**
   All of our business segments performed excellently except one business segment High End Solutions (HES) segments in in UAE and Pakistan, we posted higher EPS in Q1, Q2 and Q3 which impacted share price and volumes on positive trend.

2. **Revenue Recognition**
   We have entered in financial year 2019 with material value of orders as backlog for FY 2019 because we obtained major orders in 3rd and 4th quarter of FY 2018 which were projected in 1st and 2nd quarter of FY 2018 that's why we could not recognized major portion of revenue in last quarter of FY 2018, we can project a very handsome growth in revenues and net profits in all upcoming quarters in FY 2019, which can affect the share price and volumes in positive trend.

3. **Complex business structure**
   Due to complex business and segmental structure, we observed, a majority of the investor couldn't understand the company, nature of business, operations and revenue stream that also impacted share price and trading volumes below PSX (formerly KSE) 100 index performance, recently we have taken a number of steps to resolve the understanding issues as stated above in first paragraph.

4. **First Engineering Technology Company**
   Avanceon was a first engineering technology company that got listed at Pakistan Stock Exchange, we observed investor are still not fully successful to understand the company way of working and execution of jobs/projects, mostly take Avanceon as software house, which is wrong, Avanceon is industrial automation company that deal in automation equipment's installation and commissioning of automation related task, jobs and projects, in order to dilute this wrong understanding about Avanceon that's why we conducted two investors briefs session in Karachi in FY 2018 , due to this we remained very successful to change the old perception of investors, we observed excellent growth in price and volumes of AVN stock in FY 2019.



PATTERN OF
# SHAREHOLDING

PATTERN

| No. of Shareholders | Having Shares | | Shares Held |
|---|---|---|---|
| | From | To | |
| 652 | 1 | 100 | 20,196 |
| 359 | 101 | 500 | 112,421 |
| 571 | 501 | 1,000 | 397,309 |
| 617 | 1,001 | 5,000 | 1,331,983 |
| 88 | 5,001 | 10,000 | 653,598 |
| 26 | 10,001 | 15,000 | 316,850 |
| 9 | 15,001 | 20,000 | 153,678 |
| 9 | 20,001 | 25,000 | 213,434 |
| 3 | 25,001 | 30,000 | 86,000 |
| 10 | 35,000 | 40,000 | 382,434 |
| 2 | 40,001 | 45,000 | 86,500 |
| 5 | 45,001 | 50,000 | 241,088 |
| 7 | 50,001 | 55,000 | 373,361 |
| 4 | 60,000 | 65,000 | 248,250 |
| 2 | 65,001 | 70,000 | 139,000 |
| 4 | 70,001 | 75,000 | 294,036 |
| 2 | 75,001 | 80,000 | 157,962 |
| 2 | 80,001 | 85,000 | 169,000 |
| 2 | 90,001 | 95,000 | 184,062 |
| 5 | 100,000 | 105,000 | 502,789 |
| 1 | 115,001 | 120,000 | 117,000 |
| 3 | 120,001 | 125,000 | 368,163 |
| 1 | 130,001 | 135,000 | 132,280 |
| 2 | 140,001 | 145,000 | 284,684 |
| 1 | 155,001 | 160,000 | 157,001 |
| 1 | 165,000 | 170,000 | 165,000 |
| 2 | 180,000 | 185,000 | 362,775 |
| 1 | 185,001 | 190,000 | 187,000 |
| 3 | 195,001 | 200,000 | 586,874 |
| 1 | 200,001 | 205,000 | 204,000 |
| 1 | 205,001 | 210,000 | 209,000 |
| 1 | 210,001 | 215,000 | 210,015 |
| 1 | 230,001 | 235,000 | 231,243 |
| 1 | 240,001 | 245,000 | 244,500 |
| 2 | 300,000 | 305,000 | 604,750 |
| 1 | 335,001 | 340,000 | 336,267 |
| 1 | 355,001 | 360,000 | 357,500 |
| 1 | 365,001 | 370,000 | 368,431 |
| 1 | 380,001 | 385,000 | 383,000 |
| 1 | 470,000 | 475,000 | 470,000 |
| 1 | 480,001 | 485,000 | 484,000 |
| 1 | 640,001 | 645,000 | 642,087 |
| 1 | 1,000,001 | 1,005,000 | 1,004,000 |
| 1 | 2,115,000 | 2,120,000 | 2,115,000 |
| 1 | 8,720,001 | 8,725,000 | 8,724,000 |
| 1 | 12,215,001 | 12,220,000 | 12,217,500 |
| 1 | 14,860,001 | 14,865,000 | 14,864,180 |
| 1 | 84,225,001 | 84,230,000 | 84,229,553 |
| 2,414 | | | 136,323,754 |

## CATEGORY WISE SHAREHOLDING

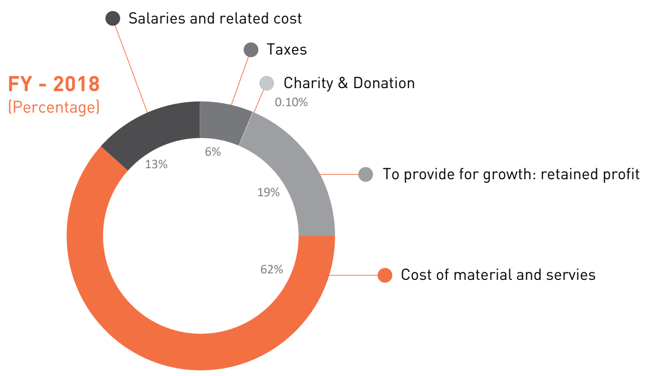
| Sr. No. | Particulars | No. of Folio | No. of Shares | Percentage |
|---|---|---|---|---|
| 01 | Directors, Chief Executive Officer, and their spouse and minor children (to be confirm by Company) | 7 | 99,476,243 | 72.97 |
| 02 | Associated Companies, Undertakings and related Parties (to be confirm by Company) | 1 | 40,000 | 0.03 |
| 03 | NIT and ICP | | - | |
| 04 | Banks, Development Financial Institutions, Non Banking Financial Institutions | 1 | 470,000 | 0.34 |
| 05 | Insurance Companies | 2 | 139,500 | 0.10 |
| 06 | Modarabas and Mutual Funds | 9 | 3,105,580 | 2.28 |
| 07 | Share holders holding 10% | 2 | 99,093,733 | 72.69 |
| 08 | General Public: | | | |
| | a. local | 2,345 | 31,203,685 | 22.89 |
| | b .Foreign | | | |
| 09 | Others | 49 | 1,888,746 | 1.39 |
| | Total (excluding : share holders holding 10%) | 2,414 | 136,323,754 | 100.00 |

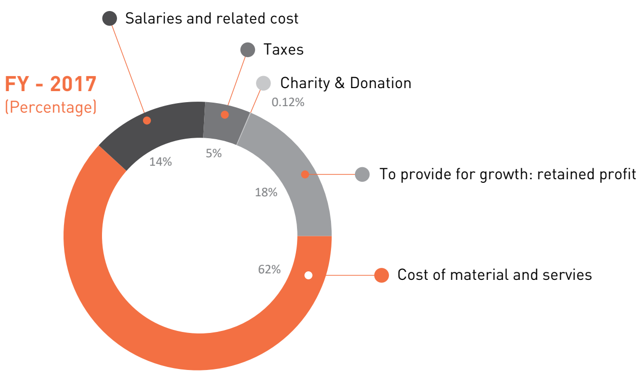
## INFORMATION AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

| | | Number of Shareholders | Number of Shares Held |
|---|---|---|---|
| 1. | **Associated Companies, Undertaking and Related Parties (name wise details)** | | |
| | Trustee Avanceon Ltd. Employees Provident Fund | 1 | 40,000 |
| | Total | 1 | 40,000 |
| 2. | **Mutual Funds (name wise details)** | | |
| | CDC - TRUSTEE AL MEEZAN MUTUAL FUND | 1 | 209,000 |
| | CDC - TRUSTEE MEEZAN ASSET ALLOCATION FUND | 1 | 55,000 |
| | CDC - TRUSTEE MEEZAN BALANCED FUND | 1 | 122,000 |
| | CDC - TRUSTEE MEEZAN ISLAMIC FUND | 1 | 1,004,000 |
| | CDC - TRUSTEE MEEZAN TAHAFFUZ PENSION FUND - EQUITY SUB FUND | 1 | 357,500 |
| | CDC - TRUSTEE NAFA ISLAMIC ASSET ALLOCATION FUND | 1 | 304,750 |
| | CDC - TRUSTEE NAFA ISLAMIC STOCK FUND | 1 | 231,243 |
| | CDC - TRUSTEE NAFA STOCK FUND | 1 | 642,087 |
| | CDC TRUSTEE - MEEZAN DEDICATED EQUITY FUND | 1 | 180,000 |
| | Total | 9 | 3,105,580 |
| 3. | **Directors and their spouse (to be confirmed by company)** | | |
| | Mr. Bakhtiar Hameed Wain | 1 | 84,416,553 |
| | Mr. Khalid Wain | 1 | 2 |
| | Mr. Amir Wain | 1 | 14,864,180 |
| | Mr. Tanveer Karamat | 1 | 195,502 |
| | Mr. Umar Ahsan Khan | 1 | 2 |
| | Mr. Naveed A Baig | 1 | 2 |
| | Mr. Tajammal Hussain | 1 | 2 |
| | Total | 7 | 99,476,243 |
| 4. | **Executives (To be filled by company)** | | |
| | Mr. MUHAMMAD AKMAL | 1 | 121,163 |
| | Mr. ARIF SHUJA | 1 | 182,775 |
| | Mr. SARMAD MAHMOOD QURESHI | 1 | 336,267 |
| | Mr. MASOOD KAREEM | 1 | 70,000 |
| | Mr. MUHAMMAD SAQIB RAUF CHAUDHARY | 1 | 41,500 |
| | Mr. JUNAID MUSHTAQ PARACHA | 1 | 244,500 |
| | Mr. IMRAN ASHRAF | 1 | 225 |
| | Mr. SYED ADEEL HAIDER ZAIDI | 1 | 35,000 |
| | Mr. ADEEL KHALID | 1 | 69,000 |
| | Mr. NASIR ALI | 1 | 20,890 |
| | Mr. HUSSAIN AHMAD | 1 | 100,000 |
| | Mr. OMER BIN ABDUL AZIZ | 1 | 210,015 |
| | Total | 12 | 1,431,335 |
| 5. | **Public Sector Companies and Corporations** | | |
| | Total | - | - |
| 6. | **Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Takaful, Modaraba and Pension Funds** | | |
| | Total | 6 | 685,219 |
| 7. | **Shareholder Holding five percent or more voting Rights in the Listed Company (name wise details)** | | |
| | Mr. Amir Wain | 1 | 14,864,180 |
| | Mr. Bakhtiar Hameed Wain | 1 | 84,416,553 |
| | Munaf Ibrahim | 1 | 12,217,500 |
| | Umair Amanullah | 1 | 8,724,000 |
| | Total | 4 | 120,222,233 |

# STATEMENT OF
# VALUE ADDITION

| | FOR THE YEAR ENDED | | | |
|---|---|---|---|---|
| | 31 December, 2018 | | 31 December, 2017 | |
| | (Rs. in '000) | %age | (Rs. in '000) | %age |
| Wealth generated | | | | |
| Sales included sales tax | 3,657,922 | 89% | 2,947,087 | 97% |
| Other operating income | 464,754 | 11% | 104,646 | 3% |
| | 4,122,676 | | 3,051,733 | |
| Wealth distributed | | | | |
| Cost of material and services | 2,539,975 | 62% | 1,885,947 | 62% |
| To Employees | | | | |
| Salaries and other related cost | 546,370 | 13% | 430,936 | 14% |
| To Government | | | | |
| Taxes | 265,622 | 6% | 167,772 | 5% |
| To Society | | | | |
| Donation | 3,961 | 0.10% | 3,606 | 0.12% |
| Retained in the business | | | | |
| To provide for growth: Retained profits | 766,748 | 19% | 563,472 | 18% |
| | 4,122,676 | | 3,051,733 | |



# FINANCIAL STATEMENTS

For The Year Ended 31 December 2018

# INDEPENDENT **AUDITOR'S REPORT**

INDEPENDENT AUDITORS' REPORT

**To the members of Avanceon Limited**
**Report on the Audit of the Separate Financial Statements**

**Opinion**
We have audited the annexed unconsolidated financial statements of Avanceon Limited (the Company), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as the 'separate financial statements') and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the profit, comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Opinion**
We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| **1. Revenue Recognition – Services and Projects** | |
| The Company's revenue is derived from sale of goods, provision of services as well as end-to-end solutions in form of short-term and long-term projects, sometimes leading to revenue being recognized over multiple accounting periods.<br><br>As referred in note 5.18 to the accompanying separate financial statements, services and project revenue is recognized using the stage of completion method based on cost incurred to date as a proportion of total cost of the contract. As disclosed in note 25, services and project revenue aggregates to Rs. 390.55 million and Rs. 693.10 million respectively. | Our audit procedures included, amongst others, understanding and evaluating the appropriateness of the Company's revenue recognition policies including those relating to the stage of completion method and related management assessments based on the Company's operating model and its system of recording revenue related transactions.<br><br>We tested operating effectiveness of internal controls relating to the Company's revenue recognition process including budgetary control, appropriate review and approval practices and recognition in the books of accounts. |

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| Application of the stage of completion method requires significant management estimates in relation to budgeting the cost to complete and assessing specifications of work performed to date. These estimates take into account, amongst others, the prices of materials and services as applicable, forecast escalations, time spent and expected completion date at the time of such estimation.<br><br>Due to an inherent risk associated with the recognition of revenue based on estimates we consider revenue from services and end-to-end projects as a key audit matter. | We performed substantive analytical procedures including, amongst others, developing an expectation of service and project revenue for the year based on contracts entered to date and analyzing the amounts recognized against the same, month-wise and project wise revenue and margin analysis.<br><br>We performed other substantive procedures including examination of underlying contracts, review of contractual terms and conditions and evaluating appropriate accounting thereof also taking into account any discounts, performance penalties and / or other cost implications of the contract.<br><br>We also reviewed sales transactions and events taking place after year-end to ensure revenue was recognized in the appropriate period to assess any adjustments required. |
| **2. Preparation of financial statements under Companies Act, 2017** | |
| As referred to in note 2.1 to the accompanying financial statements, the Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018.<br><br>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.<br><br>In the case of the Company, a summary of key additional disclosures and changes to the existing disclosures have been stated in note 2.1 to the accompanying financial statements.<br><br>Further, the Company has also changed its accounting policy relating to presentation and measurement of surplus on revaluation of fixed assets as a consequence of the application of the Act with retrospective effect. The impact of the said change in accounting policy has been disclosed in note 5.1 to the accompanying financial statements.<br><br>The above changes and enhancements in the financial statements are considered important and a key audit matter because of the volume and significance of the changes in the financial statements resulting from the transition to the new reporting requirements under the Act. | We assessed the procedures applied by the management for identification of the changes required in the financial statements due to the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the financial statements.<br><br>In respect of the change in accounting policy for the accounting and presentation of revaluation surplus as referred to note 2.1 to the accompanying financial statements; we assessed the accounting implications in accordance with the applicable financial reporting standards and evaluated its application in the context of the Company. |

# INDEPENDENT
# AUDITOR'S REPORT

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| **3. Related party transactions** | |
| The Company is the parent entity in a Group of companies including a Dubai-based subsidiary Avanceon FZE (100% shareholding) and USA- based sub-subsidiary Innovative Automation & Engineering Inc. (100% shareholding). Further, the Company has an investment in a Qatar-based entity, Avanceon Automation and Control (AVAC) which is treated as a subsidiary based on exercise of control.<br><br>Nature of transactions with related parties includes sale and purchase of equipment, agency commission, management fee, back office support and fee for technical services (as disclosed in note 34 to the accompanying separate financial statements) leading to a significant amount of Rs. 1.38 billion which contributes 79% to total receivable balance as disclosed in note 21.<br><br>The inter-company transactions and balances require significant auditor attention as the amounts are material to the separate financial statements as a whole and are also subject to foreign exchange regulation law applicable to the Company and are hence considered as Key Audit Matter. | We obtained a list of related parties and transactions entered into with them during the year from management.<br><br>We performed substantive procedures on related party transactions and balances including review of contract terms, underlying invoices, analytical procedures, balance confirmations and assessment of recoverability of receivable balances vis-à-vis financial position of respective Group entities.<br><br>We reviewed the approval process for related party transactions including approval by those charged with governance.<br><br>We assessed whether appropriate disclosures have been made in separate financial statements regarding related party transactions and balances in accordance with IAS 24 and requirements under the fourth schedule to the Companies Act, 2017. |

**Information Other than the Financial Statements and Auditors' Report Thereon**
Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the separate financial statements and our auditors' report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Board of Directors for the Financial Statements**
Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Board of directors are responsible for overseeing the Company's financial reporting process.

**Auditors' Responsibilities for the Audit of the Financial Statements**
Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

Based on our audit, we further report that in our opinion:

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The engagement partner on the audit resulting in this independent auditors' report is Abdullah Fahad Masood.

EY Ford Rhodes

**EY Ford Rhodes**
Chartered Accountants
Lahore: 4th April 2019

# STATEMENT OF
# FINANCIAL POSITION

As at 31 December 2018

| | Note | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| | | --------(Rupees in thousand)-------- | | |
| | | | Restated | Restated |
| **EQUITY AND LIABILITIES** | | | | |
| **SHARE CAPITAL AND RESERVES** | | | | |
| Authorized share capital | | | | |
| 200,000,000 (2017: 150,000,000 and 2016: 150,000,000) | | | | |
| Ordinary shares of Rs 10 each | | **2,000,000** | 1,500,000 | 1,500,000 |
| Issued, subscribed and paid up capital | | | | |
| 136,323,754 (2017: 132,121,128 and 2016: 105,696,804) | | | | |
| Ordinary shares of Rs 10 each | 6 | **1,363,238** | 1,321,211 | 1,056,969 |
| **CAPITAL RESERVES** | | | | |
| Share premium | 7 | **61,906** | 61,894 | 61,894 |
| Employees' share compensation reserve | 8 | **39,948** | 69,825 | 51,597 |
| Surplus on revaluation of property, plant and equipment | 9 | **167,915** | 146,115 | 112,461 |
| | | **269,769** | 277,834 | 225,952 |
| **REVENUE RESERVE** | | | | |
| Un-appropriated profit | | **1,192,698** | 920,870 | 828,009 |
| | | **2,825,705** | 2,519,915 | 2,110,930 |
| **NON CURRENT LIABILITIES** | | | | |
| Liabilities against assets subject to finance lease | 10 | **59,275** | 52,517 | 36,270 |
| Long term loan | 11 | **1,515** | 19,697 | - |
| Deferred tax-net | 12 | **24,427** | 11,995 | 44,567 |
| | | **85,217** | 84,209 | 80,837 |
| **CURRENT LIABILITIES** | | | | |
| Current portion of liabilities against assets subject to finance lease | 10 | **24,546** | 25,608 | 20,960 |
| Current portion of long-term loan | 11 | **18,182** | 18,182 | - |
| Finances under mark up arrangements and other credit facilities - secured | 13 | **248,866** | 221,311 | 200,339 |
| Creditors, accrued and other liabilities | 14 | **209,131** | 479,964 | 425,612 |
| Unpaid dividend | 15 | **283,074** | 73,999 | 114,149 |
| | | **783,799** | 819,064 | 761,060 |
| **CONTINGENCIES AND COMMITMENTS** | 16 | | | |
| | | **3,694,721** | 3,423,188 | 2,952,827 |

The annexed notes from 1 to 41 form an integral part of these separate financial statements.

Chief Executive
**Bakhtiar Hameed Wain**

Chief Financial Officer
**Saeed Ullah Khan Niazi**

Director
**Tanveer Karamat**

| | Note | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| | | --------(Rupees in thousand)-------- | | |
| | | | Restated | Restated |
| **ASSETS** | | | | |
| **NON CURRENT ASSETS** | | | | |
| Property and equipment | 17 | **325,904** | 274,202 | 230,232 |
| Intangible assets | 18 | **32** | 79 | 124 |
| Long term investments | 19 | **482,117** | 473,671 | 473,671 |
| Long term loans and deposits | 20 | **19,103** | 18,116 | 16,850 |
| | | **827,156** | 766,068 | 720,877 |
| **CURRENT ASSETS** | | | | |
| Stock in trade | | **48,871** | 47,953 | 48,416 |
| Trade debts | 21 | **1,763,595** | 1,622,191 | 1,214,804 |
| Advances, deposits, prepayments and other receivables | 22 | **1,036,451** | 932,129 | 952,849 |
| Short term investments | 23 | **1,257** | - | - |
| Cash and bank balances | 24 | **17,391** | 54,846 | 15,881 |
| | | **2,867,565** | 2,657,120 | 2,231,950 |
| | | **3,694,721** | 3,423,188 | 2,952,827 |

Chief Executive
**Bakhtiar Hameed Wain**

Chief Financial Officer
**Saeed Ullah Khan Niazi**

Director
**Tanveer Karamat**

# STATEMENT OF **PROFIT OR LOSS**

For The Year Ended 31 December 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Sales | 25 | **1,296,965** | 1,260,594 |
| Cost of sales | 26 | **(825,027)** | (779,006) |
| **Gross profit** | | **471,938** | 481,588 |
| Administrative and selling expenses | 27 | **(234,516)** | (152,454) |
| Other operating expenses | 28 | **(4,992)** | (3,890) |
| Other operating income | 29 | **447,729** | 204,091 |
| | | **208,221** | 47,747 |
| **Profit from operations** | | **680,159** | 529,335 |
| Finance costs | 30 | **(33,384)** | (32,644) |
| **Profit before tax** | | **646,775** | 496,691 |
| Taxation | 31 | **(69,014)** | (34,583) |
| **Profit for the year** | | **577,761** | 462,108 |
| **Earnings per share - basic** | 32.1 | **4.24** | 3.50 |
| **Earnings per share - diluted** | 32.2 | **4.13** | 3.30 |

The annexed notes from 1 to 41 form an integral part of these separate financial statements.

Chief Executive
**Bakhtiar Hameed Wain**

Chief Financial Officer
**Saeed Ullah Khan Niazi**

Director
**Tanveer Karamat**

# STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Profit for the year | | **577,761** | 462,108 |
| **Other comprehensive income** | | | |
| Items not to be reclassified to profit and loss in subsequent periods | | | |
| Transfer from revaluation surplus on account of incremental depreciation | | **878** | 722 |
| less: tax effect | | **(82)** | (30) |
| | 9 | **796** | 692 |
| **Total comprehensive income for the year** | | **578,557** | 462,800 |

The annexed notes from 1 to 41 form an integral part of these separate financial statements.

Chief Executive
**Bakhtiar Hameed Wain**

Chief Financial Officer
**Saeed Ullah Khan Niazi**

Director
**Tanveer Karamat**

# STATEMENT OF
# CHANGES IN EQUITY

As at 31 December 2018

| | CAPITAL RESERVES | | | | REVENUE RESERVE | |
|---|---|---|---|---|---|---|
| | Share Capital | Share Premium | Employ-ees' share compensation reserve | Surplus on revaluation of property and equipment | Unappropriat-ed Profit | Total |
| | ------(Rupees in thousand)------ | | | | | |
| **Balance as at 01 January 2017 - as reported** | 1,056,969 | 61,894 | 51,597 | - | 828,009 | 1,998,469 |
| Effect of restatement (Note 5.1) | - | - | - | 112,461 | - | 112,461 |
| Balance as at 01 January 2017 - Restated | 1,056,969 | 61,894 | 51,597 | 112,461 | 828,009 | 2,110,930 |
| Revaluation surplus arising during the year - net of tax | - | - | - | 34,345 | - | 34,345 |
| Net profit for the year ended 31 December 2017 | - | - | - | - | 462,108 | 462,108 |
| Other comprehensive income- net of tax | - | - | - | (692) | 692 | - |
| Total comprehensive income for the year | - | - | - | (692) | 462,800 | 462,108 |
| Final dividend for the year ended 31 December 2016 at the rate of Rs. 1 per share | - | - | - | - | (105,697) | (105,697) |
| Bonus shares for the year ended 31 December 2016 at the rate of 25% | 264,242 | - | - | - | (264,242) | - |
| Employees' share option reserve | - | - | 18,228 | - | - | 18,228 |
| | 264,242 | - | 18,228 | - | (369,939) | (87,469) |
| **Balance as at 31 December 2017 - Restated** | 1,321,211 | 61,894 | 69,825 | 146,115 | 920,870 | 2,519,915 |
| Revaluation surplus arising during the year - net of tax | **-** | **-** | **-** | **22,596** | **-** | **22,596** |
| Net profit for the year ended 31 December 2018 | **-** | **-** | **-** | **-** | **577,761** | **577,761** |
| Other comprehensive income- net of tax | **-** | **-** | **-** | **(796)** | **796** | **-** |
| Total comprehensive income for the year | **-** | **-** | **-** | **(796)** | **578,557** | **577,761** |
| Employees' Share Option Scheme-I issued, 4,199,629 shares @ Rs. 10 | **41,997** | **-** | **(37,797)** | **-** | **-** | **4,200** |
| Post ballot shares issued 2,997 @ Rs. 14 | **30** | **12** | **-** | **-** | **-** | **42** |
| Employee share option | **-** | **-** | **7,920** | **-** | **-** | **7,920** |
| Final dividend for the year ended 31 December 2017 at the rate of Rs. 2.25 per share | **-** | **-** | **-** | **-** | **(306,729)** | **(306,729)** |
| | **42,027** | **12** | **(29,877)** | **-** | **(306,729)** | **(294,567)** |
| **Balance as at 31 December 2018** | **1,363,238** | **61,906** | **39,948** | **167,915** | **1,192,698** | **2,825,705** |

The annexed notes from 1 to 41 form an integral part of these separate financial statements.

| Chief Executive | Chief Financial Officer | Director |
|---|---|---|
| **Bakhtiar Hameed Wain** | **Saeed Ullah Khan Niazi** | **Tanveer Karamat** |

# STATEMENT OF
# CASH FLOWS

As at 31 December 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 33 | 194,814 | 267,011 |
| Finance cost paid | | (30,954) | (27,595) |
| Taxes paid | | (61,237) | (71,449) |
| **Net cash generated from operating activities** | A | 102,623 | 167,967 |
| **Cash flows from investing activities** | | | |
| Purchase of property and equipment | 17 | (14,941) | (6,597) |
| Proceeds from sale of property and equipment | 17.1.4 | 9,863 | 5,254 |
| Profit on bank deposit | 29 | 240 | 240 |
| Short term investments | 23 | (1,990) | - |
| Decrease in long term deposits - net | | (987) | (1,266) |
| **Net cash used in investing activities** | B | (7,815) | (2,369) |
| **Cash flows from financing activities** | | | |
| Dividend paid | 15 | (97,653) | (145,847) |
| Issuance of shares | | 4,242 | - |
| Finances under mark up arrangements and other credit facilities | | 27,555 | 20,972 |
| Long term loan (repaid) / received | | (18,182) | 37,879 |
| Repayment of finance lease liabilities | | (48,225) | (39,636) |
| **Net cash used in financing activities** | C | (132,263) | (126,632) |
| **Net (decrease) / increase in cash and cash equivalents** | A+B+C | (37,455) | 38,965 |
| **Cash and cash equivalents at the beginning of the year** | | 54,846 | 15,881 |
| **Cash and cash equivalents at the end of the year** | 24 | 17,391 | 54,846 |

The annexed notes from 1 to 41 form an integral part of these separate financial statements.

Chief Executive
**Bakhtiar Hameed Wain**

Chief Financial Officer
**Saeed Ullah Khan Niazi**

Director
**Tanveer Karamat**

# NOTES TO THE SEPARATE **FINANCIAL STATEMENTS**

For The Year Ended 31 December 2018

## 1 LEGAL STATUS AND NATURE OF BUSINESS

Avanceon Limited (the Company) was incorporated in Pakistan on March 26, 2003 (repealed) as a private limited company which was converted to a public company on March 31, 2008 under the Companies Ordinance, 1984 (now Companies Act, 2017). The Company was listed on Lahore and Karachi Stock Exchanges (now Pakistan Stock Exchange Limited) on 10 February 2014.

The principal activity of the Company is to trade in products of automation and control equipment and to provide related technical services. Following are the business units of the Company along with their respective locations:

| BUSINESS UNIT | LOCATION |
|---|---|
| **HEAD OFFICE** | 19 km, Multan Road, Lahore. |
| **REGIONAL OFFICES** | |
| Karachi | First Floor, MA Tabba Foundation Building, Gizri Road Block 9 Clifton Karachi, Sindh 75600. |
| Islamabad | 299-Pansi Road, Bahria Town, Islamabad |

### 1.1 Summary of significant events and transactions in the current reporting period

The Company's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Transfer of control over financial and operating decision making power of Avanceon Automation and Control W.L.L from Avanceon FZE to Avanceon Limited.

- Restructuring during the year which involves shifting of systems department from Karachi to Lahore office.

- Introduction of Building Maintenance Solutions (BMS) securing an order amounting to Rs.150 million from Crescent Gold.

- Payment of dividend amounting to Rs. 97.653 million during the year (note 15).

- ESOS issue of 4,199,629 shares against options granted in 2013 under the ESOS I scheme (note 6.1.1)

## 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 applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017

- Provisions of and directives issued under the Companies Act, 2017

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. As a result, the Company has changed its accounting framework accordingly. This change in accounting framework has not resulted in significant changes to the amounts recognized in these financial statements or the comparative information except some additional disclosures being made as required under the Companies Act, 2017, presentation of unpaid dividend as a separate line item of statement of financial position and presentation of surplus on revaluation of property and equipment as a component of equity as explained in note 5.1.

These are the (unconsolidated) separate financial statements of the Company, consolidated financial statements have been presented separately.

**2.2** Standards, Interpretations and amendments to published approved accounting standards

**2.2.1** New and amended standards and interpretations

The Company has adopted the following revised standard, amendments and interpretation of IFRSs which became effective for the current year.

IAS 7 Statement of Cash Flows - Disclosure Initiative (Amendments)
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)
IFRIC 22 Foreign Currency Transactions and Advance Consideration

The adoption of the above amendments to accounting standards did not have any effect on the financial statements.

### 2.2.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective:

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

For The Year Ended 31 December 2018

The following standards, amendments and interpretation with respect to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below and have not been adopted early by the Company:

| Standard or Interpretation | | Effective date (annual periods beginning on or after) |
|---|---|---|
| IAS 1 and IAS 8 | Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments) | 01 January 2020 |
| IFRS 10 | Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalized |
| IFRS 15 | Revenue from Contract with Customers | 01 July 2018 |
| IFRS 9 | Prepayment Features with Negative Compensation – (Amendments) | 01 January 2019 |
| IFRS 16 | Leases | 01 January 2019 |
| IAS 28 | Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (amendments) | 01 January 2020 |
| IAS 19 | Employee Benefits (amendments) - Plan Amendment, Curtailment or Settlement | 01 January 2019 |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 01 January 2019 |

| Standard or Interpretation | | Effective date (annual periods beginning on or after) |
|---|---|---|
| IFRS 9 | Financial Instruments* | 30-Jun-19 |

*The SECP has modified the effective date of application of IFRS 9 in place of IAS 39, through SRO. 229 (I) /2019, dated: 14 February, 2019, as reporting period / year ending on or after June 30, 2019.

The Company expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application except for IFRS 9 – Financial Instruments, IFRS 15 - Revenue from Contract with Customers and IFRS 16 - Leases for which management is in process of calculating the impact on Company's financial statements.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standard or Interpretation | | Effective date (annual periods beginning on or after) |
|---|---|---|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards | 01 July 2009 |
| IFRS 14 | Regulatory Deferral Accounts | 01 January 2016 |
| IFRS 17 | Insurance Contracts | 01 January 2021 |

The above amendments and interpretations are not expected to have any significant impact on the financial statements of the Company.

## 3 BASIS OF PREPARATION

**3.1** These financial statements have been prepared under the historical cost convention unless otherwise stated in respective notes.

### 3.2 Functional and presentation currency

These financial statements have been prepared in Pak Rupee, which is the functional currency of the Company. Figures have been rounded off to the nearest thousand of Pak Rupee.

## 4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company's significant accounting policies are stated in note 5. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements.

Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. 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) Provision for taxation

Provision for taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income and the decisions taken by appellate authorities. The charge for tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted.

Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

### b) Provision against trade debts, advances and other receivables

The Company reviews its trade debts, advances and other receivables at each reporting date to assess whether provision should be recorded in the statement of profit or loss. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

### c) Provisions and contingencies

The Company reviews the status of all pending litigations and claims against the Company. Based on its judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities or assets recognized at the reporting date.

### d) Impairment of financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset.

e) **Impairment of non-financial assets**

The carrying amount of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

f) **Recoverable amount of property and equipment**

The Company bases its valuation of operating assets suspect to impairment upon valuation performed by an independent valuation expert. The valuation is based on fair value less costs to sell as mentioned in note 17.

g) **Cost to complete the projects and related revenue**

As part of application of percentage of completion method on contract accounting, the Company estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognized.

These estimates are based on the prices of materials and services applicable at that time, forecasted increases and expected completion date at the time of such estimation. Such estimates are reviewed at regular intervals. Any subsequent changes in the prices of materials and services compared to forecasted prices and changes in the time of completion affect the results of the subsequent periods. In accordance with the matching principle, the revenue recognition is based on percentage of completion method.

h) **Stock in trade**

Stock-in-trade is carried at the lower of cost and net realizable value. The net realizable value is assessed by the Company having regard to the budgeted cost of completion, estimated selling price and knowledge of recent comparable transactions.

## 5 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented except as stated in note 2.2.1 and 5.1.

### 5.1 Change in accounting policy of revaluation surplus on property and equipment

The Company changed its accounting policy for the revaluation surplus on property and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property and equipment was in accordance with the provisions of Companies Ordinance, 1984 according to which, the revaluation surplus was shown as a separate item below equity.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property and equipment, and now the related accounting and presentation requirements set out in IFRS are being followed by the Company. The new accounting policy is explained in note 5.4. This change has not resulted in any impact on amounts reported in the financial statements for prior years except for disclosure of revaluation surplus as a component of equity.

### 5.2 Staff retirement benefits

The Company operates a defined contribution provident fund for its employees. Monthly contributions are made both by the Company and the employees to the fund at the rate of 10% (2017:10%) of the basic salary.

### 5.3 Taxation

**Current**

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

**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 bases used in the computation of the 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 income statement, except in the case of items credited or charged to equity in which case it is included in equity.

### 5.4 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any identified impairment loss except for building which is stated at revalued amount less accumulated depreciation and any identified impairment loss and freehold land which is stated at revalued amount.

Increase in the carrying amount arising on revaluation of property and equipment are credited to surplus on revaluation of property and equipment. Decreases that offset previous increases of the same classes of assets are charged against this surplus, all other decreases are charged to profit or loss. Annually the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income) and depreciation based on the assets' original cost is transferred from surplus on revaluation of property and equipment to other comprehensive income. All transfers to/from surplus on revaluation of property and equipment are net of applicable deferred taxation.

Depreciation is charged to profit or loss using the straight line method whereby the cost less residual value of an operating asset is written off over its estimated useful life. Depreciation is charged on additions from the month of its acquisition whereas no depreciation is charged on assets disposed off during the month. The rates of depreciation are stated in note 17 to the financial statements. The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

The Company assesses at each reporting date whether there is any indication that property and equipment may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit or loss currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit or loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in the period in which it is incurred.

### 5.5 Intangible assets

An intangible asset is recognized if it is probable that future economic benefits that are attributable to the asset will flow to the company and that the cost of such an asset can also be measured reliably. Intangible assets are stated at cost less accumulated amortization and any identified impairment loss.

Amortization is charged to profit or loss on the straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on additions is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off. Amortization is being charged as specified in note 18.

The Company assesses at each reporting date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amount of such assets are reviewed to asses whether they are recorded in excess of their recoverable amount.

Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment is recognized in income. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

**5.6 Capital work in progress**

Capital work in progress is stated at cost less any identified impairment loss.

**5.7 Investments**

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital, are included in current assets, all other investments are classified as non-current. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such assets designation on a regular basis.

**Investments in equity instruments of subsidiaries**

Investments in equity instruments of subsidiaries are measured at cost in the Company's financial statements. Cost in relation to investments made in foreign currency is determined by translating the consideration paid in foreign currency into rupees at exchange rates prevailing on the date of transactions.

The Company is required to issue consolidated financial statements along with its separate financial statements, in accordance with the requirements of IAS 27 "Consolidated and Separate Financial Statements".

**5.8 Leases**

The Company is the lessee.

**5.8.1 Finance leases**

Leases where the Company has substantially obtained all the risks and rewards of ownership are classified as finance leases. At inception assets subject to finance lease are capitalized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment losses.

The related rental obligations, net of finance charge, are included in liabilities against assets subject to finance lease as referred to in note 10. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit or loss account over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on straight line method so as to write off the cost of an asset over its estimated useful life at the annual rates given in note 17. Depreciation of leased assets is charged to profit or loss account.

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

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

### 5.8.2 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight line basis over the lease term.

## 5.9 Stock in trade

Stock in trade, except for those in transit are valued principally at the lower of weighted average cost and net realizable value.  Cost of finished goods comprises cost of direct materials, labour and appropriate overheads.

Materials in transit are stated at cost comprising invoice value plus other charges incurred thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less cost necessary to be incurred in order to make a sale.

## 5.10 Financial instruments

### 5.10.1 Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables comprise loans, advances, deposits and other receivables and cash and cash equivalents in the statement of financial position.

c) **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the reporting date.

d) **Held to maturity**

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

All financial assets are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the profit or loss account. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the profit and loss account as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognized in the profit and loss account. Dividends on available-for-sale equity instruments are recognized in the profit and loss account when the Company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts is described in note 5.12.

### 5.10.2 Financial liabilities

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

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account.

### 5.11 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

### 5.12 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the period end. Bad debts are written off when identified.

Due against construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billing and recognized losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred.

### 5.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the statement of financial position, finances under mark-up arrangements are included in current liabilities.

### 5.14 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued finance costs to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

### 5.15 Creditors, accruals and provisions

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

Provisions are recognized when the Company 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 amount can be made. Provisions are reviewed at year end and adjusted to reflect the current best estimate.

### 5.16 Foreign currencies

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the reporting date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

### 5.17 Borrowing costs

Mark up, interest and other charges on long term borrowings are capitalized up to the date of commissioning of the respective machinery, acquired out of the proceeds of such long term borrowings. All other mark-up, interest and other charges are charged to statement of profit or loss.

### 5.18 Revenue recognition

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the customers usually on acceptance of goods by the customers.

Service revenue is recognized over the contractual period or as and when services are rendered to customers.

Financial income is recognized as it accrues on a time proportion basis by reference to the principal outstanding, using the effective mark-up rates.

Contract revenue and contract costs relating to long-term construction contracts are recognized as revenue and expenses respectively by reference to stage of completion of contract activity at the reporting date. Stage of completion of a contract is determined by applying 'cost-to-cost method'. Under cost-to-cost method, stage of completion of a contract is determined by reference to the proportion that contract cost incurred to date bears to the total estimated contract cost. When it is probable that contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. When the outcome of a construction contract can not be estimated reliably, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable.

### 5.19 Dividend income

Dividend on equity investments is recognized as income when the right of receipt is established.

### 5.20 Share based payment transactions

Employees of the Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest because service conditions have not been met.

Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

### 5.21 Operating segments disclosure

Disclosure of operating segments has been made in consolidated financial statements of the Company.

### 5.22 Related party transactions

All transaction with related parties and associated undertakings are entered into at normal commercial terms as mutually agreed between the parties.

## 6 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| 2018 | 2017 | | Note | 2018 | 2017 |
|---|---|---|---|---|---|
| (Number of shares) | | | | (Rupees in thousand) | |
| **57,166,850** | 57,163,853 | Ordinary shares of Rs. 10 each fully paid in cash | | **571,669** | 571,638 |
| **74,957,275** | 74,957,275 | Ordinary shares of Rs. 10 each issued as fully paid bonus shares | | **749,573** | 749,573 |
| **4,199,629** | - | Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - I | | **41,996** | - |
| **136,323,754** | 132,121,128 | | | **1,363,238** | 1,321,211 |

**6.1 Movement during the year is as follows:**

| | Note | 2018 | 2017 |
|---|---|---|---|
| Balance as at 01 January | | **132,121,128** | 105,696,903 |
| Ordinary shares issued during the year | 6.1.1 | **4,202,626** | - |
| Bonus shares issued during the year | | **-** | 26,424,225 |
| Balance as at 31 December | | **136,323,754** | 132,121,128 |

**6.1.1** During the year, 4,199,629 shares have been issued against options granted in 2013 under ESOS I scheme. Further, 2,997 post ballot shares were also issued during the year.

**6.2** Wain Family holds 75% (2017: 75%) share capital of the Company.

## 7 SHARE PREMIUM

This represents premium on 25,166,850 (2017: 25,163,853) shares at the rate of Rs. 4 each. Cost incurred on Initial Public Offering amounting to Rs. 38,761,352 have been written off against this. During the year 2,997 post ballot shares were issued at a premium of Rs. 4 per share.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **8 EMPLOYEES' SHARE COMPENSATION RESERVE** | | | |
| Share options scheme I | 8.1 | **21,293** | 52,700 |
| Share options scheme II | 8.2 | **18,655** | 17,125 |
| | | **39,948** | 69,825 |

**8.1** Employee Stock Option Scheme, 2013 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 18 September 2013 which comprises of an entitlement pool of 5 million shares. Under the scheme, share options of the Company are granted to employees of level MT3 and above. The share options can be exercised up to one year after the five year vesting period and therefore, the contractual term of each option granted is six years. A reserve amounting to Rs. 45 million was created by the Board of Directors on 26 September 2013 in order to set aside amount for issuance of shares under the scheme out of un-appropriated profit of the Company. During the year, 4,199,629 shares have been issued against options granted in 2013 under the scheme.

| | | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **8.1.1** | **Movement in the amount of options granted against the reserve is as follows:** | | |
| | Balance as at 01 January | **52,700** | 38,786 |
| | Options issued during the year recognized at grant date fair value | **6,390** | 13,914 |
| | Transfer to share capital on issuance of shares during the year | **(37,797)** | - |
| | Balance as at 31 December | **21,293** | 52,700 |
| **8.1.2** | **Movement in share options outstanding at end of the year is as follows:** | | |
| | Balance as at 01 January | **4,995,629** | 4,720,629 |
| | Options issued during the year | **-** | 275,000 |
| | Share issued during the year | **(4,199,629)** | - |
| | Balance as at 31 December | **796,000** | 4,995,629 |

All options have been issued at Rs. 1 in 2013, Rs. 1.20 in 2014, Rs. 1.44 in 2015, Rs. 1.73 in 2016 and Rs. 2.07 in 2017 and with five year vesting period and can be exercised after 2018, 2019, 2020, 2021 and 2022 respectively except for options granted to Chief Operating Officer of the Company during years 2014, 2015 and 2016 which have been issued at Rs.1 with exercise period from 01 July 2018 to 31 December 2018.

**8.2** Employee Stock Option Scheme, 2016 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 01 September 2016 which comprises of an entitlement pool of 5 million shares. Under the scheme, share options of the Company are granted to employees of level MT 1 and 2 (with minimum seven years regular service) and MT 3 and above. The share options can be exercised up to one year after the five year vesting period and therefore, the contractual term of each option granted is six years. The exercise price of the share options is equal to weighted average market price of the underlying shares for 90 days prior to the date of grant with maximum discount of 60%.

| | |
|---|---|
| **2018** | 2017 |

| | | (Rupees in thousand) | |
|---|---|---|---|
| **8.2.1** | **Movement in the amount of options granted against the reserve is as follows:** | | |
| | Balance as at 01 January | **17,125** | 6,381 |
| | Options issued during the year recognized at grant date fair value | **2,020** | 10,744 |
| | Adjustment of reserve for option holders resigning during the year | **(490)** | - |
| | Balance as at 31 December | **18,655** | 17,125 |
| **8.2.2** | **Movement in share options outstanding at end of the year is as follows:** | | |
| | Balance as at 01 January | **2,964,862** | 1,886,883 |
| | Options issued during the year recognized at grant date fair value | **-** | 1,077,979 |
| | Options lapsed during the year | **(144,740)** | - |
| | Balance as at 31 December | **2,820,122** | 2,964,862 |

All options have been issued at Rs.16.80 in 2016 and 2017 with five year vesting period and can be exercised after 2021 and 2022 respectively. The share options vest if the executive remains employed by the Company at that time.

## 9 SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT

This represents the surplus over book values resulting from revaluation of land and building adjusted by incremental depreciation arising out of revaluation of building. Freehold land and buildings are revalued at each year end by an independent valuer based on fair market value. The revaluation surplus is net of applicable deferred income taxes. Incremental depreciation represents the difference between the actual depreciation on buildings and the equivalent depreciation based on the historical cost of buildings.

The revaluation surplus on property, plant and equipment is rearranged and now presented as a separate reserve in the financial statements within equity (note 5.1).

| | **2018** | 2017 |
|---|---|---|
| | **(Rupees in thousand)** | |
| Opening balance of surplus on revaluation of property and equipment | **146,115** | 112,461 |
| Revaluation surplus arising during the year - net of tax | **22,596** | 34,345 |
| Surplus transferred to unappropriated profit on account of incremental depreciation | **(796)** | (692) |
| Closing balance of surplus on revaluation of property, plant and equipment - net of tax | **167,915** | 146,115 |

## 10 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The interest rates used as the discounting factor (i.e. implicit in the lease) ranges from 8.45% to 9.59% (2017: 7.98% to 11.18%) per annum. The amount of future payments and the period during which they will become due are:

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Year ended 31 December | | | |
| Due not later than 1 year | | 42,214 | 30,026 |
| Due later than 1 year but not later than 5 years | | 53,251 | 56,042 |
| Minimum lease payments | 10.1 | 95,465 | 86,068 |
| Less: Future finance charges | | (11,644) | (7,943) |
| | | 83,821 | 78,125 |
| Current portion | | (24,546) | (25,608) |
| | | 59,275 | 52,517 |

**10.1** Minimum lease payments (MLP) and their present value (PV) are regrouped as below:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | MLP | PV of MLP | MLP | PV of MLP |
| | (Rupees in thousand) | | (Rupees in thousand) | |
| Due not later than 1 year | 42,214 | 24,546 | 30,026 | 25,608 |
| Due later than 1 year but not later than 5 years | 53,251 | 59,275 | 56,042 | 52,517 |
| | 95,465 | 83,821 | 86,068 | 78,125 |

## 11 LONG TERM LOAN

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in thousand) | |
| Long term loan | 19,697 | 37,879 |
| Less: current portion of long term loan | (18,182) | (18,182) |
| | 1,515 | 19,697 |

The Company had obtained long term loan for three years from a commercial bank amounting to Rs. 50 million bearing mark-up at the rate of 3 months KIBOR plus 200 bps repayable in equal monthly installments. This loan is secured against token mortgage of Rs. 100,000 along-with equitable mortgage over fixed assets (land and building) of the Company, first charge over land and building for Rs. 165 million duly registered with Securities and Exchange Commission of Pakistan, pari passu charge of Rs. 300 million over current assets of the Company registered with Securities and Exchange Commission of Pakistan to be enhanced to Rs. 375 million and personal guarantee of sponsor directors of the Company, covering total security package.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| 12 | DEFERRED TAX- NET | | | |
| | The net (asset) / liability for deferred taxation comprises temporary differences relating to: | | | |
| | Accelerated tax depreciation / amortization | | 3,795 | (2,243) |
| | Provision for doubtful debts / earnings | | (3,517) | (31) |
| | Unused depreciation and / or tax losses | | (7,360) | (45,000) |
| | Alternative Corporate Tax (expiry 10 years) | | (13,844) | - |
| | Surplus on revaluation of property and equipment during the year | | 100 | 1,961 |
| | Deferred tax on incremental depreciation | | 2,823 | 2,741 |
| | Income taxable on receipt basis | | 42,430 | 55,285 |
| | Others | | - | (718) |
| | | | 24,427 | 11,995 |
| 13 | FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES-SECURED | | | |
| | Running finance | 13.1 | 90,866 | 96,311 |
| | Inland bill purchase | 13.2 | 158,000 | 125,000 |
| | | | 248,866 | 221,311 |

**13.1** The Company has obtained running finance facility from a commercial bank with a limit of Rs.120 million (2017: Rs.120 million) bearing mark-up at the rate of 1 month KIBOR plus 2.25% (2017: 3 months KIBOR plus 2.25%). The facility is secured against first mortgage charge of Rs. 165 million (2017: Rs.165 million) created through equitable mortgage with legal mortgage of notional value of Rs. 0.1 million over fixed assets (land & building) of the Company, ranking hypothecation charge of Rs. 300 million (2017: Rs. 300 million) over all present and future current assets of the Company registered with Securities and Exchange Commission of Pakistan and personal guarantees of sponsor directors of the Company, covering total security package.

**13.2** This facility has a limit of Rs.158 million (2017 Rs. 125 million) and carries mark-up at Matching Tenor KIBOR plus 2% (2017: 3 months KIBOR plus 2%) per annum. The facility is secured against 10% margin on invoices / bills (2017: 5% margin on invoices / bills), charge on present and future current assets of the Company with 25% margin, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor directors of the Company.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | **(Rupees in thousand)** | |
| 14 | CREDITORS, ACCRUED AND OTHER LIABILITIES | | | |
| | Trade creditors | | **129,621** | 237,949 |
| | Accrued expenses | | **24,010** | 23,036 |
| | Advances from customers | | **4,218** | 183,226 |
| | Payable to related parties | 14.1 | **1,458** | 6,003 |
| | Payable to provident fund | | **11,931** | 3,705 |
| | Social security payable | | **25** | 25 |
| | Employee Share Portion - Vehicle | | **18,241** | 9,005 |
| | Mark up accrued on: | | | |
| | - Long term finances | | **303** | 817 |
| | - Finances under mark up arrangements and other credit facilities - secured | | **4,531** | 4,699 |
| | Other liabilities | | **14,793** | 11,499 |
| | | | **209,131** | 479,964 |
| | **14.1 This represents amount due to related parties which are non-interest bearing.** | | | |
| | Avanceon FZE | | **-** | 4,888 |
| | Avanceon LP | | **-** | 625 |
| | Innovative Travels (Private) Limited | | **1,458** | 490 |
| | | | **1,458** | 6,003 |
| 15 | UNPAID DIVIDEND | | | |
| | As at January 01 | | **73,999** | 114,149 |
| | Declared during the year | | **306,728** | 105,697 |
| | Paid during the year | | **(97,653)** | (145,847) |
| | As at December 31 | 15.1 | **283,074** | 73,999 |

**15.1** This incudes dividend payable to the Chief Executive Officer Mr. Bakhtiyar H Wain and Director Mr. Aamir Wain amounting to Rs. 235.683 million (2017: Rs. 73.999) million and Rs. 33.444 million (2017: Rs. Nil) respectively.

## 16 CONTINGENCIES AND COMMITMENTS

### 16.1 Contingencies

(i) The Company has received an order dated 01 January 2017 under section 122 (9) of the Income Tax Ordinance, 2001 for the tax year 2015 under which additions were made to its taxable income on various accounts. The Company replied to the notice and an amended assessment order was passed under which tax losses have been reduced by Rs. 8,814,739. An appeal has been filed by the Company against this order. In view of tax advisor's opinion, management is confident of favorable outcome of the case, therefore no adjustment has been made to these financial statements.

(ii) The Company has preferred appeals before the Commissioner Inland Revenue (Appeals) against the orders of the Additional Commissioner Inland Revenue u/s 122 (1) read with section 122 (5A) of the Income Tax Ordinance, 2001 for the tax years 2010 and 2011 raising demands of Rs. 17,157,240 and Rs. 21,702,929 respectively. As a result, office of the Commissioner Inland Revenue (Appeals), Lahore disposed of both appeals partially in favor of the Company. The Company has filed appeal before the Appellate Tribunal Inland Revenue against the order of the CIR (A) decision for both of the years, which is pending for hearing.

(iii) The Company received show cause notice u/s 122(9) for Amendment of Assessment u/s 122(5) read with section 177 of the Income Tax Ordinance, 2001 for tax year 2017 on 16 October 2018. The Commissioner Inland Revenue (CIR) initiated reassessment proceedings and issued order u/s 177 read with clause 94 of Part IV of Second Schedule of the Income Tax Ordinance, 2001. The proceedings have been finalized resulting in a demand of Rs. 12,410,375 vide order dated 17 January 2019. The Company has adjusted the above demand against the available refunds while filing income tax return and is in the process of filing appeal before CIR Appeals. In view of tax advisor's opinion, management is confident of favorable outcome of the case.

### 16.2 Commitments

(i) Bank guarantees issued amounting to Rs. 47 million (2017: Rs. 22.26 million) against the performance of various contracts.

(ii) Letters of credit includes Rs. 23.08 million (2017: 25.92 million) which relates to import acceptance bills.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **17 PROPERTY AND EQUIPMENT** | | | |
| Operating fixed assets | 17.1 | **325,904** | 274,202 |

17.1 Operating fixed assets

| | 2018 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cost/ Revalued Amount as at 01 January 2018 | Additions/ Transfers* | Deletions | Effect of Revaluation | Cost/revalued amount as at 31 December 2018 | Accumulated depreciation as at 01 January 2018 | Depreciation charge for the year/ (Deletions) | Effect of revaluation / transfers* | Accumulated depreciation as at 31 December 2018 | Net book value as at 31 December 2018 | Rate % |
| | (Rupees in thousand) | | | | | | | | | | |
| **OWNED ASSETS** | | | | | | | | | | | |
| Freehold land | 126,650 | - | - | 22,350 | 149,000 | - | - | - | - | 149,000 | - |
| Buildings on freehold land | 73,371 | 1,000 | - | (1,792) | 72,579 | - | 2,139 | (2,139) | - | 72,579 | 5 |
| Furniture and fixture | 12,600 | 2,024 | (211) | - | 14,413 | 11,374 | 650 | - | 11,813 | 2,600 | 20 |
| | | | | | | | (211) | | | | |
| Vehicles | 14,798 | - | (16,991) | - | 10,015 | 12,880 | 616 | - | 8,976 | 1,039 | 20 |
| | | 12,208 | | | | | (9,137) | 4,617 | | | |
| Office equipment and appliances | 30,365 | 3,478 | (41) | - | 35,327 | 25,840 | 2,570 | - | 29,723 | 5,604 | 20 |
| | | 1,525 | | | | | (34) | 1,347 | | | |
| Computers | 18,948 | 8,439 | - | - | 27,387 | 13,962 | 3,757 | - | 17,719 | 9,668 | 33.33 |
| **Total - owned assets** | 276,732 | 14,941 | (17,243) | 20,558 | 308,721 | 64,056 | 9,732 | (2,139) | 68,231 | 240,490 | |
| | | 13,733 | | | | | (9,382) | 5,964 | | | |
| **ASSETS SUBJECT TO FINANCE LEASE** | | | | | | | | | | | |
| Vehicles | 92,095 | 53,921 | (1,313) | - | 132,495 | 31,052 | 21,499 | - | 47,081 | 85,414 | 20 |
| | | (12,208) | | | | | (853) | (4,617) | | | |
| Office equipment and appliances | 1,525 | - | - | - | - | 1,042 | 305 | - | - | - | 20 |
| | | (1,525) | | | | | | (1,347) | | | |
| Total - leased assets | 93,620 | 53,921 | (1,313) | | 132,495 | 32,094 | 21,804 | - | 47,081 | 85,414 | |
| | | (13,733) | - | - | - | - | (853) | (5,964) | | | |
| Total | 370,352 | 68,862 | (18,556) | 20,558 | 441,216 | 96,150 | 31,536 | (2,139) | 115,312 | 325,904 | |
| | | | | | | | (10,235) | | - | | |

| | 2017 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cost/ Revalued Amount as at 01 January 2017 | Additions/ Transfers | Deletions | Effect of Revaluation as at 31 December 2017 | Cost/revalued amount as at 31 December 2017 | Accumulated depreciation as at 01 January 2017 | Depreciation charge for the year/ (Deletions) | Effect of revaluation / transfers | Accumulated depreciation as at 31 December 2017 | Net book value as at 31 December 2017 | Rate % |
| | (Rupees in thousand) | | | | | | | | | | |
| **OWNED ASSETS** | | | | | | | | | | | |
| Freehold land | 96,850 | - | - | 29,800 | 126,650 | - | - | - | - | 126,650 | - |
| Buildings on freehold land | 68,960 | - | - | 4,411 | 73,371 | 1 | 2,126 | (2,126) | - | 73,371 | 5 |
| Furniture and fixture | 12,600 | - | - | - | 12,600 | 10,925 | 449 | - | 11,374 | 1,226 | 20 |
| Vehicles | 19,454 | 1,326 | (13,361) | - | 14,798 | 16,442 | 1,930 | - | 12,880 | 1,918 | 20 |
| | | 7,379 | | | | | (9,934) | 4,442 | | | |
| Office equipment and appliances | 24,962 | 988 | - | - | 30,365 | 20,601 | 1,707 | - | 25,840 | 4,525 | 20 |
| | | 4,415 | | | | | | 3,532 | | | |
| Computers | 14,666 | 4,283 | - | - | 18,948 | 11,963 | 1,999 | - | 13,962 | 4,986 | 33.33 |
| Total - owned assets | 237,492 | 6,597 | (13,361) | 34,211 | 276,732 | 59,932 | 8,211 | (2,126) | 64,058 | 212,676 | |
| | | 11,794 | | | | | (9,934) | 7,974 | | | |
| **ASSETS SUBJECT TO FINANCE LEASE** | | | | | | | | | | | |
| Vehicles | 69,366 | 30,107 | - | - | 92,095 | 19,101 | 16,393 | - | 31,052 | 61,043 | 20 |
| | | (7,379) | | | | | | (4,442) | | | |
| Office equipment and appliances | 5,940 | - | - | - | 1,525 | 3,533 | 1,041 | - | 1,042 | 483 | 20 |
| | | (4,415) | | | | | | (3,532) | | | |
| Total - leased assets | 75,306 | 30,107 | - | - | 93,620 | 22,634 | 17,434 | - | 32,094 | 61,526 | |
| | | (11,794) | - | | | | - | (7,974) | | | |
| **Total** | 312,798 | 36,704 | (13,361) | 34,211 | 370,352 | 82,566 | 25,644 | (2,126) | 96,152 | 274,202 | |
| | | | | | | | (9,934) | | | | |

**17.1.1** The depreciation charge has been allocated as follows:

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Cost of goods sold | 26.1 | **15,768** | 12,822 |
| Administrative and selling expenses | 27 | **15,768** | 12,822 |
| | | **31,536** | 25,644 |

**17.1.2** Freehold land and building thereon have been valued by an independent valuer 'Harvester' based on fair market value as on 31 December 2018. This revaluation resulted in Rs. 22.35 million surplus (2017: Rs. 29.8 million) on land and Rs. 0.347 million surplus (2017: Rs. 6.5 million ) in respect of building. Detailed particulars are as follows:

| | Depreciated cost | Revalued amount |
|---|---|---|
| | (Rupees in thousand) | |
| Freehold land | **126,650** | 149,000 |
| Buildings on freehold land | **72,232** | 72,579 |
| | **198,882** | 221,579 |

Had the freehold land and building on freehold land not been revalued, their carrying amount would have been as follows:

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in thousand) | |
| Freehold land | **8,647** | 8,647 |
| Buildings on freehold land | **36,299** | 37,642 |
| | **44,946** | 46,289 |

**17.1.3** Immovable fixed assets includes free hold land and building on freehold land located at 19 km, Multan Road, Lahore. The total area is 40,565 square feet and covered area is 33,351 square feet.

# NOTES TO THE SEPARATE **FINANCIAL STATEMENTS**

For The Year Ended 31 December 2018

**17.1.4 Disposal of property and equipment**

Detail of property and equipment disposed off during the year is as follows:

| Particulars of assets | Sold to | Cost | Accumulated depreciation | Book value | Sale Proceeds | Gain | Mode of Disposal |
|---|---|---|---|---|---|---|---|
| | | -------------------Rupees in thousand------------------- | | | | | |
| **Owned Vehicles** | | | | | | | |
| Swift LED -13-5257 | Employee (Muhammad Nauman Ahsan) | 1,197 | 1,117 | 80 | 175 | 95 | As per policy |
| Swift LED -13-5258 | Employee (Hassan Goraya) | 1,346 | 1,240 | 106 | 218 | 112 | As per policy |
| Honda Civic LEF -13 2639 | Employee (Arif Shuja) | 2,240 | 2,163 | 77 | 457 | 380 | As per policy |
| Corolla GLi LE-15-6342 | Employee (Muhammad Saqib Rauf) | 1,885 | 1,131 | 754 | 715 | (39) | As per policy |
| Corolla GLi LE-17-5893 | Employee (Masood Kareem) | 1,922 | 384 | 1,538 | 1,403 | (135) | As per policy |
| Honda Civic LEF -13 2639 | Employee (Saeed Ullah Khan Niazi - CFO)* | 2,665 | 666 | 1,999 | 1,967 | (32) | As per policy |
| Swift LEF -15-4931 | Employee (Usman Ahmed Nasir) | 1,318 | 659 | 659 | 721 | 62 | As per policy |
| Honda Civic LEF -14-258 | Employee (Adeel Khalid) | 2,497 | 1,457 | 1,040 | 1,520 | 480 | As per policy |
| Honda City LE-17-6593 | Employee (Ahsan Khalil - Company Secretary)* | 1,921 | 320 | 1,601 | 1,561 | (40) | As per policy |
| | | 16,991 | 9,137 | 7,854 | 8,737 | 883 | |
| **Leased Vehicle** | | | | | | | |
| Suzuki Swift BEE-454 | IGI General Insurance | 1,313 | 853 | 460 | 1,100 | 640 | Insurance Claim |
| OTHER ASSETS WITH BOOK VALUE LESS THAN Rs. 500 (THOUSAND). | | | | | | | |
| 16 Office Chairs | | 211 | 211 | - | 15 | 15 | Negotiation |
| Orient Water Dispenser OWD 529 | | 11 | 4 | 8 | 1 | (7) | Negotiation |
| Split AC- 1.5 ton | | 30 | 30 | - | 10 | 10 | |
| | | 41 | 34 | 8 | 11 | 3 | |
| | | 18,556 | 10,235 | 8,322 | 9,863 | 1,541 | |

* These are considered Key Management Personnel and therefore a related party.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **18 INTANGIBLE ASSETS** | | | |
| Cost | 18.1 | **17,677** | 17,677 |
| Less: Accumulated amortization | 18.2 | **(17,645)** | (17,599) |
| Net book value as at 31 December | | **32** | 79 |
| **18.1 Cost** | | | |
| As at 01 January | | **17,677** | 17,677 |
| Additions during the year | | **-** | - |
| As at 31 December | | **17,677** | 17,677 |

**18.1.1** This includes fully amortized development cost amounting to Rs.17.537 million.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| **18.2** | **Amortization** | | | |
| | As at 01 January | | **17,599** | 17,553 |
| | For the year | 18.2.1 | **46** | 46 |
| | As at 31 December | | **17,645** | 17,599 |
| **18.2.1** | **The amortization charge has been allocated as follows:** | | | |
| | Cost of goods sold | 26.1 | **23** | 23 |
| | Administrative and selling expenses | 27 | **23** | 23 |
| | | | **46** | 46 |

Intangibles have been amortized at a rate of 33.33%.

## 19 LONG TERM INVESTMENTS

| | Note | 2018 | | 2017 | |
|---|---|---|---|---|---|
| | | **Equity % held** | **Investment at cost (Rupees in thousand)** | Equity % held | Investment at cost (Rupees in thousand) |
| Investment in subsdiaries - at cost | | | | | |
| - Avanceon FZE Dubai | | | | | |
| 26 (2017 : 26) fully paid ordinary shares of AED 1 million each | 19.1 | **100** | **473,671** | 100 | 473,671 |
| - Avanceon Automation and Control W.L.L, Qatar | | | | | |
| 98 (December 2017 : Nil) fully paid ordinary shares of QAR 1,000 each | 19.2 | **49** | **8,446** | - | - |
| | | | **482,117** | | 473,671 |

**19.1** Avanceon FZE is a Free Zone Establishment with limited liability formed pursuant to Law No.9 of 1992 of H.H. Sheikh Maktoum Bin Rashid Al Maktoum, Ruler of Dubai and Implementing Regulations issued thereunder by the Jebel Ali Free Zone Authority and was registered with the Jebel Ali Free Zone Authority under Registration No. 816 on February 28, 2004, and its registered office is situated in the Jebel Ali Free Zone, Dubai, United Arab Emirates. The principal activities of the Establishment are to trade in products of automation and control equipment and provide related technical support. The Establishment is wholly owned subsidiary of the Company.

**19.2** Avanceon Automation and Control W.L.L (AVAC) is an Establishment with limited liability registered under the Ministry of Economy and Commerce, state of Qatar on May 22, 2017 with Registration No. is 99027. Its registered office is situated in Al Jaber Engg. HO Building, PO Box: 15976, Fox Hills, Lusail, Doha - Qatar. The principal activities of the Establishment are to trade in products of automation and control equipment and provide related engineering and technical support. The Establishment is a subsidiary of the Company, as the Company has control over its financial and operating decision making under an agreement between Avanceon FZE and AVAC.

Investment in associated companies have been made in accordance with the requirements under the Companies Act 2017.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **20 LONG TERM LOANS AND DEPOSITS** | | | |
| Security deposits | 20.1 | **16,609** | 16,055 |
| Loan to employees | 20.2 | **4,044** | 4,128 |
| | | **20,653** | 20,183 |
| Less: Current portion of loan to employees | | **(1,550)** | (2,067) |
| | | **19,103** | 18,116 |

**20.1** These are interest free deposits against utilities and lease facilities, in the normal course of business.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **20.2 Reconciliation of carrying amount of loans to employees:** | | | |
| Opening balance | | **4,128** | 4,100 |
| Add: Disbursements during the year | | **2,000** | 2,000 |
| Less: Repayments during the year | | **(2,084)** | (1,972) |
| Closing balance | | **4,044** | 4,128 |

These represent interest free loans (as per company policy) provided to executives for purchase of vehicles in accordance with the terms of employment. These loans are secured against retirement benefits payable to the executives on resignation / retirement. These are recoverable in equal monthly installments.The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of long term loans is not considered material and hence not recognized.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **21 TRADE DEBTS** | | | |
| **Considered good** | | | |
| - due from related parties | 21.1 | **1,380,806** | 1,017,183 |
| - due from others | 21.2 | **326,591** | 319,999 |
| - due against construction work in progress and accrued revenue | 21.3 | **56,198** | 285,010 |
| | | **1,763,595** | 1,622,192 |
| **Considered doubtful** | | | |
| - due from others | 21.2 | **1,188** | 764 |
| - due against construction work in progress and accrued revenue | | **36,306** | - |
| | | **37,494** | 764 |
| Less: Provision for doubtful debts | | **(1,188)** | (764) |
| Less: Provision against doubtful earnings | 21.4 | **(36,306)** | - |
| | | **(37,494)** | (764) |
| | | **1,763,595** | 1,622,191 |

These are in the normal course of business and are interest free.

**21.1 Considered good - due from related parties**

| | Note | 2018 | 2017 |
|---|---|---|---|
| Avanceon Free Zone Establishment, UAE | 21.1.1 / 21.5 | **1,190,204** | 1,016,888 |
| Avanceon Automation & Control WLL, Qatar | 21.1.2 / 21.5 | **190,602** | 294 |
| | | **1,380,806** | 1,017,182 |

**21.1.1 Ageing of Avanceon Free Zone Establishment**

| | 2018 | 2017 |
|---|---|---|
| Less than one year | **436,889** | 434,113 |
| One to two years | **467,865** | 170,545 |
| Two to three years | **175,384** | 256,644 |
| More than three years | **110,066** | 155,586 |
| | **1,190,204** | 1,016,888 |

**21.1.2 Ageing of Avanceon Automation & Control WLL**

| | 2018 | 2017 |
|---|---|---|
| Less than one year | **190,602** | 294 |

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| 21.2 | **Ageing of due from others** | | | |
| | Less than one year | | **307,829** | 305,754 |
| | One to two years | | **15,376** | 6,378 |
| | Two to three years | | **3,763** | 7,470 |
| | More than three years | | **811** | 1,161 |
| | | | **327,779** | 320,763 |
| | | | **(1,188)** | (764) |
| | | | **326,591** | 319,999 |
| 21.3 | **Ageing of construction work in progress and accrued revenue** | | | |
| | Less than one year | | **42,015** | 206,057 |
| | One to two years | | **25,719** | 78,953 |
| | Two to three years | | **24,770** | - |
| | | | **92,504** | 285,010 |
| | Less: Provision for doubtful earnings | | **(36,306)** | - |
| | | | **56,198** | 285,010 |
| 21.4 | **Provision for doubtful debts and doubtful earnings** | | | |
| | Opening balance | | **764** | 804 |
| | Add: Provision for the year | 27 | **37,494** | 764 |
| | Less: Write off during the year | | **(764)** | (804) |
| | Closing balance | | **37,494** | 764 |
| 21.5 | **Outstanding debt in respect of export sales** | | | |
| | **Avanceon Free Zone Establishment** | | | |
| | Agency commission | | **117,910** | 67,696 |
| | Project revenue - export | | **29,166** | - |
| | Other engineering / support services | | **500,115** | 567,184 |
| | Back office support | | **543,013** | 382,009 |
| | | | **1,190,204** | 1,016,888 |
| | **Avanceon Automation & Control WLL, Qatar** | | | |
| | Project revenue - export | | **22,073** | 294 |
| | Other engineering / support services | | **92,331** | - |
| | Back office support | | **76,198** | - |
| | | | **190,602** | 294 |

**21.6** The maximum amount outstanding at any time during the year calculated by reference to month end balances is as follows:

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Avanceon Free Zone Establishment | | **1,190,204** | 1,337,182 |
| Avanceon Automation & Control WLL | | **227,065** | 294 |
| | | **1,417,269** | 1,337,476 |

## 22 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | Note | 2018 | 2017 |
|---|---|---|---|
| Advances - considered good | | | |
| - To employees | | **10,043** | 11,256 |
| - To suppliers | | **15,173** | 15,940 |
| | | **25,216** | 27,196 |
| Prepayments | | **16,180** | 24,170 |
| Bank guarantee / LC cash margin | | **40,653** | 50,255 |
| Tax refunds due from government - considered good | | **61,255** | 56,702 |
| Retention money - considered good | | **1,277** | 21,111 |
| Earnest money - considered good | | **408** | 408 |
| Due from subsidiaries - unsecured | | | |
| - Dividend receivable | 22.1 | **243,548** | 415,199 |
| - Others | 22.2 | **647,597** | 335,968 |
| | | **891,145** | 751,167 |
| Due from associate - Avenceon Digital (Private) Limited | | **275** | - |
| Other receivables - considered good | | **42** | 1,120 |
| | | **1,036,451** | 932,129 |

**22.1** This represents dividend receivable from Avanceon FZE, a wholly owned subsidiary of which Rs. 279.17 million has been adjusted against intercompany receivable account during the year.

**22.2** This represents amount due from following related parties in respect of expenses incurred by the Company on their behalf and adjustment of dividend as explained in note 22.1:

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in thousand) | |
| Avanceon FZE | **308,221** | 73,935 |
| Innovative Automation & Engineering Inc. | **329,422** | 261,663 |
| Avanceon Automation and Control W.L.L | **9,954** | 369 |
| | **647,597** | 335,968 |

## 23 SHORT TERM INVESTMENTS - HELD FOR TRADING

| 2018 (Number of shares) | 2017 (Number of shares) | Name of Companies | 2018 Fair Value (Rupees in thousand) | 2018 Cost (Rupees in thousand) | 2017 (Rupees in thousand) |
|---|---|---|---|---|---|
| 5,600 | - | The General Tyre and Rubber Company | 453 | 868 | - |
| 2,100 | - | Honda Atlas Cars (Pakistan) Limited | 758 | 638 | - |
| 4,000 | - | Pak Electron Limited | 95 | 136 | - |
| 1,100 | - | The Searle Company Limited | 259 | 348 | - |
| | | | 1,565 | 1,990 | - |
| | | Revaluation loss on short term investments | - | (425) | - |
| | | Impairment of short term investments | (308) | - | - |
| | | | 1,257 | 1,565 | - |

## 24 CASH AND BANK BALANCES

| | Note | 2018 (Rupees in thousand) | 2017 (Rupees in thousand) |
|---|---|---|---|
| Cash in hand | | 343 | 92 |
| Cash with banks: | | | |
| Current accounts | | | |
| Local currency | | 12,188 | 21,978 |
| Foreign currency | | 88 | 66 |
| Savings accounts | | | |
| Local currency | 24.1 | 4,772 | 32,710 |
| | | 17,048 | 54,754 |
| | | 17,391 | 54,846 |

**24.1** Profit on balances in saving accounts ranges from 6% to 7% (2017: 3.75% to 4.5%) per annum.

## 25 SALES - net

| | Note | 2018 (Rupees in thousand) | 2017 (Rupees in thousand) |
|---|---|---|---|
| Local sales and services | 25.1 | 890,528 | 842,165 |
| Export sales and services | 25.2 | 406,437 | 418,429 |
| | | 1,296,965 | 1,260,594 |

### 25.1 Local sales and services

| | Note | 2018 | 2017 |
|---|---|---|---|
| Sale of goods | | 846,394 | 771,111 |
| Less: Sales tax | | (142,366) | (105,937) |
| | | 704,028 | 665,174 |
| Services rendered | | 221,114 | 204,243 |
| Less: Sales tax | | (34,614) | (27,252) |
| | | 186,500 | 176,991 |
| | 25.1.1 | 890,528 | 842,165 |

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| 25.1.1 | **Local sales & services** | | | |
| | Project revenue | | **587,876** | 551,805 |
| | Product sales | | **213,311** | 201,671 |
| | Service income | | **89,341** | 88,690 |
| | | | **890,528** | 842,165 |
| 25.2 | **Export sales and services** | | | |
| | Agency commission | | **32,257** | 11,438 |
| | Project revenue - export | | **105,228** | 71,797 |
| | Back office support | | **120,679** | 127,423 |
| | Other engineering / support services | | **148,273** | 207,771 |
| | | | **406,437** | 418,429 |

## 26 COST OF SALES

| | Note | 2018 | 2017 |
|---|---|---|---|
| Opening stock | | **47,953** | 48,416 |
| Purchases and direct expenses | | **825,945** | 778,543 |
| Closing stock | | **(48,871)** | (47,953) |
| | 26.1 | **825,027** | 779,006 |

### 26.1 Cost of goods sold and services rendered

| | Note | 2018 | 2017 |
|---|---|---|---|
| Materials consumed | | **535,414** | 521,050 |
| Salaries, wages, allowances and other benefits | 26.2 | **143,308** | 116,085 |
| Employees' share option expense | | **3,168** | 7,291 |
| Telephone, postage and telex | | **6,084** | 5,466 |
| Utilities | | **2,235** | 2,299 |
| Travelling and conveyance relating to engineering services | | **38,753** | 32,752 |
| Installation charges relating to engineering services | | **41,761** | 34,083 |
| Entertainment relating to engineering services | | **11,530** | 5,701 |
| Repairs and maintenance | | **1,283** | 902 |
| Printing and stationery | | **525** | 760 |
| Import cost | | **8,849** | 23,965 |
| Insurance | | **2,950** | 2,233 |
| Rent, rates and taxes | | **2,379** | 2,036 |
| Training | | **565** | 1,050 |
| Fee and subscription | | **480** | 399 |
| Depreciation on property and equipment | 17.1.1 | **15,768** | 12,822 |
| Amortization on intangible assets | 18.2.1 | **23** | 23 |
| Other expenses | | **9,952** | 10,089 |
| | | **825,027** | 779,006 |

**26.2** Salaries, wages and benefits include Rs. 7.12 million (2017: Rs. 4.90 million) and Rs. 0.22 million (2017: Rs. 0.5 million) representing provident fund contribution by the Company and accumulating compensated absences respectively. Amount of Rs. 136 million (2017: Rs. 99.607 million) related to project services.

**26.3** Expenses of travelling and conveyance, installation charges and entertainment have been incurred against project services revenue

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | **(Rupees in thousand)** | |
| 27 | ADMINISTRATIVE & SELLING EXPENSES | | | |
| | Director's remuneration | | **7,523** | 7,173 |
| | Salaries, wages, allowances and other benefits | 27.1 | **79,659** | 66,657 |
| | Employees' share option expense | | **4,752** | 10,937 |
| | Telephone, postage and telex | | **4,960** | 4,781 |
| | Utilities | | **2,235** | 2,299 |
| | Entertainment | | **9,752** | 4,911 |
| | Repairs and maintenance | | **3,762** | 2,299 |
| | Sales promotion expenses | | **33** | 306 |
| | Printing, stationery and periodicals | | **525** | 752 |
| | Vehicle running and maintenance | | **2,043** | 1,746 |
| | Travelling and conveyance | | **14,620** | 10,098 |
| | Rent, rates and taxes | | **12,379** | 2,036 |
| | Training | | **2,417** | 1,042 |
| | Insurance | | **2,419** | 2,233 |
| | Legal and professional charges | | **3,343** | 2,493 |
| | Auditors' remuneration | 27.2 | **1,724** | 1,603 |
| | Fee and subscription | | **2,843** | 2,053 |
| | Corporate expenses | | **4,803** | 4,835 |
| | Late delivery charges | | **249** | - |
| | Depreciation on property and equipment | 17.1.1 | **15,768** | 12,822 |
| | Amortization of intangible assets | 18.2.1 | **23** | 23 |
| | Bad debts write-off (specific) | | **6,718** | 421 |
| | Bad earnings write-off (specific) | | **4,444** | - |
| | Provision for doubtful debt | | **1,188** | - |
| | Provision for doubtful earnings (local) | 21.4 | **36,306** | 764 |
| | Other expenses | | **10,028** | 10,170 |
| | | | **234,516** | 152,454 |

**27.1** Salaries, wages and benefits include Rs. 3.31 million (2017: Rs. 4.1 million) and Rs. 0.14 million (2017: Rs. 0.3 million) representing provident fund contribution by the Company and accumulating compensated absences respectively.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| **27.2** | **Auditors' remuneration** | | | |
| | Statutory audit | | **990** | 900 |
| | Half yearly review | | **400** | 400 |
| | Other charges and out of pocket expenses | | **334** | 303 |
| | | | **1,724** | 1,603 |
| 28 | OTHER OPERATING EXPENSES | | | |
| | Social security | | **298** | 284 |
| | Donations | 28.1 | **3,961** | 3,606 |
| | Revaluation loss on short term investments | | **425** | - |
| | Impairment of short term investments | | **308** | - |
| | | | **4,992** | 3,890 |

**28.1** Directors and their spouses have no interest in the donees each of whom have been given donations below Rs. 500,000 individually.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| 29 | OTHER OPERATING INCOME | | | |
| | Income from financial assets | 29.1 | **442,471** | 88,645 |
| | Income from non-financial assets | 29.2 | **5,258** | 115,446 |
| | | | **447,729** | 204,091 |
| **29.1** | **Income from financial assets** | | | |
| | Profit on bank deposits | | **240** | 240 |
| | Exchange gain | | **442,231** | 88,405 |
| | | | **442,471** | 88,645 |

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **29.2 Income from non-financial assets** | | | |
| Gain on disposal of property and equipment | 17.1.4 | **1,541** | 1,827 |
| Dividend income on short term investment | | **39** | - |
| Dividend income from subsidiary | | **-** | 100,000 |
| Insurance claim received | 29.2.1 | **700** | - |
| Others | | **2,978** | 13,619 |
| | | **5,258** | 115,446 |

**29.2.1** This represents amount received from IGI Insurance company against damage of consignment of Ethernet/IP.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **30 FINANCE COSTS** | | | |
| Mark-up and interest on: | | | |
| - Long term loan | | **2,263** | 3,586 |
| - Finances under mark up arrangements and other credit facilities - secured | | **21,552** | 20,035 |
| - Finance lease | | **6,382** | 5,206 |
| - Provident fund | | **589** | 603 |
| Bank charges | | **1,248** | 821 |
| Guarantee commission | | **1,350** | 2,393 |
| | | **33,384** | 32,644 |

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in thousand) | |
| **31 TAXATION** | | |
| Current | | |
| - for the year | **56,684** | 60,849 |
| Deferred | | |
| - for the year | **12,330** | (26,266) |
| | **69,014** | 34,583 |

Due to the available income tax losses, the provision for current taxation represents tax under 'Final Tax Regime' and Alternative Corporate Tax (ACT) under Income Tax Ordinance, 2001. Reconciliation of tax expense and accounting profit is not meaningful in view of presumptive taxation and ACT.

| | 2017 | 2016 | 2015 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **31.1 Comparison of tax provision** | | | |
| Provision as per financial statements | **60,849** | 40,368 | 26,873 |
| Provision as per Income Tax Return | **27,522** | 40,368 | 26,480 |

As per management's assessment, the tax provision in these financial statements is sufficient.

The difference between provision as per financial statements and as per Income Tax Return relates to tax on dividend which is to be included in Income Tax Return for the tax year in which it is received.

## 32 EARNINGS PER SHARE

### 32.1 Basic earnings per share

| | | 2018 | 2017 |
|---|---|---|---|
| Net profit for the year | Rupees in thousand | **577,761** | 462,108 |
| Weighted average number of ordinary shares | Numbers in thousand | **136,324** | 132,121 |
| Earnings per share | Rupees | **4..24** | 3.50 |

### 32.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has granted share options to employees as explained in note 8.

| | | 2018 | 2017 |
|---|---|---|---|
| Net profit for the year | Rupees in thousand | **577,761** | 462,108 |
| Weighted average number of ordinary shares | Numbers in thousand | **136,324** | 132,121 |
| Adjustment for share options | Numbers in thousand | **3,616** | 7,960 |
| Weighted average number of ordinary shares for diluted earnings per share | Numbers in thousand | **139,940** | 140,081 |
| Diluted earnings per share | Rupees | **4.13** | 3.30 |

**32.2.1** Share options issued by the Company have a dilutive effect on the earnings per share since the fair value of the ordinary shares during the year exceeds the exercise price of the options.

| | | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| 33 | CASH FLOWS FROM OPERATING ACTIVITIES | | |
| | Profit before tax | 646,775 | 496,691 |
| | **Adjustments for:** | | |
| | Depreciation on property and equipment | 9,732 | 8,210 |
| | Depreciation on assets subject to finance lease | 21,804 | 17,434 |
| | Provision for doubtful debts and earnings | 37,494 | 764 |
| | Employees' share option expense | 7,920 | 18,228 |
| | Bad debts write-off expense | 6,718 | 421 |
| | Bad earnings write-off expense | 4,444 | - |
| | Revaluation loss on short term investments | 308 | - |
| | Impairment of short term investments | 425 | - |
| | Amortization of intangible assets | 46 | 46 |
| | Exchange gain | (442,231) | (88,405) |
| | Gain on disposal of property and equipment | (1,541) | (1,827) |
| | Finance cost | 30,786 | 29,430 |
| | Profit on bank deposits | (240) | (240) |
| | Dividend income | - | (100,000) |
| | | (324,335) | (115,939) |
| | Profit before working capital changes | 322,440 | 380,752 |
| | Effect on cash flow due to working capital changes: | | |
| | (Increase) / decrease in current assets | | |
| | - Stock in trade | (918) | 463 |
| | - Trade debts | 292,922 | (320,168) |
| | - Advances, deposits, prepayments and other receivables | (148,965) | 153,448 |
| | (decrease) / Increase in current liabilities | | |
| | - Creditors, accrued and other liabilities | (270,665) | 52,516 |
| | | (127,626) | (113,741) |
| | Cash generated from operations | 194,814 | 267,011 |

## 34 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise of subsidiaries, shareholders, directors of the Company, employees benefit funds and key management employees. The Company carries out transactions with its related parties in the normal course of business. Significant related party transactions, other than remuneration of directors which is disclosed in Note 37, are as follows:

| Name of related party | Relationship with the company | Basis of Relationship | Nature of transactions | 2018 | 2017 |
|---|---|---|---|---|---|
| | | | | (Rupees in thousand) | |
| Avanceon FZE- UAE (AFZE) - Trade debts | Subsidiary | 100% shareholding | Agency commission | **32,257** | 11,438 |
| | | | Other engineering / support services | **14,633** | 207,772 |
| | | | Back office support | **53,860** | 127,423 |
| | | | Revenue recognized on the project based on the stage of completion | **74,932** | 71,797 |
| | | | Dividend income | **-** | 100,000 |
| Avanceon FZE- UAE (Other receivables) | Subsidiary | 100% shareholding | Purchase of Subsidiary (AVAC) | **8,446** | - |
| | | | Net payment to suppliers by AFZE | **158,157** | 141,970 |
| | | | Net payment to employees by AVL | **27,526** | 25,647 |
| Avanceon Automation and Control- AVAC (Trade debts) | Subsidiary | 49% shareholding and control over financial and operating decision making. | Other engineering / support services | **133,640** | - |
| | | | Back office support | **66,819** | - |
| | | | Revenue recognized on the project | **30,296** | - |
| Avanceon Automation and Control- AVAC (Other receivables) | Subsidiary | 49% shareholding and control over financial and operating decision making. | Net payment to suppliers by AVAC | **32,697** | - |
| | | | Net payment to employees by AVL | **13,634** | - |
| Innovative Travels (Private) Limited | Associated company | Common directorship | Services rendered during the year | **13,615** | 16,705 |
| | | | Payment during the year | **12,647** | 15,680 |
| Avenceon Digital (Private) Limited | Associated company | Common directorship | Reimbursement of expenses | **275** | - |
| Saeed Ullah Khan Niazi | Key Management Personnel | Chief Financial Officer | Sale of vehicle | **1,967** | - |
| Ahsan Khalil | Key Management Personnel | Company Secretary | Sale of vehicle | **1,561** | - |
| Contribution to staff provident fund | Provident fund | Provident fund | Expense charged in respect of retirements benefit plans Contribution to staff provident fund | **10,431** | 8,663 |
| | | | Contribution to staff provident fund | **-** | 116 |

All transactions with related parties are carried out on commercial terms and conditions.

### 34.1 PARTICULARS OF RELATED PARTIES INCORPORATED OUTSIDE PAKISTAN

| | NAME OF ENTITY | |
|---|---|---|
| | **Avanceon FZE (UAE)** | **Avanceon Automation and Control (Qatar)** |
| Registered address | Jebel Ali Free Zone, Dubai, United Arab Emirates | Al Jaber Engg. HO Building, Fox Hills, Lusail, Doha - Qatar |
| Country of incorporation | UAE | Qatar |
| Basis of association | Subsidiary | Subsidiary |
| Aggregate Percentage of shareholding | 100% | 49% shareholding and control over financial and operating decision making. |
| Shareholding through other entities | N/A | Remaining 51% shareholding by Arkan Integrated Development LLC |
| Chief Executive | Bakhtiar Hameed Wain | Bakhtiar Hameed Wain |
| Operational status | Trading in products of automation and control equipment and providing related technical support. | Trading in products of automation and control equipment and providing related engineering and technical support |
| Auditor's opinion on latest available financial statements | Unmodified opinion | Unmodified opinion |

| | **2018** | 2017 |
|---|---|---|
| | **(Rupees in thousand)** | |
| **35 PROVIDENT FUND** | | |
| Size of fund | **88,922** | 87,594 |
| Fair value of investments made | **78,713** | 77,591 |
| Cost of investment made | **84,988** | 82,637 |
| Percentage of investments made | **89%** | 89% |

**35.1** Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

| | **2018** | | 2017 | |
|---|---|---|---|---|
| | **Investments (Rupees in thousand)** | **Investment as % of size of the fund** | Investments (Rupees in thousand) | Investment as % of size of the fund |
| Government Securities | **15,239** | **17%** | 27,036 | 31% |
| Scheduled Banks | **18,836** | **21%** | 10,227 | 12% |
| Other Mutual Funds | **33,596** | **38%** | 32,835 | 37% |
| Listed Securities | **11,042** | **12%** | 7,493 | 9% |
| | **78,713** | | 77,591 | |

**35.2** Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose. Financial year of the provident fund trust is 30 June.

## 36 FINANCIAL RISK MANAGEMENT

### 36.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Company's finance and planning department under guidelines approved by the Corporate Center of the Company.

The Company's overall risk management procedures to minimize the potential adverse effects of financial markets on the Company's performance are as follows:

### (a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company is exposed to three types of market risk: currency risk, interest rate risk and other price risk .

### (i) Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate in case of changes in foreign exchange rates.

This exists due to the Company's exposure resulting from outstanding import payments or foreign creditors and in respect of export revenue. A foreign exchange risk management guideline has been provided by the Corporate Center. The policy allows the Company to take currency exposure within predefined limits while open exposures are monitored. The Company aims to protect itself against adverse currency movements by either linking the price of its products to foreign currency.

The Company is exposed to currency risk arising primarily with respect to the United States Dollar (USD) and AED. Currently, the Company's foreign exchange risk exposure is restricted to foreign currency creditors, debtors and investment in foreign subsidiaries. The Company's exposure to foreign currency changes for all other currencies is not material.

The following significant exchange rates were applied during the year:

| | 2018 | 2017 |
|---|---|---|
| **Rupees per USD** | | |
| Average rate | **121.72** | 105.29 |
| Reporting date rate | **138.85** | 110.29 |
| **Rupees per GBP** | | |
| Average rate | **163.01** | 134.75 |
| Reporting date rate | **176.07** | 149.38 |
| **Rupees per Euro** | | |
| Average rate | **144.37** | 119.06 |
| Reporting date rate | **158.63** | 132.97 |
| **Rupees per AED** | | |
| Average rate | **33.14** | 28.67 |
| Reporting date rate | **37.80** | 30.02 |

At 31 December 2018, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar with all other variables held constant, post tax profit/ ( loss) for the year would have been higher/lower as under.

**Foreign currency sensitivity analysis**

The following table demonstrates the sensitivity to a reasonable possible change in the US Dollar exchange rate, with all other variables held constant, of the Company's profit before tax and equity. The Company's exposure to foreign currency changes for all other currencies is not material.

| | Change in Exchange rate | Effect on profit/(loss) before tax | Effect on equity |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **2018** | **5%** | **66,669** | **47,335** |
| | **-5%** | **(66,669)** | **(47,335)** |
| 2017 | 5% | 61,877 | 43,314 |
| | -5% | (61,877) | (43,314) |

(ii) **Interest rate risk**

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's interest rate risk arises from liabilities against finances under mark-up arrangements. These liabilities are benchmarked to variable rates which expose the Company to cash flow interest rate risk.

The Company's Rupee based loans have a prepayment option, which can be exercised upon any adverse movement. Rates of short term loans vary as per market movement of KIBOR.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was as follows:

| | **2018** | 2017 |
|---|---|---|
| | **(Rupees in thousand)** | |
| **Floating rate instruments** | | |
| **Financial assets** | | |
| Bank balances | **4,772** | 32,709 |
| **Financial liabilities** | | |
| Long term loan | **19,697** | 37,879 |
| Liabilities against assets subject to finance lease | **95,465** | 86,068 |
| Finances under mark-up arrangements and other credit facilities - secured | **248,866** | 221,311 |
| **Total exposure** | **359,256** | 312,549 |

**Interest rate sensitivity analysis**

The following table demonstrates the sensitivity to a reasonable possible change in interest rates on floating rate borrowings and balances, with all other variables held constant, of the Company's profit before tax:

| | Increase/ decrease in basis points | Effect of profit/(loss) before tax | Effect on equity |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **2018** | **+100** | **(3,593)** | **(2,551)** |
| | **-100** | **3,593** | **2,551** |
| 2017 | +100 | (3,046) | (2,132) |
| | -100 | 3,046 | 2,132 |

**(iii) Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Company is not exposed to significant equity securities price risk as its major investment is in its subsidiaries companies which are stated at cost.

**(b) Credit risk**

Credit risk represents the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss for the other party by failing to discharge an obligation.

Company's credit risk is primarily attributable to its trade and other receivables. However, this risk is mitigated by a credit control policy and applying individual credit limits.

Credit risk also arises from deposits with banks and financial institutions, long term deposits, advances, deposits and other receivables. The Company maintains an internal policy to monitor all outstanding receivables.

The maximum exposure to credit risk is equal to the carrying amount of financial assets. The maximum exposure to credit risk at reporting date is as follows:

| | **2018** | 2017 |
|---|---|---|
| | **(Rupees in thousand)** | |
| Long term advances and deposits | **19,103** | 18,116 |
| Trade debts | **1,763,595** | 1,622,192 |
| Advances, deposits and other receivables | **933,525** | 824,060 |
| Bank balances | **17,048** | 54,754 |
| | **2,733,271** | 2,519,122 |

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as the trade debts / advances and other receivables of the Company relate to sales / purchase of equipments/services under binding contract terms.

As at 31 December 2018, the Company has 33 (2017: 38) customers owing more than Rs. 1 million (2017: Rs. 1 million) each which account for 95% (2017: 82%) of total debtors.

The credit quality of receivables can be assessed with reference to Company credit control policy and their historical performance with negligible default rate. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:

| | Rating Short Term | Rating Long Term | Rating Agency | Balances at banks 2018 | 2017 |
|---|---|---|---|---|---|
| | | | | (Rupees in thousand) | |
| Faysal Bank limited | A1+ | AA | PACRA | **702** | 3,125 |
| Habib Bank limited | A-1+ | AAA | JCR-VIS | **3,922** | 3,986 |
| National Bank of Pakistan | A1+ | AAA | PACRA | **235** | 121 |
| MCB Bank Limited | A1+ | AAA | PACRA | **93** | 93 |
| United Bank Limited | A-1+ | AAA | JCR-VIS | **273** | 7 |
| JS Bank Limited | A1+ | AA- | PACRA | **4,605** | 17,534 |
| Standard Chartered | A1+ | AAA | PACRA | **7,217** | 29,865 |
| Bank Islami Pakistan Limited (formerly KASB Bank Limited) | A-1 | A+ | PACRA | **-** | 23 |
| | | | | **17,047** | 54,754 |

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk faced by the Company is minimal.

(c) **Liquidity risk**

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash due to the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business the Company maintains flexibility in funding by maintaining committed credit lines available.

The Company's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows:

The following are the contractual maturities of financial liabilities:

| | Total | Less than one year | One to five years |
|---|---|---|---|
| | (Rupees in thousand) | | |
| **2018** | | | |
| Long term loan | **19,697** | **18,182** | **1,515** |
| Finances under mark up arrangements | **248,866** | **248,866** | **-** |
| Liabilities against assets subject to finance lease | **95,465** | **42,214** | **53,251** |
| Creditors, accrued and other liabilities | **186,647** | **186,647** | **-** |
| Un paid dividend | **283,074** | **283,074** | |
| | **833,749** | **778,983** | **54,766** |

| | Total | Less than one year | One to five years |
|---|---|---|---|
| | (Rupees in thousand) | | |
| 2017 | | | |
| Long term loan | 37,879 | 18,182 | 19,697 |
| Finances under mark up arrangements | 221,311 | 221,311 | - |
| Liabilities against assets subject to finance lease | 86,068 | 30,026 | 56,042 |
| Creditors, accrued and other liabilities | 370,712 | 370,712 | - |
| Un paid dividend | 73,999 | 73,999 | - |
| | 789,969 | 714,230 | 75,739 |

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

| | 2018 | | | |
|---|---|---|---|---|
| | Cash and cash equivalents | Held for trading | Loans and advances | Total |
| | (Rupees in thousand) | | | |
| **36.2 Financial instruments by categories** | | | | |
| **Assets as per statement of financial position** | | | | |
| Long term advances and deposits | - | - | 19,103 | 19,103 |
| Trade debts | - | - | 1,763,595 | 1,763,595 |
| Advances, deposits and other receivables | | | | |
| - Bank guarantee margin | - | - | 40,653 | 40,653 |
| - Earnest money | - | - | 408 | 408 |
| - Retention money | - | - | 1,277 | 1,277 |
| - Due from associated companies | - | - | 891,145 | 891,145 |
| - Others | - | - | 42 | 42 |
| - Short term investment | - | 1,257 | - | 1,257 |
| Cash and bank balances | 17,391 | - | - | 17,391 |
| | 17,391 | 1,257 | 2,716,223 | 2,734,871 |

| | 2018 |
|---|---|
| | Financial liabilities at amortized cost |
| | (Rupees in thousand) |
| **Liabilities as per statement of financial position** | |
| Long term loan | **19,697** |
| Liabilities against assets subject to finance lease | **83,821** |
| Finances under mark up arrangements and other credit facilities - secured | **248,866** |
| Creditors, accrued and other liabilities | **186,647** |
| Un paid dividend | **283,074** |
| | **822,105** |

| | 2017 | | | |
|---|---|---|---|---|
| | Cash and cash equivalents | Held for trading | Loans and advances | Total |
| | (Rupees in thousand) | | | |
| **36.3 Financial instruments by categories** | | | | |
| **Assets as per statement of financial position** | | | | |
| Long term advances and deposits | - | - | 18,116 | 18,116 |
| Trade debts | - | - | 1,622,192 | 1,622,192 |
| Advances, deposits, prepayments and other receivables | | | | |
| - Bank guarantee margin | - | - | 50,255 | 50,255 |
| - Earnest money | - | - | 408 | 408 |
| - Retention money | - | - | 21,111 | 21,111 |
| - Due from associated companies | - | - | 751,167 | 751,167 |
| - Others | - | - | 1,120 | 1,120 |
| - Short term investment | - | - | - | |
| Cash and bank balances | 54,846 | - | - | 54,846 |
| | 54,846 | - | 2,464,369 | 2,519,215 |

| | 2017 |
|---|---|
| | Financial liabilities at amortized cost |
| Liabilities as per statement of financial position | |
| Long term loan | 37,879 |
| Liabilities against assets subject to finance lease | 78,125 |
| Finances under mark up arrangements and other credit facilities - secured | 221,311 |
| Creditors, accrued and other liabilities | 370,712 |
| Un paid dividend | 73,999 |
| | 782,026 |

### 36.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages its capital structure and makes adjustments to in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares or sell assets to reduce debt. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Consistent with others in the industry and the requirements of the lenders the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings less cash and bank balances. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The gearing ratio as at year ended 31 December 2018 and 2017 are as follows:

| | **2018** | 2017 |
|---|---|---|
| | **(Rupees in thousand)** | |
| Borrowings | **352,384** | 337,316 |
| Less: Cash and bank balances | **(17,391)** | (54,846) |
| Net debt | **334,993** | 282,470 |
| Total equity - excluding surplus on revaluation | **2,657,790** | 2,373,800 |
| Total capital | **2,992,783** | 2,656,270 |
| Gearing ratio | **11.19%** | 10.63% |

## 37 REMUNERATION OF DIRECTORS AND OTHER EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the full time working director and executives of the Company is as follows:

| | Director | | Other Executives | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | -------------- (Rupees in thousand) -------------- | | | |
| | | | | Restated * |
| Managerial remuneration | **4,627** | 4,035 | **42,767** | 38,022 |
| House rent | **1,851** | 1,614 | **17,107** | 15,209 |
| Utilities | **463** | 404 | **4,277** | 3,802 |
| Contribution to provident fund | **463** | 404 | **4,277** | 3,802 |
| Others | **121** | 716 | **2,035** | 890 |
| | **7,525** | 7,173 | **70,463** | 61,725 |
| **Number of persons** | **1** | 1 | **21** | 19 |

* Comparatives for Executives' remuneration have been restated in line with change in definition of Executive brought about by the application of Companies Act, 2017.

**37.1** The Company also provides director and certain executives with company maintained cars. No remuneration has been paid to Chief Executive Officer and non-executive directors of the Company.

| | **2018** | 2017 |
|---|---|---|
| **38 NUMBER OF EMPLOYEES** | | |
| Average number of employees | **166** | 145 |
| Closing number of employees | **185** | 151 |

## 39 CORRESPONDING FIGURES

The preparation and presentation of these financial statements for the year ended 31 December 2018 is in accordance with requirements in Companies Act, 2017. The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017, or for better presentation. Following major reclassifications have been made during the year:

| Description | Reclassified from | Reclassified to | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| Surplus on revaluation of property and equipment | Separate line item | Revenue reserves under equity | 146,115 | 112,461 |
| Unpaid dividend | Creditors, accrued and other liabilities | Unpaid dividend (Separate line item) | 73,999 | 114,149 |
| Payable to provident fund | Other liabilities | Creditors, accrued and other liabilities (Separate line item) | 3,705 | 873 |

## 40 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on March 28, 2019 has proposed a cash dividend in respect of the year ended 31 December 2018 of Rupees Nil per share (2017: Cash Dividend of Rs. 2.25 per share) and 40% bonus shares (2017: Nil). The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

## 41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on March 28, 2019.

Chief Executive
**Bakhtiar Hameed Wain**

Chief Financial Officer
**Saeed Ullah Khan Niazi**

Director
**Tanveer Karamat**

# CONSOLIDATED FINANCIAL STATEMENTS

For The Year Ended 31 December 2018

# INDEPENDENT **AUDITOR'S REPORT**

**To the members of Avanceon Limited**
**Report on the Audit of the Consolidated Financial Statements**

**Opinion**
We have audited the annexed consolidated financial statements of Avanceon Limited and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**
We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| **1. Revenue Recognition – Services and Projects** | |
| The Group's revenue is derived from sale of goods, provision of services as well as end-to-end solutions in form of short-term and long-term projects, sometimes leading to revenue being recognized over multiple accounting periods.<br><br>As referred in note 4 (i) to the accompanying financial statements, services and project revenue is recognized using the percentage of completion method based on cost incurred to date as a proportion of total cost of the contract. As disclosed in note 25, services and project revenue aggregates to Rs. 147 million and Rs. 3.12 billion respectively.<br><br>Application of the percentage completion method requires significant management estimates in relation to budgeting the cost to complete and assessing specifications of work performed to date. These estimates take into account, amongst others, the prices of materials and services as applicable, forecast escalations, time spent and expected completion date at the time of such estimation. | Our audit procedures included amongst others understanding and evaluating the appropriateness of the Group's revenue recognition policies including those relating to the percentage of completion method and related management assessments based on the Group's operating model and its system of recording revenue related transactions.<br><br>We tested operating effectiveness of internal controls relating to the Group's revenue recognition process including budgetary control, appropriate review and approval practices and recognition in the books of accounts.<br><br>We performed substantive analytical procedures including, amongst others, developing an expectation of service and project revenue for the year based on contracts entered to date and analyzing the amounts recognized against the same, month-wise and project wise revenue and margin analysis. |

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| Due to an inherent risk associated with the recognition of revenue based on estimates we consider revenue from services and end-to-end projects as a key audit matter. | We performed other substantive procedures including examination of underlying contracts, review of contractual terms and conditions and evaluating appropriate accounting thereof also taking into account any discounts, performance penalties and / or other cost implications of the contract.<br><br>We also reviewed sales transactions and events taking place after year-end to ensure revenue was recognized in the appropriate period to assess any adjustments required. |
| **2. Financial Reporting Framework** | |
| As referred in note 2.1 to the accompanying consolidated financial statements, the Companies Act 2017 (the Act) became applicable for the first time for the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.<br><br>The Act forms an integral part of the statutory financial reporting framework as applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to various elements of the consolidated financial statements.<br><br>In the case of the Group, specific additional disclosures and changes to the existing disclosures have been included in the consolidated financial statements as referred to note 2 to the consolidated financial statements.<br><br>Further, the Group has also changed its accounting policy relating to presentation and measurement of surplus on revaluation of fixed assets as a consequence of the application of the Act with retrospective effect. The impact of the said change in accounting policy has been disclosed in note 8 to the consolidated financial statements.<br><br>These changes and enhancements in the consolidated financial statements are considered important and a key audit matter because of the volume and significance of the changes in the consolidated financial statements resulting from the transition to the new reporting requirements under the Act. | We assessed the procedures applied by the management for identification of the changes required in the consolidated financial statements due the application of the Act. We considered the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures based on the new requirements. We also evaluated the sources of information used by the management for the preparation of the above referred disclosures and the internal consistency of such disclosures with other elements of the consolidated financial statements.<br><br>In respect of the change in accounting policy for the accounting and presentation of revaluation surplus as referred to note 8 to the consolidated financial statements; we assessed the accounting implications in accordance with the applicable financial reporting standards and evaluated its application in the context of the Group including the related disclosures made in consolidated financial statements. |
| **3. Preparation of consolidated financial statements** | |
| The Group's consolidated financial statements comprise of transactions and balances of the parent company and its subsidiaries and sub-subsidiaries in foreign countries. Consolidating these financial statements involves translation of foreign entities' financial statements, elimination of intercompany transactions and balances, and consolidation of the amounts and disclosures of each entity's financial statements. | We reviewed the consolidation schedules in relation to translation of foreign currency transactions and balances at appropriate foreign exchange rates and the computation of resultant exchange differences.<br><br>We cross-matched the inter-company transactions and balances with the respective financial statements of the entities for elimination of the same. |

# INDEPENDENT
# AUDITOR'S REPORT

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| Significant auditor attention is required in review of the consolidation schedules as the foreign exchange differences and intercompany transactions are material to the consolidated financial statements as a whole, hence these are considered a Key Audit Matter. | We reviewed the arithmetic accuracy of the consolidation schedules.<br><br>We reviewed the completeness of disclosures in the consolidated financial statements by comparing with the relevant disclosures in each entity's individual financial statements. |

**Information Other than the Financial Statements and Auditors' Report Thereon**
Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements**
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

**Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Abdullah Fahad Masood.

EY Ford Rhodes

**EY Ford Rhodes**
**Chartered Accountants**
**Lahore: 4th April 2019**

# CONSOLIDATED STATEMENT OF
# FINANCIAL POSITION

As at 31 December 2018

| | Note | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| | | | Restated | Restated |
| **EQUITY AND LIABILITIES** | | | | |
| **SHARE CAPITAL AND RESERVES** | | | | |
| Authorized share capital | | | | |
| 200,000,000 (2017: 150,000,000 and 2016: 150,000,000) | | | | |
| Ordinary shares of Rs 10 each | | **2,000,000** | 1,500,000 | 1,500,000 |
| Issued, subscribed and paid up capital | | | | |
| 136,323,754 (2017: 132,121,128 and 2016: 105,696,903) | | | | |
| Ordinary shares of Rs 10 each | 5 | **1,363,238** | 1,321,211 | 1,056,969 |
| **CAPITAL RESERVES** | | | | |
| Share premium | 6 | **61,906** | 61,894 | 61,894 |
| Employees' share compensation reserve | 7 | **39,948** | 69,825 | 51,597 |
| Surplus on revaluation of property and equipment | 8 | **167,915** | 146,115 | 112,461 |
| Exchange revaluation reserve | | **445,769** | 244,839 | 209,034 |
| | | **715,538** | 522,673 | 434,986 |
| **REVENUE RESERVE** | | | | |
| Un-appropriated profit | | **1,355,080** | 894,265 | 700,040 |
| | | **3,433,856** | 2,738,149 | 2,191,995 |
| **NON CURRENT LIABILITIES** | | | | |
| Liabilities against assets subject to finance lease | 9 | **63,958** | 52,517 | 44,567 |
| Long term loan | 10 | **1,515** | 19,697 | - |
| Deferred liabilities | 11 | **88,176** | 48,941 | 64,516 |
| | | **153,649** | 121,155 | 109,083 |
| **CURRENT LIABILITIES** | | | | |
| Current portion of liabilities against assets subject to finance lease | 9 | **26,420** | 25,608 | 21,522 |
| Current portion of long-term loan | 10 | **18,182** | 18,182 | - |
| Finances under mark up arrangements and other credit facilities - secured | 12 | **312,079** | 339,604 | 265,637 |
| Creditors, accrued and other liabilities | 13 | **1,766,230** | 1,280,265 | 582,510 |
| Unpaid dividend | 14 | **283,074** | 73,999 | 114,149 |
| | | **2,405,985** | 1,737,658 | 983,818 |
| **CONTINGENCIES AND COMMITMENTS** | 15 | | | |
| | | **5,993,490** | 4,596,962 | 3,284,896 |

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

| Chief Executive | Chief Financial Officer | Director |
|---|---|---|
| **Bakhtiar Hameed Wain** | **Saeed Ullah Khan Niazi** | **Tanveer Karamat** |

| | Note | 2018 | 2017 | 2016 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| | | | Restated | Restated |
| **ASSETS** | | | | |
| **NON CURRENT ASSETS** | | | | |
| Property and equipment | 16 | **337,141** | 277,105 | 233,107 |
| Intangible assets | 17 | **32** | 78 | 124 |
| Long term investments | 18 | **746,059** | 599,345 | 567,349 |
| Long term loans and deposits | 19 | **37,908** | 33,262 | 30,624 |
| | | **1,121,140** | 909,790 | 831,204 |
| **CURRENT ASSETS** | | | | |
| Stock in trade | | **85,333** | 93,387 | 101,234 |
| Trade debts | 20 | **3,981,886** | 2,892,596 | 1,837,932 |
| Advances, deposits, prepayments and other receivables | 21 | **562,254** | 337,090 | 243,154 |
| Short term investments | 22 | **1,257** | - | - |
| Term deposits with banks | 23 | **188,857** | 194,769 | 155,554 |
| Cash and bank balances | 24 | **52,763** | 169,330 | 115,818 |
| | | **4,872,350** | 3,687,172 | 2,453,692 |
| | | **5,993,490** | 4,596,962 | 3,284,896 |

Chief Executive
**Bakhtiar Hameed Wain**

Chief Financial Officer
**Saeed Ullah Khan Niazi**

Director
**Tanveer Karamat**

# CONSOLIDATED STATEMENT OF
# PROFIT OR LOSS

For The Year Ended 31 December 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Revenue | 25 | **3,480,942** | 2,813,898 |
| Cost of sales | 26 | **(2,468,599)** | (1,839,168) |
| **Gross profit** | | **1,012,343** | 974,730 |
| Administrative and selling expenses | 27 | **(556,105)** | (407,773) |
| Other operating expenses | 28 | **(5,035)** | (3,890) |
| Other operating income | 29 | **464,754** | 104,646 |
| | | **(96,386)** | (307,016) |
| **Profit from operations** | | **915,957** | 667,714 |
| Finance costs | 30 | **(60,567)** | (69,660) |
| **Profit before tax** | | **855,390** | 598,054 |
| Taxation | 31 | **(88,642)** | (34,583) |
| **Profit for the year** | | **766,748** | 563,472 |
| **Earnings per share - basic** | 35.1 | **5.62** | 4.26 |
| **Earnings per share - diluted** | 35.2 | **5.48** | 4.02 |

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Chief Executive
**Bakhtiar Hameed Wain**

Chief Financial Officer
**Saeed Ullah Khan Niazi**

Director
**Tanveer Karamat**

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Profit for the year | | **766,748** | 563,472 |
| **Other comprehensive income** | | | |
| *Items to be reclassified to profit and loss in subsequent periods* | | | |
| Exchange difference on translating foreign operations | | **200,930** | 35,805 |
| *Items not to be reclassified to profit and loss in subsequent periods* | | | |
| Transfer from revaluation surplus on account of incremental depreciation | | **878** | 722 |
| less: tax effect | | **(82)** | (30) |
| | 8 | **796** | 692 |
| **Total comprehensive income for the year** | | **968,474** | 599,969 |

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Chief Executive
**Bakhtiar Hameed Wain**

Chief Financial Officer
**Saeed Ullah Khan Niazi**

Director
**Tanveer Karamat**

# CONSOLIDATED STATEMENT OF
# CHANGES IN EQUITY

For The Year Ended 31 December 2018

| | Share Capital | CAPITAL RESERVES Share Premium | Employees' share compensation reserve | Surplus on revaluation of property and equipment | Exchange revaluation reserve | REVENUE RESERVE Unappropriated Profit | Total |
|---|---|---|---|---|---|---|---|
| | ---------- | ---------- | ---------- | (Rupees in thousand) | ---------- | ---------- | ---------- |
| **Balance as at 01 January 2017 - as reported** | 1,056,969 | 61,894 | 51,597 | - | 209,034 | 700,040 | 2,079,534 |
| Effect of restatement (Note 5.1) | - | - | - | 112,461 | - | - | 112,461 |
| Balance as at 01 January 2017 - Restated | 1,056,969 | 61,894 | 51,597 | 112,461 | 209,034 | 700,040 | 2,191,995 |
| Revaluation surplus arising during the year - net of tax | - | - | - | 34,345 | - | - | 34,345 |
| Net profit for the year ended 31 December 2017 | - | - | - | - | - | 563,472 | 563,472 |
| Other comprehensive income- net of tax | - | - | - | (692) | 35,805 | 692 | 35,805 |
| Total comprehensive income for the year | - | - | - | (692) | 35,805 | 564,164 | 599,276 |
| Final dividend for the year ended 31 December 2016 at the rate of Rs. 1 per share | - | - | - | - | - | (105,697) | (105,697) |
| Bonus shares for the year ended 31 December 2016 at the rate of 25% | 264,242 | - | - | - | - | (264,242) | - |
| Employees' share option reserve | - | - | 18,228 | - | - | - | 18,228 |
| | 264,242 | - | 18,228 | - | - | (369,939) | (87,469) |
| **Balance as at 31 December 2017 - Restated** | 1,321,211 | 61,894 | 69,825 | 146,115 | 244,839 | 894,265 | 2,738,149 |
| Revaluation surplus arising during the year - net of tax | - | - | - | 22,596 | - | - | 22,596 |
| Net profit for the year ended 31 December 2018 | - | - | - | - | - | 766,748 | 766,748 |
| Other comprehensive income- net of tax | - | - | - | (796) | 200,930 | 796 | 200,930 |
| Total comprehensive income for the year | - | - | - | (796) | 200,930 | 767,544 | 967,678 |
| Employees' Share Option Scheme-I issued, 4,199,629 shares @ Rs. 10 | 41,996 | - | (37,797) | - | - | - | 4,199 |
| Post ballot shares issued 2,997 @ Rs. 14 | 30 | 12 | - | - | - | - | 42 |
| Employee share option | - | - | 7,920 | - | - | - | 7,920 |
| Final dividend for the year ended 31 December 2017 at the rate of Rs. 2.25 per share | - | - | - | - | - | (306,729) | (306,729) |
| | 42,026 | 12 | (29,877) | - | - | (306,729) | (294,568) |
| **Balance as at 31 December 2018** | 1,363,238 | 61,906 | 39,948 | 167,915 | 445,769 | 1,355,080 | 3,433,856 |

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Chief Executive
**Bakhtiar Hameed Wain**

Chief Financial Officer
**Saeed Ullah Khan Niazi**

Director
**Tanveer Karamat**

# CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2018

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 34 | 170,390 | 254,665 |
| Finance costs paid | | (37,566) | (48,521) |
| Retirement benefits paid | | (1,790) | (173) |
| Taxes paid | | (58,901) | (71,482) |
| **Net cash generated from operating activities** | | 72,132 | 134,490 |
| **Cash flows from investing activities** | | | |
| Purchase of property and equipment | | (17,915) | (7,491) |
| Proceeds from sale of property and equipment | | 10,801 | 5,254 |
| Profit on bank deposit | | 8,476 | 15,343 |
| Term deposits | | 5,912 | (39,215) |
| Short term investments | | (1,990) | - |
| Increase in long term deposits - net | | (4,646) | (2,638) |
| **Net cash generated from / (used in) investing activities** | | 638 | (28,748) |
| **Cash flows from financing activities** | | | |
| Dividend paid | | (97,652) | (146,003) |
| Long term loan (repaid) / received | | (18,182) | 37,879 |
| Finances under mark up arrangements and other credit facilities | | (27,525) | 73,967 |
| Issuance of shares | | 4,241 | - |
| Repayment of finance lease liabilities | | (50,219) | (18,073) |
| **Net cash used in financing activities** | | (189,337) | (52,230) |
| **Net (decrease) / increase in cash and cash equivalents** | | (116,567) | 53,513 |
| **Cash and cash equivalents at the beginning of the year** | | 169,330 | 115,818 |
| **Cash and cash equivalents at the end of the year** | 24 | 52,763 | 169,330 |

The annexed notes 1 to 42 form an integral part of these consolidated financial statements.

Chief Executive
**Bakhtiar Hameed Wain**

Chief Financial Officer
**Saeed Ullah Khan Niazi**

Director
**Tanveer Karamat**

# NOTES TO THE CONSOLIDATED **FINANCIAL STATEMENTS**

For The Year Ended 31 December 2018

## 1 LEGAL STATUS AND NATURE OF BUSINESS

Avanceon Limited (the Holding Company), was incorporated in Pakistan on March 26, 2003 as a private limited company which was converted to a public limited company on March 31, 2008 under the (replead) Companies Ordinance, 1984 (now Companies Act, 2017). The Holding Company was listed on Lahore and Karachi Stock Exchanges (now Pakistan Stock Exchange Limited) on 10 February 2014.

The principal activity of the Holding Company is to trade in products of automation and control equipment and to provide related technical services.

Following are the business units of the Holding Company along with their respective locations:

| BUSINESS UNIT | LOCATION |
|---|---|
| **HEAD OFFICE** | 19 km, Multan Road, Lahore. |
| **REGIONAL OFFICES** | |
| Karachi | First Floor, MA Tabba Foundation Building, Gizri Road Block 9 Clifton Karachi, Sindh 75600. |
| Islamabad | 299-Pansi Road, Bahria Town, Islamabad |

### 1.1 The "Group" consists of:

**Holding Company**

Avanceon Limited (AVL)

**Subsidiary companies**

| | % age of holding |
|---|---|
| - Avanceon Free Zone Establishment, UAE (AFZE) | 100% |
| - Innovative Automation & Engineering Inc. (formerly Engro Innovative Inc.) USA (IA) | 100% |
| - Avanceon Automation and Control W.L.L (AVAC) | 49% |

Avanceon FZE is a Free Zone Establishment with limited liability formed pursuant to Law No.9 of 1992 of H.H. Sheikh Maktoum Bin Rashid Al Maktoum, Ruler of Dubai and Implementing Regulations issued thereunder by the Jebel Ali Free Zone Authority and was registered with the Jebel Ali Free Zone Authority under Registration No. 816 on 28 February 2004, and its registered office is situated in the Jebel Ali Free Zone, Dubai, United Arab Emirates. The principal activities of the Establishment are to trade in products of automation and control equipment and provide related technical support. The Establishment is wholly owned subsidiary of the Holding Company.

Innovative Automation's registered office is 1800 John F. Kennedy Boulevard, Suite 1601, Philadelphia, PA. The Group holds 26.11% (2017: 26.11%) equity interest in Avanceon Limited Partnership (ALP) directly and through Avanceon GP LLC, The General Partner.

Avanceon Automation and Control W.L.L (AVAC) is an Establishment with limited liability registered under the Ministry of Economy and Commerce, state of Qatar on 22 May 2017 with Registration No. is 99027. Its registered office is situated in Al Jaber Engg. HO Building, PO Box: 15976, Fox Hills, Lusail, Doha - Qatar. The principal activities of the Establishment are to trade in products of automation and control equipment and provide related technical support. The Establishment is a subsidiary of the Holding Company, as the Holding Company has control over its financial and operating decision making under an agreement between Avanceon FZE and AVAC.

The other shareholder in AVAC, Arkan Integrated Development LLC holds 51% of the share capital but has no interest in the Establishment as per the shareholder's Agreement, except 3% share of any dividends, when announced by Avanceon FZE.

### 1.2 Summary of significant events and transactions in the current reporting period

The Group's financial position and performance was particularly affected by the following events and transactions during the reporting period:

- Transfer of control over financial and operating decision making power of Avanceon Automation and Control W.L.L from Avanceon FZE to Avanceon Limited.
- Introduction of Building Maintenance Solutions (BMS) securing an order amounting to Rs.150 million from Crescent Gold.
- Payment of dividend amounting to Rs.97.653 million during the year (note 15).
- ESOS issue of 4,199,629 shares against options granted in 2013 under the ESOS I scheme (note 8.1.1)
- 'The Group has been significantly impacted by the devaluation of Pakistan Rupee against United States Dollar with net exchange gain mainly on receivables from related parties.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under Companies Act, 2017
- Provisions of and directives issued under the Companies Act, 2017

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

The Companies Ordinance, 1984 has been repealed after the enactment of Companies Act, 2017. As a result, the Holding Company has changed its accounting framework accordingly. This change in accounting framework has not resulted in significant changes to the amounts recognized in these financial statements or the comparative information except some additional disclosures being made as required under the Companies Act, 2017, presentation of unpaid dividend as a separate line item of statement of financial position and presentation of surplus on revaluation of property and equipment as a component of equity as explained in note 5.1.

**2.2 Standards, Interpretations and amendments to published approved accounting standards**

**2.2.1 New and amended standards and interpretations**

The Group has adopted the following revised standards, amendments and interpretation of IFRSs which became effective for the current year.

IAS 7 Statement of Cash Flows - Disclosure Initiative (Amendments)
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)
IFRIC 22 Statement of Cash Flows - Disclosure Initiative (Amendments)

The adoption of the above standards, amendments and interpretations did not have any effect on the financial statements.

**2.2.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective:**

The following standards, amendments and interpretation with respect to the approved accounting standards, as applicable in Pakistan, would be effective from the dates mentioned below and have not been adopted early by the Group:

| Standard or Interpretation | | Effective date (annual periods beginning on or after) |
|---|---|---|
| IAS 1 and IAS 8 | Presentation of Financial Statements & Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (amendments) | 01 January 2020 |
| IFRS 10 | Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment) | Not yet finalized |
| IFRS 15 | Revenue from Contract with Customers | 01 July 2018 |

| Standard or Interpretation | | Effective date (annual periods beginning on or after) |
|---|---|---|
| IFRS 9 | Prepayment Features with Negative Compensation – (Amendments) | 01 January 2019 |
| IFRS 16 | Leases | 01 January 2019 |
| IAS 28 | Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures (Amendments) | 01 January 2020 |
| IAS 19 | Employee Benefits (Amendments) - Plan Amendment, Curtailment or Settlement | 01 January 2019 |
| IFRIC 23 | Uncertainty over Income Tax Treatments | 01 January 2019 |

| Standard or Interpretation | | Effective date (annual periods ending on or after) |
|---|---|---|
| IFRS 9 | Financial Instruments* | 30 June 2019 |

*The SECP has modified the effective date of application of IFRS 9 in place of IAS 39, through SRO. 229 (I) /2019, dated: 14 February, 2019, as reporting period / year ending on or after 30 June 2019.

The Group expects that the adoption of the above revision, amendments and interpretation of the standards will not affect the Group's financial statements in the period of initial application except for IFRS 9 – Financial Instruments, IFRS 15 - Revenue from Contract with Customers IFRS 16 - Leases for which management is in process of calculating the impact on Group's financial statements.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

| Standard or Interpretation | | Effective date (annual periods beginning on or after) |
|---|---|---|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards | 01 July 2009 |
| IFRS 14 | Regulatory Deferral Accounts | 01 January 2016 |
| IFRS 17 | Insurance Contracts | 01 January 2021 |

The above amendments and interpretations are not expected to have any significant impact on the financial statements of the Group.

## 3 BASIS OF PREPARATION

**3.1** These consolidated financial statements have been prepared under the historical cost convention unless otherwise stated in respective notes.

### 3.2 Functional and presentation currency

These consolidated financial statements have been prepared in Pak Rupee, which is the functional currency of the Company. Figures have been rounded off to the nearest thousand of Pak Rupee.

## 4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Group's significant accounting policies are stated in note 5. Not all of these significant policies require the group management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the group management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. 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) Provision for taxation

Provision for taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income and the decisions taken by appellate authorities. The charge for tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. Instances where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

**b) Provision against trade debts, advances and other receivables**

The Group reviews its trade debts, advances and other receivables at each reporting date to assess whether provision should be recorded in the statement of profit or loss. In particular, judgment by the Group management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provisions.

**c) Provisions and contingencies**

The Group management reviews the status of all pending litigations and claims against the Group. Based on its judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities or assets recognized at the reporting date.

**d) Impairment of financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the asset. In assessing the impairment of available for sale financial asset (Investment in Avanceon LP), the Group has engaged external valuer and performed the assessment on basis of present value of future cash flows arising to the Group. Based on the exercise, the investment has been termed as not impaired.

**e) Impairment of non-financial assets**

The carrying amount of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

**f) Recoverable amount of property and equipment**

The Group basis its valuation of operating assets suspect to impairment upon valuation performed by an independent valuation expert. The valuation is based on fair value less costs to sell as mentioned in note 9.

g) **Contract variations**

Contract variations are recognised as revenues to the extent that is probable that they will result in revenue which can be reliably measured. This requires the exercise of judgment by management based on prior experience, application of contract terms and relationship with the contract owners and stage of negotiations reached.

h) **Contract cost estimates**

The Group uses internal quantity surveyors together with project managers to estimate the costs to complete construction contracts. Factors such as escalation of material prices, labour costs and other costs are included in the construction cost estimates based on best estimate.

i) **Cost to complete the projects and related revenue**

As part of application of percentage of completion method on contract accounting, the Group estimates the cost to complete the projects in order to determine the cost attributable to revenue being recognized. These estimates are based on the prices of materials and services applicable at that time, forecasted increases and expected completion date at the time of such estimation. Such estimates are reviewed at regular intervals. Any subsequent changes in the prices of materials and services compared to forecasted prices and changes in the time of completion affect the results of the subsequent periods. In accordance with the matching principle, the revenue recognition is based on percentage of completion method.

j) **Stock in trade**

Stock in trade is carried at the lower of cost and net realisable value. The net realizable value is assessed by the Group having regard to the budgeted cost of completion, estimated selling price and knowledge of recent comparable transactions.

k) **Fair value measurement**

A number of assets and liabilities included in the financial statements require measurement at, and / or disclosure of, fair value. The fair value measurement of the Company's financial and non- financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the fair value hierarchy):

Useful lives, residual values, pattern of flow of economic benefits and impairment

- Level 1: Quoted prices in active markets for identical items (unadjusted)
- Level 2: Observable direct or indirect inputs other than Level 1 inputs
- Level 3: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

l) **Control**

Control exists when the group has the power over the investee, exposure to variability of return from the investee and the ability to affect the variability of return, giving the group the practical ability unilaterally to direct the relevant activities of the group.

The Group has determined that it has the practical ability to direct the relevant activities of Innovation Automation and Engineering Inc.

## 5 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented except as stated in note 2.2.1 and 5.1.

### 5.1 Change in accounting policy of revaluation surplus on property and equipment

The Group changed its accounting policy for the revaluation surplus on property and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Group's accounting policy for surplus on revaluation of property and equipment was in accordance with the provisions of (replead) Companies Ordinance, 1984 according to which, the revaluation surplus was shown as a separate item below equity.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property and equipment. Consequently, this impacted the Group's accounting policy for revaluation surplus on property and equipment, and now the related accounting and presentation requirements set out in IFRS are being followed by the Group. The new accounting policy is explained in note 5.5. This change has not resulted in any impact on amounts reported in the consolidated financial statements for prior years except for disclosure of revaluation surplus as a component of equity.

### 5.2 Principles of consolidation

The consolidated financial statements incorporate the financial statements of the Holding Company and major entities controlled by the Holding Company (its subsidiaries).

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus cost directly attributable to the acquisition. Identified assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition, irrespective of the extent of any non-controlling interest.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized in the statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed off, the goodwill associated with the operation disposed off is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed off in this circumstance is measured based on the relative values of the operation disposed off and the portion of the cash-generating unit retained.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the parent obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Non-controlling interest in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interest consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

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

## 5.3 Staff retirement benefits

### Defined contribution plan

The Group operates a defined contribution provident fund for their employees. Monthly contributions are made both by the Group and the employees to the fund at the rate of 10% (2017:10%) of the basic salary.

### Defined benefit plan

The subsidiaries operates an unfunded gratuity scheme for all of its permanent employees. The cost of the unfunded gratuity plan is measured on the terminal basis without involving any actuarial calculations due to small number of Company's employees covered under the plan.

## 5.4 Taxation

### Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

### 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 bases used in the computation of the 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 date of statement of financial position. Deferred tax is charged or credited in the statement of financial position, except in the case of items credited or charged to equity in which case it is included in equity.

Provision is not made for taxation which would become payable if retained profits of subsidiaries were distributed to the Holding Company, as it is not the intention to distribute more than the dividends, the tax on which is included in the financial statements.

## 5.5 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any identified impairment loss except for freehold land and building which are stated at revalued amount less accumulated depreciation and any identified impairment loss, however, freehold land is stated at revalued amount.

Increase in the carrying amount arising on revaluation of property and equipment are credited to surplus on revaluation of property and equipment. Decreases that offset previous increases of the same assets are charged against this surplus, all other decreases are charged to income.

Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income) and depreciation based on the assets' original cost is transferred from surplus on revaluation of property and equipment to other comprehensive income. All transfers to / from surplus on revaluation of property and equipment are net of applicable deferred taxation.

Depreciation is charged to income using the straight line method whereby the cost less residual value of an operating asset is written off over its estimated useful life. Depreciation is charged on additions from the month of its acquisition whereas no depreciation is charged on assets disposed off during the month. The rates of depreciation are stated in note 17 to the financial statements. The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant.

The group assesses at each date of statement of financial position whether there is any indication that property and equipment may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in the period in which it is incurred.

**5.6 Capital work in progress**

**5.7 Leases**

The Group is the lessee.

**5.7.1 Finance leases**

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. At inception finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment losses.

The related rental obligations, net of finance charge, are included in liabilities against assets subject to finance lease as referred to in note 10. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charge so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to the statement of profit or loss over the lease term.

Assets acquired under a finance lease are depreciated over the useful life of the asset on straight line method so as to write off the cost of an asset over its estimated useful life at the annual rates given in note 17. Depreciation of leased assets is charged to the statement of profit or loss.

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

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

### 5.7.2 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit on a straight line basis over the lease term.

## 5.8 Stock in trade

Stock in trade is carried at the lower of cost and net realizable value. The net realizable value is assessed by the Group having regard to the budgeted cost of completion, estimated selling price and knowledge of recent comparable transactions.

## 5.9 Financial instruments

### 5.9.1 Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

#### a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

#### b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the date of statement of financial position, which are classified as non-current assets. Loans and receivables comprise loans, advances, deposits and other receivables and cash and cash equivalents in the statement of financial position.

#### c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the date of statement of financial position.

#### d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, where management has the intention and ability to hold till maturity are classified as held to maturity and are stated at amortized cost.

e) **Recognition and measurement**

All financial assets are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in the statement of profit or loss. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated statement of profit or loss as part of other income when the Group's right to receive payments is established.

Changes in the fair value of securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of profit or loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognized in the statement of profit or loss. Dividends on available-for-sale equity instruments are recognized in the statement of profit or loss when the Group's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Group measures the investments at cost less impairment in value, if any.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the statement of profit or loss.

5.9.2 **Financial liabilities**

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

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

## 5.10 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amount and the Group intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

## 5.11 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the period end. Bad debts are written off when identified.

Due against construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized to date less progress billing and recognized losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred.

## 5.12 Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated statement of financial position at cost. For the purpose of statement of cash flows, cash and cash equivalents comprise cash in hand, bank balances, bank overdrafts and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the consolidated statement of financial position, finances under mark-up arrangements are included in current liabilities.

## 5.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method. Finance costs are accounted for on an accrual basis and are reported under accrued finance costs to the extent of the amount remaining unpaid.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the date of statement of financial position.

## 5.14 Creditors, accruals and provisions

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

Provisions are recognized 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 amount can be made. Provisions are reviewed at year end and adjusted to reflect the current best estimate.

### 5.15 Foreign currency transactions and translation

The Group's consolidated financial statements are presented in Pak Rupee, which is also the Holding Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

#### i) Transactions and balances

Transactions in foreign currency are converted in functional currency at the rates of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies at the statement of financial position date are translated into functional currency at the rate of exchange prevailing on the reporting date. Net exchange differences are recognized as income or expense in the period in which they arise.

#### ii) Group companies

The assets and liabilities of foreign operations are translated into Pak Rupee at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the income statement.

### 5.16 Borrowing costs

Mark up, interest and other charges on long term borrowings are capitalized upto the date of commissioning of the respective machinery, acquired out of the proceeds of such long term borrowings. All other mark-up, interest and other charges are charged to income.

### 5.17 Revenue recognition

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the customers usually on acceptance of goods by the customers.

Service revenue is recognized over the contractual period or as and when services are rendered to customers. Financial income is recognized as it accrues on a time proportion basis by reference to the principal outstanding, using the effective mark-up rates.

Contract revenue and contract costs relating to long-term construction contracts are recognized as revenue and expenses respectively by reference to stage of completion of contract activity at the statement of financial position date. Stage of completion of a contract is determined by applying 'cost-to-cost method'. Under cost-to-cost method, stage of completion of a contract is determined by reference to the proportion that contract cost incurred to date bears to the total estimated contract cost. When it is probable that contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. When the outcome of a construction contract can not be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

### 5.18 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, is a committee comprising of the chief executive officer, general manager marketing and chief financial officer.

### 5.19 Share based payment transactions

Employees of the Holding Company receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made. That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest because service conditions have not been met.

Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through statement of profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

### 5.20 Provision

A provision is recognized when the Group has a present legal or constructive obligation as a result of past events and 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. However, provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

### 5.21 Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when declared by the Board of Directors. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

### 5.22 Related party transactions

All transactions with related parties and associated undertakings are entered into at normal commercial terms as mutually agreed between the parties.

## 5 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

| 2018 | 2017 | | Note | 2018 | 2017 |
|---|---|---|---|---|---|
| (Number of shares) | | | | (Rupees in thousand) | |
| **57,166,850** | 57,163,853 | Ordinary shares of Rs. 10 each fully paid in cash | | **571,669** | 571,638 |
| **74,957,275** | 74,957,275 | Ordinary shares of Rs. 10 each issued as fully paid bonus shares | | **749,573** | 749,573 |
| **4,199,629** | - | Ordinary shares of Rs. 10 each issued against Employees' Shares Options Scheme - I | | **41,996** | - |
| **136,323,754** | 132,121,128 | | | **1,363,238** | 1,321,211 |

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| 5.1 | **Movement during the year is as follows:** | | | |
| | Balance as at 01 January | | **132,121,128** | 105,696,903 |
| | Ordinary shares issued during the year | 5.1.1 | **4,202,626** | - |
| | Bonus shares issued during the year | | **-** | 26,424,225 |
| | Balance as at 31 December | | **136,323,754** | 132,121,128 |

**5.1.1** During the year, 4,199,629 shares have been issued against options granted in 2013 under ESOS I scheme. Further, 2,997 post ballot shares were also issued during the year.

**5.2** Wain Family holds 75% (2017: 75%) share capital of the Company.

## 6 SHARE PREMIUM

This represents premium on 25,166,850 (2017: 25,163,853) shares at the rate of Rs. 4 each. Cost incurred on Initial Public Offering amounting to Rs. 38,761,352 have been written off against this. During the year 2,997 post ballot shares were issued at a premium of Rs. 4 per share.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| 7 | **EMPLOYEES' SHARE COMPENSATION RESERVE** | | | |
| | Share options scheme I | 7.1 | **21,293** | 52,700 |
| | Share options scheme II | 7.2 | **18,655** | 17,125 |
| | | | **39,948** | 69,825 |

7.1 Employee Stock Option Scheme, 2013 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 18 September 2013 which comprises of an entitlement pool of 5 million shares. Under the scheme, share options of the Company are granted to employees of level MT3 and above. The share options can be exercised up to one year after the five year vesting period and therefore, the contractual term of each option granted is six years. A reserve amounting to Rs. 45 million was created by the Board of Directors on 26 September 2013 in order to set aside amount for issuance of shares under the scheme out of un-appropriated profit of the Company. During the year, 4,199,629 shares have been issued against options granted in 2013 under the scheme.

| | | **2018** | 2017 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| **7.1.1** | **Movement in the amount of options granted against the reserve is as follows:** | | |
| | Balance as at January 01 | **52,700** | 38,786 |
| | Options issued during the year recognized at grant date fair value | **6,390** | 13,914 |
| | Transfer to share capital on issuance of shares during the year | **(37,797)** | - |
| | Balance as at December 31 | **21,293** | 52,700 |
| **7.1.2** | **Movement in share options outstanding at end of the year is as follows:** | | |
| | Balance as at January 01 | **4,995,629** | 4,720,629 |
| | Options issued during the year | **-** | 275,000 |
| | Share issued during the year | **(4,199,629)** | - |
| | Balance as at December 31 | **796,000** | 4,995,629 |

All options have been issued at Rs. 1 in 2013, Rs. 1.20 in 2014, Rs. 1.44 in 2015, Rs. 1.73 in 2016 and Rs. 2.07 in 2017 and with five year vesting period and can be exercised after 2018, 2019, 2020, 2021 and 2022 respectively except for options granted to Chief Operating Officer of the Company during years 2014, 2015 and 2016 which have been issued at Rs.1 with exercise period from 01 July 2018 to 31 December 2018.

7.2 Employee Stock Option Scheme, 2016 was approved by the Securities and Exchange Commission of Pakistan (SECP) on 01 September 2016 which comprises of an entitlement pool of 5 million shares. Under the scheme, share options of the Company are granted to employees of level MT 1 and 2 (with minimum seven years regular service) and MT 3 and above. The share options can be exercised up to one year after the five year vesting period and therefore, the contractual term of each option granted is six years. The exercise price of the share options is equal to weighted average market price of the underlying shares for 90 days prior to the date of grant with maximum discount of 60%.

| | | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| 7.2.1 | **Movement in the amount of options granted against the reserve is as follows:** | | |
| | Balance as at 01 January | 17,125 | 6,381 |
| | Options issued during the year recognized at grant date fair value | 2,020 | 10,744 |
| | Adjustment of reserve for option holders resigning during the year | (490) | - |
| | Balance as at 31 December | 18,655 | 17,125 |
| 7.2.2 | **Movement in share options outstanding at end of the year is as follows:** | | |
| | Balance as at 01 January | 2,964,862 | 1,886,883 |
| | Options issued during the year recognized at grant date fair value | - | 1,077,979 |
| | Options lapsed during the year | (144,740) | - |
| | Balance as at 31 December | 2,820,122 | 2,964,862 |

All options have been issued at Rs.16.80 in 2016 and 2017 with five year vesting period and can be exercised after 2021 and 2022 respectively. The share options vest if the executive remains employed by the Company at that time.

## 8 SURPLUS ON REVALUATION OF PROPERTY AND EQUIPMENT

This represents the surplus over book values resulting from revaluation of land and building adjusted by incremental depreciation arising out of revaluation of building. Freehold land and buildings are revalued at each year end by an independent valuer based on fair market value. The revaluation surplus is net of applicable deferred income taxes. Incremental depreciation represents the difference between the actual depreciation on buildings and the equivalent depreciation based on the historical cost of buildings.

The revaluation surplus on property and equipment is rearranged and now presented as a separate reserve in the financial statements within equity (note 5.1).

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in thousand) | |
| Opening balance of surplus on revaluation of property and equipment | 146,115 | 112,461 |
| Revaluation surplus arising during the year - net of tax | 22,596 | 34,345 |
| Surplus transferred to unappropriated profit on account of incremental depreciation | (796) | (692) |
| Closing balance of surplus on revaluation of property and equipment - net of tax | 167,915 | 146,115 |

## 9 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The interest rates used as the discounting factor (i.e. implicit in the lease) ranges from 8.45% to 9.59% for the Holding Company and 1 month EIBOR plus 3.5% with minimum of 7% for subsidiary (Avanceon FZE) (2017: 7.98% to 11.18%) per annum. The amount of future payments and the period during which they will become due are:

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Year ended 31 December | | | |
| Due not later than 1 year | | **44,552** | 30,026 |
| Due later than 1 year but not later than 5 years | | **59,478** | 56,043 |
| Minimum lease payments | 9.1 | **104,030** | 86,069 |
| Less: Future finance charges | | **(13,652)** | (7,943) |
| | | **90,378** | 78,125 |
| Current portion | | **(26,420)** | (25,608) |
| | | **63,958** | 52,517 |

**9.1** Minimum lease payments (MLP) and their present value (PV) are regrouped as below:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **MLP** | **PV of MLP** | MLP | PV of MLP |
| | (Rupees in thousand) | | (Rupees in thousand) | |
| Due not later than 1 year | **44,552** | **26,420** | 30,026 | 25,608 |
| Due later than 1 year but not later than 5 years | **59,478** | **63,958** | 56,043 | 52,517 |
| | **104,030** | **90,378** | 86,069 | 78,125 |

**9.2** There are no financial restrictions imposed by the leasing companies and the Group has the option to purchase the leased assets at the end of lease term.

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in thousand) | |
| **10 LONG TERM LOAN** | | |
| Long term loan | **19,697** | 37,879 |
| Less: current portion of long term loan | **(18,182)** | (18,182) |
| | **1,515** | 19,697 |

The Holding Company had obtained long term loan for three years from a commercial bank amounting to Rs. 50 million bearing mark-up at the rate of 3 months KIBOR plus 200 bps repayable in equal monthly installments. This loan is secured against token mortgage of Rs. 100,000 along-with equitable mortgage over fixed assets (land and building) of the Company, first charge over land and building for Rs. 165 million duly registered with Securities and Exchange Commission of Pakistan, pari passu charge of Rs. 300 million over current assets of the Company registered with Securities and Exchange Commission of Pakistan to be enhanced to Rs. 375 million and personal guarantee of sponsor directors of the Company, covering total security package.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| **11** | **DEFERRED LIABILITIES** | | | |
| | Retirement and other service benefits | | **63,749** | 36,946 |
| | Deferred taxation | 11.1 | **24,427** | 11,995 |
| | | | **88,176** | 48,941 |

**11.1** This relates to unfunded gratuity scheme operated by subsidiaries for all of its permanent employees.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| **11.2** | **Deferred Taxation** | | | |
| | The net liability for deferred taxation comprises temporary differences relating to: | | | |
| | Accelerated tax depreciation / amortization | | **3,795** | (2,243) |
| | Provision for doubtful debts / earnings | | **(3,517)** | (31) |
| | Unused depreciation and / or tax losses | | **(7,360)** | (45,000) |
| | Alternative Corporate Tax (expiry 10 years) | | **(13,844)** | |
| | Surplus on revaluation of property and equipment during the year | | **100** | 1,961 |
| | Deferred tax on incremental depreciation | | **2,823** | 2,741 |
| | Income taxable on receipt basis | | **42,430** | 55,285 |
| | Others | | **-** | (718) |
| | | | **24,427** | 11,995 |
| **12** | **FINANCES UNDER MARKUP ARRANGEMENTS AND OTHER CREDIT FACILITIES-SECURED** | | | |
| | Running finance | 12.1 | **90,866** | 96,311 |
| | Inland bill purchase | 12.2 | **158,000** | 125,000 |
| | United Bank Limited | 12.3 | **37,800** | 88,544 |
| | Bank of Singapore | 12.4 | **25,413** | - |
| | JS Bank Limited Bahrain - bank overdraft | | **-** | 29,749 |
| | | | **312,079** | 339,604 |

**12.1** The Holding Company has obtained running finance facility from a commercial bank with a limit of Rs.120 million (2017: Rs.120 million) bearing mark-up at the rate of 1 month KIBOR plus 2.25% (2017: 3 months KIBOR plus 2.25%). The facility is secured against first mortgage charge of Rs. 165 million (2017: Rs.165 million) created through equitable mortgage with legal mortgage of notional value of Rs. 0.1 million over fixed assets (land & building) of the Company, ranking hypothecation charge of Rs. 300 million (2017: Rs. 300 million) over all present and future current assets of the Company registered with Securities and Exchange Commission of Pakistan and personal guarantees of sponsor directors of the Holding Company, covering total security package.

**12.2** This facility has been obtained by Holding Company with a limit of Rs.158 million (2017: Rs. 125 million) and carries mark-up at Matching Tenor KIBOR plus 2% (2017: 3 months KIBOR plus 2%) per annum. The facility is secured against 10% margin on invoices / bills (2017: 5% margin on invoices / bills), charge on present and future current assets of the Company with 25% margin, assignment of project specific receivables in favor of the bank and personal guarantees of sponsor directors of the Holding Company.

| | | Maturity Days | Limit | 2018 | 2017 |
|---|---|---|---|---|---|
| | | | -------------(Rupees in Thousand)------------- | | |
| **12.3** | **United Bank Limited** | | | | |
| | Short term loan | 90 | 37,800 | **37,800** | 30,020 |
| | Trust Receipt Loans | 180 | 75,600 | **-** | 22,270 |
| | Invoice discounting | 180 | 189,000 | **-** | 36,254 |
| | | | | **37,800** | 88,544 |

These finance facilities have been obtained by Avanceon FZE and bear mark-up at the rate of 4.5% over three months EIBOR with a floor of 9 percent and are secured by way of undated cheque of AED 1,025,000, lien on deposits, assignment of receivables from respective projects, personal guarantees of Mr. Bakhtiar H Wain, Khalid Wain and Amir Waheed Wain and cross corporate guarantee of the Holding Company.

| **12.4** | **Bank of Singapore** | Maturity Days | Limit | 2018 | 2017 |
|---|---|---|---|---|---|
| | | | -------------(Rupees in Thousand)------------- | | |
| | Short term loan | 180 | 37,800 | **25,413** | - |

These finance facilities have been obtained by Avanceon FZE and bear mark-up at the rate of 2% and are secured by way of term deposit receipt maintained at Bank of Singapore.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| 13 | **CREDITORS, ACCRUED AND OTHER LIABILITIES** | | | |
| | Trade creditors | | **929,832** | 535,866 |
| | Accrued expenses | | **65,439** | 25,540 |
| | Advances from customers | | **115,991** | 364,932 |
| | Payable to related parties | 13.1 | **1,596** | 1,406 |
| | Payable to provident fund | | **11,931** | 3,705 |
| | Social security payable | | **25** | 25 |
| | Employee Share Portion - Vehicle | | **18,241** | 9,005 |
| | Mark up accrued on: | | | |
| | - Long term finances | | **303** | 817 |
| | - Finances under mark up arrangements and other credit facilities - secured | | **4,531** | 4,699 |
| | Billing in excess of cost and estimated earning | | **586,154** | 278,468 |
| | Other liabilities | | **32,187** | 55,803 |
| | | | **1,766,230** | 1,280,265 |

**13.1** This represents amount due to related parties which are non-interest bearing.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| 14 | UNPAID DIVIDEND | | | |
| | As at 01 January | | **73,999** | 114,149 |
| | Declared during the year | | **306,728** | 105,697 |
| | Paid during the year | | **(97,653)** | (145,847) |
| | As at 31 December | 14.1 | **283,074** | 73,999 |

**14.1** This incudes dividend payable to the Chief Executive Officer Mr. Bakhtiyar H Wain and Director Mr. Aamir Wain amounting to Rs. 235.683 million (2017: Rs. 73.999) million and Rs. 33.444 million (2017: Rs. Nil) respectively.

## 15 CONTINGENCIES AND COMMITMENTS

### 15.1 Holding Company

#### 15.1.1 Contingencies

(i) The Company has received an order dated 01 January 2017 under section 122 (9) of the Income Tax Ordinance, 2001 for the tax year 2015 under which additions were made to its taxable income on various accounts. The Company replied to the notice and an amended assessment order was passed under which tax losses have been reduced by Rs. 8,814,739. An appeal has been filed by the Company against this order. In view of tax advisor's opinion, management is confident of favorable outcome of the case, therefore no adjustment has been made to these financial statements.

(ii) The Company has preferred appeals before the Commissioner Inland Revenue (Appeals) against the orders of the Additional Commissioner Inland Revenue u/s 122 (1) read with section 122 (5A) of the Income Tax Ordinance, 2001 for the tax years 2010 and 2011 raising demands of Rs. 17,157,240 and Rs. 21,702,929 respectively. As a result, office of the Commissioner Inland Revenue (Appeals), Lahore disposed of both appeals partially in favor of the Company. The Company has filed appeal before the Appellate Tribunal Inland Revenue against the order of the CIR (A) decision for both of the years, which is pending for hearing.

(iii) The Company has been selected for Income Tax Audit for the tax year 2017 under clause 94 of Part IV of Second Schedule. The proceedings have been finalized at a demand of Rs. 12,410,375 vide order dated 17 January 2019. The Company has adjusted the above demand against the available refunds while filing income tax return. The Company is in the process of filing appeal before CIR Appeals. In view of tax advisor's opinion, management is confident of favorable outcome of the case.

#### 15.1.2 Commitments

(i) Bank guarantees issued amounting to Rs.47 million (2017: Rs. 22.26 million) against the performance of various contracts.

(ii) Letters of credit includes Rs.23.08 million (2017: 25.92 million ) which relates to import acceptance bills.

### 15.2 Subsidiaries

There are no contingencies and commitments in respect of subsidiaries.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| 16 | PROPERTY AND EQUIPMENT | | | |
| | Operating fixed assets | 16.1 | **337,141** | 277,105 |

16.1 Operating fixed assets

| | 2018 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cost/Revalued amount as at 01 January 2018 | Exchange adjustment on cost | Additions / *Transfers / (Deletions) | Effect of Revaluation | Cost as on 31 December 2018 | Accumulated depreciation as at 01 January 2018 | Exchange adjustment on accumulated depreciation | *Transfer / (Deletions) | Depreciation charge for the year/ *Effect of revaluation | Accumulated depreciation as on 31 December 2018 | Net book value as at 31 December 2018 | Rate % |
| | ---------- (Rupees in thousand) ---------- | | | | | | | | | | | |
| **OWNED ASSETS** | | | | | | | | | | | | |
| Freehold land | 126,650 | - | - | 22,350 | 149,000 | - | - | - | - | - | 149,000 | - |
| Buildings on freehold land | 73,371 | (244) | 1,000 | (1,792) | 72,579 | - | - | - | 2,139<br>(2,139) | - | 72,579 | 5 |
| Vehicles | 19,511 | 1,221 | -<br>12,208 *<br>(20,559) | - | 12,381 | 16,696 | 1,018 | 4,617 *<br>(11,813) | 825 | 11,344 | 1,038 | 20 |
| Furniture and fittings | 18,870 | 1,625 | 2,024<br>-<br>(211) | - | 22,308 | 17,398 | 1,579 | -<br>(211) | 776 | 19,543 | 2,765 | 20 |
| Office equipment and appliances | 35,069 | 1,220 | 5,267<br>1,525 *<br>(41) | - | 43,040 | 29,636 | 1,047 | 1,347 *<br>(34) | 3,021 | 35,018 | 8,022 | 20 |
| Plant and machinery | 4,322 | 1,120 | -<br>- | | 5,442 | 4,079 | 1,065 | - | 56 | 5,200 | 243 | 20 |
| Computers | 23,760 | 1,247 | 9,624<br>-<br>- | - | 34,631 | 18,164 | 1,177 | - | 4,383 | 23,725 | 10,906 | 33.33 |
| **Total - owned assets** | 301,553 | 6,433 | 17,915<br>13,733<br>(20,811) | 20,558 | 339,382 | 85,974 | 5,887 | 5,964<br>(12,058) | 11,199<br>(2,139) | 94,828 | 244,553 | |
| **ASSETS SUBJECT TO FINANCE LEASE** | | | | | | | | | | | | |
| Motor vehicles | 92,095 | - | 62,042<br>(12,208) *<br>(1,313) | - | 140,616 | 31,052 | 117 | (4,617)<br>(853) | 22,330 * | 48,028 | 92,588 | 20 |
| Office equipment and appliances | 1,525 | - | -<br>(1,525) | - | - | 1,042 | - | (1,347)<br>- | 305 * | - | - | 20 |
| **Total - leased assets** | 93,620 | | 62,042<br>(13,733)<br>(1,313) | -<br>-<br>- | 140,616<br><br>- | 32,094<br><br>- | 117 | (5,964)<br>(853) | 22,635 | 48,028 | 92,588 | |
| **Total** | 395,173 | 6,433 | 79,957<br>-<br>(22,124) | 20,558 | 479,997 | 118,068 | 6,004 | -<br>(12,911) | 33,834<br>(2,139) | 142,856 | 337,141 | |

2017

| | Cost/Revalued amount as at 01 January 2017 | Exchange adjustment on cost | Additions / *Transfers / (Deletions) | Effect of Revaluation | Cost as on 31 December 2017 | Accumulated depreciation as at 01 January 2017 | Exchange adjustment on accumulated depreciation | *Transfer / (Deletions) | Depreciation charge for the year/ *Effect of revaluation | Accumulated depreciation as on 31 December 2017 | Net book value as at 31 December 2017 | Rate % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | (Rupees in thousand) | | | | | | | | | | | |
| **OWNED ASSETS** | | | | | | | | | | | | |
| Freehold land | 96,850 | - | - | 29,800 | 126,650 | - | - | - | - | - | 126,650 | - |
| Buildings on freehold land | 68,961 | - | - | 4,411 | 73,371 | - | - | - | 2,126 | - | 73,371 | 5 |
| | | | | | | | | | (2,126) | | | |
| Vehicles | 21,232 | 101 | 1,326 | - | 19,511 | 17,984 | 101 | 6,331 | 2,215 * | 16,696 | 2,815 | 20 |
| | | | 10,212 * | | | | | (9,934) | | | | |
| | | | (13,361) | | | | | | | | | |
| Furniture and fittings | 19,036 | 363 | - | - | 18,870 | 16,956 | 348 | - | 610 | 17,398 | 1,471 | 20 |
| | | | - | | | | | (515) | | | | |
| | | | (529) | | | | | | | | | |
| Office equipment and appliances | 29,923 | 699 | 1,406 | - | 35,069 | 25,246 | 273 | 3,532 | 1,947 * | 29,636 | 5,433 | 20 |
| | | | 4,415 * | | | | | (1,363) | | | | |
| | | | (1,374) | | | | | | | | | |
| Plant and machinery | 3,945 | 222 | 254 | | 4,322 | 3,945 | 223 | - | 10 | 4,079 | 244 | 20 |
| | | | - | | | | | (99) | | | | |
| | | | (99) | | | | | | | | | |
| Computers | 19,906 | 447 | 4,506 | - | 23,760 | 16,674 | 280 | - | 2,311 | 18,164 | 5,595 | 33.33 |
| | | | - | | | | | (1,100) | | | | |
| | | | (1,100) | | | | | | | | | |
| **Total - owned assets** | 259,853 | 1,832 | 7,491 | 34,211 | 301,553 | 80,805 | 1,225 | 9,863 | 9,219 * | 85,973 | 215,579 | |
| | | | 14,627 * | | | | | (13,011) | (2,126) | | | |
| | | | (16,463) | | | | | | | | | |
| **ASSETS SUBJECT TO FINANCE LEASE** | | | | | | | | | | | | |
| Motor vehicles | 72,049 | 150 | 30,107 | - | 92,095 | 20,397 | 97 | (6,331) | 16,889 * | 31,052 | 61,043 | 20 |
| | | | (10,212) * | | | | | | | | | |
| Office equipment and appliances | 5,940 | - | - | - | 1,525 | 3,533 | 1 | (3,532) | 1,041 * | 1,042 | 483 | 20 |
| | | | (4,415) * | | | | | - | | | | |
| **Total - leased assets** | 77,989 | 150 | 30,107 | - | 93,620 | 23,930 | 98 | (9,863) | 17,930 * | 32,094 | 61,526 | |
| | | | (14,627) * | | | | | - | | | | |
| **Total** | 337,842 | 1,982 | 37,599 | 34,211 | 395,173 | 104,735 | 1,323 | - | 27,149 | 118,067 | 277,105 | |
| | | | - | | | | | (13,011) | (2,126) | | | |
| | | | (16,463) | | | | | | | | | |

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **16.1.1** The depreciation charge has been allocated as follows: | | | |
| Cost of goods sold | 25.1 | **16,917** | 13,574 |
| Administrative and selling expenses | 26 | **16,917** | 13,574 |
| | | **33,834** | 27,149 |

**16.1.2** Freehold land and building thereon have been valued by an independent valuer 'Harvester' based on fair market value as on 31 December 2018.

| | Depreciated cost | Revalued amount |
|---|---|---|
| | (Rupees in thousand) | |
| Freehold land | **126,650** | 149,000 |
| Buildings on freehold land | **72,232** | 72,579 |
| | **198,882** | 221,579 |

**16.1.3** Had the freehold land and building not been revalued, their carrying amount would have been as follows:

| | 2018 | 2017 |
|---|---|---|
| | (Rupees in thousand) | |
| Freehold land | **8,647** | 8,647 |
| Buildings on freehold land | **36,316** | 37,642 |
| | **44,963** | 46,289 |

Immovable fixed assets includes free hold land and building on freehold land located at 19 km, Multan Road, Lahore. The total area is 40,565 square feet and covered area is 33,351 square feet.

### 16.1.4 Disposal of property and equipment

Detail of property and equipment disposed off during the year is as follows:

| Particulars of assets | Sold to | Cost | Accumulated depreciation | Book value | Sale Proceeds | Gain | Mode of Disposal |
|---|---|---|---|---|---|---|---|
| | | -------------------Rupees in housand------------------- | | | | | |
| **Owned Vehicles** | | | | | | | |
| Swift LED -13-5257 | Employee (Muhammad Nauman Ahsan) | 1,197 | 1,117 | 80 | 175 | 95 | As per policy |
| Swift LED -13-5258 | Employee (Hassan Goraya) | 1,346 | 1,240 | 106 | 218 | 112 | As per policy |
| Honda Civic LEF -13 2639 | Employee (Arif Shuja) | 2,240 | 2,163 | 77 | 457 | 380 | As per policy |
| Corolla GLi LE-15-6342 | Employee (Muhammad Saqib Rauf) | 1,885 | 1,131 | 754 | 715 | (39) | As per policy |
| Corolla GLi LE-17-5893 | Employee (Masood Kareem) | 1,922 | 384 | 1,538 | 1,403 | (135) | As per policy |
| Honda Civic LEF -13 2639 | Employee (Saeed Ullah Khan Niazi - CFO)* | 2,665 | 666 | 1,999 | 1,967 | (32) | As per policy |
| Swift LEF -15-4931 | Employee (Usman Ahmed Nasir) | 1,318 | 659 | 659 | 721 | 62 | As per policy |
| Honda Civic LEF -14-258 | Employee (Adeel Khalid) | 2,497 | 1,457 | 1,040 | 1,520 | 480 | As per policy |
| Honda City LE-17-6593 | Employee (Ahsan Khalil - Company Secretary)* | 1,921 | 320 | 1,601 | 1,561 | (40) | As per policy |
| Hyundai Elantra 1.6 GL | Employee (Muhammad Ummad Taha) | 1,916 | 1,437 | 479 | 567 | 88 | As per policy |
| Hyundai Accent 1.4 GL | Employee (Rizwan Abdul Ghani) | 1,652 | 1,240 | 413 | 371 | (42) | As per policy |
| | | 20,559 | 11,813 | 8,746 | 9,675 | 929 | |
| **Leased Vehicle** | | | | | | | |
| Suzuki Swift BEE-454 | IGI General Insurance | 1,313 | 853 | 460 | 1,100 | 640 | Insurance Claim |
| OTHER ASSETS WITH BOOK VALUE LESS THAN Rs. 500 (THOUSAND). | | | | | | | |
| 16 Office Chairs | | 211 | 211 | - | 15 | 15 | Negotiation |
| Orient Water Dispenser OWD 529 | | 11 | 4 | 8 | 1 | (7) | Negotiation |
| Split AC- 1.5 ton | | 30 | 30 | - | 10 | 10 | |
| | | 41 | 34 | 8 | 11 | 3 | |
| | | 22,124 | 12,911 | 9,214 | 10,801 | 1,587 | |

* These are considered Key Management Personnel and therefore a related party.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| 17 | INTANGIBLE ASSETS | | | |
| | Cost | 17.1 | **17,677** | 17,677 |
| | Less: Accumulated amortization | 17.2 | **(17,645)** | (17,599) |
| | Net book value as at 31 December | | **32** | 78 |

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| **17.1** | **Cost** | | | |
| | As at 01 January | | **17,677** | 17,677 |
| | Additions during the year | | **-** | - |
| | As at 31 December | | **17,677** | 17,677 |

**17.1.1** This includes fully amortized development cost amounting to Rs.17.54 million.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| **17.2** | **Accumolated Amortization** | | | |
| | As at 01 January | | **17,599** | 17,553 |
| | For the year | 17.2.1 | **46** | 46 |
| | As at 31 December | | **17,645** | 17,599 |
| **17.2.1** | **The amortization charge has been allocated as follows:** | | | |
| | Cost of goods sold | 26.1 | **23** | 23 |
| | Administrative and selling expenses | 27 | **23** | 23 |
| | | | **46** | 46 |

Intangibles have been amortized at a rate of 33.33%.

| | | 2018 | 2017 |
|---|---|---|---|
| 18 | LONG TERM INVESTMENTS | | |
| | **Unquoted - at cost** | | |
| | Avanceon GP LLC | **-** | 55 |
| | Avanceon LP | **746,059** | 599,290 |
| | | **746,059** | 599,345 |

Innovative Automation and Engineering Inc., USA ( formerly Engro Innovative Inc.) has a 26.11% (2017: 26.11%) interest in profits/ losses of Avanceon LP and Avanceon GP LLC. Avanceon LP is engaged in providing innovative technology solutions to clients in various industries. The partnership designs, develops, implements and provides support of automated manufacturing processes for its customers.

Due to absence of significant influence, Avanceon GP LLC and Avanceon LP are not considered associates for the purpose of consolidation.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| **19** | **LONG TERM LOANS AND DEPOSITS** | | | |
| | Security deposits | 19.1 | **35,413** | 31,201 |
| | Loan to employees | 19.2 | **4,045** | 4,128 |
| | | | **39,458** | 35,329 |
| | Less: Current portion of loan to employees | | **(1,550)** | (2,067) |
| | | | **37,908** | 33,262 |

**19.1** These are interest free deposits against utilities and lease facilities, in the normal course of business.

| | | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **19.2** | **Reconciliation of carrying amount of loans to employees:** | | |
| | Opening balance | **4,128** | 4,100 |
| | Add: Disbursements during the year | **2,000** | 2,000 |
| | Less: Repayments during the year | **(2,083)** | (1,972) |
| | Closing balance | **4,045** | 4,128 |

These represent interest free loans (as per company policy) provided to executives of the Holding Company for purchase of vehicles in accordance with the terms of employment. These loans are secured against retirement benefits payable to the executives on resignation / retirement. These are recoverable in equal monthly installments. The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of long term loans is not considered material and hence not recognized.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| **20** | **TRADE DEBTS** | | | |
| | **Considered good** | | | |
| | - due from others | 20.1 | **1,952,348** | 1,019,073 |
| | - due against construction work in progress and accrued revenue | 20.2 | **2,029,538** | 1,873,523 |
| | | | **3,981,886** | 2,892,596 |
| | **Considered doubtful** | | | |
| | - due from others | 20.3 | **107,838** | 24,496 |
| | Less: Provision for doubtful debts | | **(107,838)** | (24,496) |
| | | | **3,981,886** | 2,892,596 |

These are in the normal course of business and are interest free.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| **20.1** | **Ageing of due from others** | | | |
| | The ageing analysis of these trade debts due from others is as follows: | | | |
| | Less than one year | | **1,716,267** | 825,575 |
| | One to two years | | **130,524** | 167,698 |
| | Two to three years | | **105,557** | 22,740 |
| | More than three years | | **-** | 3,060 |
| | | | **1,952,348** | 1,019,073 |
| **20.2** | **Ageing of construction work in progress and accrued revenue** | | | |
| | The ageing analysis of these construction work in progress and accrued revenue is as follows: | | | |
| | Less than one year | | **1,263,763** | 1,696,313 |
| | One to two years | | **473,974** | 177,209 |
| | Two to three years | | **238,576** | - |
| | More than three years | | **53,225** | - |
| | | | **2,029,538** | 1,873,523 |
| **20.3** | **Provision for doubtful debts** | | | |
| | Opening balance | | **24,496** | 2,802 |
| | Add: Provision for the year | 27 | **84,106** | 23,636 |
| | Less: Amount written off during the year | | **(764)** | (1,942) |
| | | | **107,838** | 24,496 |

## 21 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | Note | 2018 | 2017 |
|---|---|---|---|
| Advances - considered good | | | |
| - To employees | | **20,878** | 42,394 |
| - To suppliers | | **66,753** | 54,775 |
| | | **87,631** | 97,169 |
| Prepayments | | **21,346** | 28,601 |
| Bank guarantee/ LC cash margin | | **374,977** | 103,082 |
| Tax refunds due from government - considered good | | **39,911** | 57,323 |
| Earnest money- considered good | | **408** | 408 |
| Retention money | | **2,354** | 21,967 |
| Due from associated concern- unsecured - Dividend receivable | 21.1 | **25,610** | 20,339 |
| Other receivables- considered good | | **10,016** | 8,203 |
| | | **562,254** | 337,090 |

## 22 SHORT TERM INVESTMENTS

| | 2018 | 2017 | Fair Value | Cost | |
|---|---|---|---|---|---|
| | | | 2018 | | 2017 |
| | (Number of shares) | | (Rupees in thousand) | | |
| The General Tyre and Rubber Co. | 5,600 | - | 453 | 868 | - |
| Honda Atlas Cars (Pakistan) Ltd | 2,100 | - | 758 | 638 | - |
| Pak Electron Limited | 4,000 | - | 95 | 136 | - |
| The Searle Company Limited | 1,100 | - | 259 | 348 | - |
| | | | 1,565 | 1,990 | - |
| Revaluation loss on short term investments | | | - | (425) | - |
| Impairment of short term investments | | | (308) | - | - |
| | | | 1,257 | 1,565 | - |

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **23 TERM DEPOSITS WITH BANKS** | | | |
| **Held to maturity** | | | |
| Deposits under lien | 23.1 | 2,680 | 15,742 |
| Other deposits | 23.2 | 186,176 | 179,027 |
| | | 188,857 | 194,769 |

**23.1** This represents term deposits receipts of National Bank of Fujairah PSC having maturities of 3 months (2017: 3 months) carrying mark-up at the rate of 2.28% to 2.42% (2017:1.31% to 1.33% ) per annum. These deposits are under lien for facilities granted by the bank.

**23.2** This represents term deposits receipt of Bank of Singapore (2017: ABN AMRO) carrying mark-up at the rate of 0.75% (2017: 5.25 to 6.75%) per annum having maturity of 1 month (2017: 3 months)

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **24 CASH AND BANK BALANCES** | | | |
| Cash in hand | | 4,672 | 2,624 |
| Cash with banks: | | | |
| Current accounts | | | |
| Local currency | | 12,276 | 133,930 |
| Foreign currency | | 31,043 | 66 |
| Savings accounts | | | |
| Local currency | 24.1 | 4,772 | 32,709 |
| | | 48,091 | 166,706 |
| | | 52,763 | 169,330 |

**24.1** Profit on balances in savings accounts ranges from 6 % to 7 % (2017: 3.75 % to 4.5 %) per annum.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **25 REVENUE** | | | |
| Local sales and services | 25.1 | **2,508,159** | 2,507,883 |
| Export sales and services | 25.2 | **972,783** | 306,015 |
| | | **3,480,942** | 2,813,898 |
| **25.1 Local sales and services** | | | |
| Local sales and services | | **2,685,139** | 2,641,072 |
| Less: Sales tax | | **(176,980)** | (133,189) |
| Net sales | | **2,508,159** | 2,507,883 |
| **25.1.1 Local sales and services** | | | |
| Project revenue | | **2,147,813** | 2,073,176 |
| Product sales | | **213,311** | 201,671 |
| Service income | | **147,035** | 233,037 |
| | | **2,508,159** | 2,507,883 |
| **25.2 Export sales and services** | | | |
| Project revenue | | **972,783** | 306,015 |
| **26 COST OF SALES** | | | |
| Opening stock | | **93,387** | 101,234 |
| Purchases and direct expenses | | **2,460,545** | 1,831,321 |
| Closing stock | | **(85,333)** | (93,387) |
| | 26.1 | **2,468,599** | 1,839,168 |
| **26.1 Cost of goods sold and services rendered** | | | |
| Materials consumed | | **1,704,880** | 1,275,471 |
| Salaries, wages, allowances and other benefits | 26.1.1 | **226,428** | 162,674 |
| Employee share option expense | | **3,168** | 7,291 |
| Telephone, postage and telex | | **12,054** | 10,025 |
| Utilities | | **2,235** | 2,299 |
| Travelling and conveyance | | **144,005** | 94,720 |
| Installation charges | | **234,642** | 174,989 |
| Entertainment | | **12,396** | 6,028 |
| Repairs and maintenance | | **2,653** | 2,259 |
| Printing and stationary | | **525** | 760 |
| Import cost | | **11,144** | 24,591 |
| Insurance | | **3,753** | 3,428 |

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Rent, rates and taxes | | **13,031** | 9,406 |
| Training | | **565** | 1,050 |
| Fee and subscription | | **480** | 399 |
| Depreciation on property and equipment | 16.1.1 | **16,917** | 13,574 |
| Amortization on intangible assets | 17.2.1 | **23** | 23 |
| Miscellaneous expenses | | **79,700** | 50,180 |
| | | **2,468,599** | 1,839,168 |

**26.1.1** Salaries, wages and benefits include Rs.7.12 million (2017: Rs 4.90 million), Rs. 0.22 million (2017: Rs 0.5 million) and Rs. 8.41 million (2017: Rs. 6.21 million) representing provident fund contribution by the Holding Company, accumulated compensated absences and gratuity contribution respectively.

## 27 ADMINISTRATIVE AND SELLING EXPENSES

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Director's remuneration | 38 | **81,327** | 58,203 |
| Salaries, wages, allowances and other benefits | 27.1 | **230,694** | 191,831 |
| Employee share option expense | | **4,752** | 10,937 |
| Telephone, fax and internet | | **10,930** | 9,339 |
| Electricity and water | | **2,235** | 2,299 |
| Entertainment | | **9,752** | 4,911 |
| Repairs and maintenance | | **5,132** | 3,657 |
| Sales promotion | | **1,254** | 19,748 |
| Printing, stationery and photocopies | | **525** | 752 |
| Travelling, conveyance and vehicle maintenance | | **30,708** | 22,283 |
| Rent, rates and taxes | | **19,516** | 7,489 |
| Insurance | | **2,755** | 2,634 |
| Legal and professional charges | | **4,898** | 5,476 |
| Training | | **2,417** | 1,042 |
| Auditors' remuneration | 27.2 | **6,300** | 2,921 |
| Fee and subscription | | **9,036** | 7,597 |
| Corporate expenses | | **4,803** | 4,835 |
| Late delivery charges | | **249** | - |
| Depreciation on property and equipment | 16.1.1 | **16,917** | 13,574 |
| Amortization of intangible assets | 17.2.1 | **23** | 23 |
| Bad debts write-off (specific) | | **6,718** | - |
| Bad earnings write-off (specific) | | **4,444** | - |
| Provision for doubtful debt | 20.3 | **1,188** | 421 |
| Provision for doubtful earnings | | **82,918** | 23,636 |
| Miscellaneous expenses | | **16,614** | 14,166 |
| | | **556,105** | 407,773 |

**27.1** Salaries, wages and benefits include Rs. 3.31 million (2017: Rs 4.1 million), Rs 0.14 million (2017: Rs 0.3 million) and Rs. 8.41 million (2017: 6.21 million) representing provident fund contribution by the Holding Company, accumulating compensated absences and gratuity contribution respectively.

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **27.2 Auditors' remuneration** | | | |
| Statutory audit | | **990** | 900 |
| Half yearly review | | **400** | 400 |
| Other charges and out of pocket expenses | | **334** | 303 |
| | | **1,724** | 1,603 |
| Avanceon Free Zone Establishment (FZE) | | **1,747** | 1,316 |
| Avanceon Automation and Control W.L.L (AVAC) | | **2,100** | - |
| Innovative Automation & Engineering Inc. (formerly Engro Innovative Inc.) | | **730** | - |
| | | **6,300** | 2,919 |

## 28 OTHER OPERATING EXPENSES

| | Note | 2018 | 2017 |
|---|---|---|---|
| Social Security | | **298** | 284 |
| Donations | 28.1 | **3,961** | 3,606 |
| Revaluation loss on short term investments | | **425** | - |
| Impairment of short term investments | | **308** | - |
| Impairment of investment in Avanceon GP LLC | | **43** | - |
| | | **5,035** | 3,890 |

**28.1** The Directors or their spouses have no interest in the donees each of whom have been given donation below Rs. 500,000 individually.

## 29 OTHER OPERATING INCOME

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Income from financial assets | 29.1 | **457,299** | 87,705 |
| Income from non-financial assets | 29.2 | **7,455** | 16,941 |
| | | **464,754** | 104,646 |
| **29.1 Income from financial assets** | | | |
| Profit on bank deposits | | **8,476** | 15,343 |
| Exchange gain | | **448,823** | 72,362 |
| | | **457,299** | 87,705 |

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| 29.2 | **Income from non-financial assets** | | | |
| | Gain on disposal of property and equipment | 16.1.4 | **1,587** | 1,802 |
| | Dividend income on short term investment | | **39** | - |
| | Insurance claim received | 29.2.1 | **700** | - |
| | Other incomes | | **5,129** | 15,139 |
| | | | **7,455** | 16,941 |

**29.2.1** This represents amount received from IGI Insurance company against damage of consignment of Ethernet/IP.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| 30 | FINANCE COSTS | | | |
| | Mark-up and interest on: | | | |
| | - Long term loan | | **2,481** | 3,586 |
| | - Finances under mark up arrangements and other credit facilities - secured | | **26,000** | 26,985 |
| | - Finance lease | | **6,382** | 5,218 |
| | - Provident fund | | **2,535** | 14,566 |
| | Bank charges | | **19,127** | 12,783 |
| | Guarantee commission | | **4,042** | 6,521 |
| | | | **60,567** | 69,660 |

| | | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| 31 | TAXATION | | |
| | Current | | |
| | - for the year | **76,312** | 60,849 |
| | Deferred | | |
| | - for the year | **12,330** | (26,266) |
| | | **88,642** | 34,583 |

Due to the available income tax losses, the provision for current taxation represents tax under 'Final Tax Regime' and Alternative Corporate Tax (ACT) under Income Tax Ordinance, 2001. Therefore, reconciliation of tax expense and accounting profit is not meaningful.

| | | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |
| 31.1 | **Comparison of tax provision** | | | |
| | Provision as per financial statements | 60,849 | 40,368 | 26,873 |
| | Provision as per Income Tax Return | 27,522 | 40,368 | 26,480 |

As per management's assessment, the tax provision in these financial statements is sufficient.

The material difference between provision as per financial statements and as per Income Tax Return relates to tax on dividend which will be included in Income Tax Return for the tax year in which it is received.

## 32 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, post employment benefit plans, other related companies and key management personnel. The Group in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 38. Other significant transactions with related parties are as follows:

| Name of related party | Relationship with the company | Basis of Relationship | Nature of transactions | **2018** | 2017 |
|---|---|---|---|---|---|
| | | | | **(Rupees in thousand)** | |
| Innovative Travels (Private) Limited | Associated company | Common directorship | Services rendered during the year | **13,615** | 16,705 |
| | | | Payment during the year | **12,647** | 15,680 |
| Avenceon Digital (Private) Limited | Associated company | Common directorship | Reimbursement of expenses | **275** | - |
| Saeed Ullah Khan Niazi | Key Management Personnel | Chief Financial Officer | Sale of vehicle | **1,967** | - |
| Ahsan Khalil | Key Management Personnel | Company Secretary | Sale of vehicle | **1,561** | - |
| Contribution to staff provident fund | Provident fund | Provident fund | Expense charged in respect of retirement benefit plan | **10,431** | 8,663 |
| | | | Contribution to staff provident fund | **-** | 116 |

All transactions with related parties are carried out on commercial terms and conditions.

| | | **2018** | 2017 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| 33 | **PROVIDENT FUND** | | |
| | Size of fund | **88,922** | 87,594 |
| | Fair value of investments made | **78,713** | 77,591 |
| | Cost of investment made | **84,988** | 82,637 |
| | Percentage of investments made | **89%** | 89% |

**33.1** Break-up of investments in terms of amount and percentage of the size of the provident fund are as follows:

| | 2018 | | 2017 | |
|---|---|---|---|---|
| | **Investments (Rupees in thousand)** | **Investment as % of size of the fund** | Investments (Rupees in thousand) | Investment as % of size of the fund |
| Government Securities | **15,239** | **17%** | 27,036 | 31% |
| Scheduled Banks | **18,836** | **21%** | 10,227 | 12% |
| Other Mutual Funds | **33,596** | **38%** | 32,835 | 37% |
| Listed Securities | **11,042** | **12%** | 7,493 | 9% |
| | **78,713** | | 77,591 | |

**33.2** Investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose. Financial year end of the provident fund trust is 30 June.

| | **2018** | 2017 |
|---|---|---|
| | **(Rupees in thousand)** | |
| **34 CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Profit before tax | **855,390** | 598,054 |
| **Adjustments for:** | | |
| Depreciation on property and equipment | **11,199** | 9,219 |
| Depreciation on asset subject to finance lease | **22,635** | 17,930 |
| Revaluation loss on short term investments | **425** | - |
| Impairment of short term investments | **308** | - |
| Impairment of investment in Avanceon GP LLC | **43** | - |
| Amortization on intangible asset | **46** | 46 |
| Exchange (gain) / loss | **(382,871)** | 3,148 |
| Employee benefits expense | **16,816** | 8,873 |
| Share option expense | **7,920** | 18,228 |
| Bad debts write-off expense | **6,718** | - |
| Bad earnings write-off expense | **4,444** | - |
| Provision for doubtful debts and earnings | **84,106** | 23,636 |
| Gain on disposal of property, plant and equipment | **(1,587)** | (1,802) |
| Finance cost | **37,398** | 50,356 |
| Profit on bank deposits | **(8,476)** | (15,343) |
| | **654,512** | 712,346 |
| Effect on cash flow due to working capital changes: | | |
| (Increase) / Decrease in current assets | | |
| - Stock in trade | **8,054** | 7,847 |
| - Trade debts | **(735,734)** | (1,078,300) |
| - Advances, deposits, prepayments and other receivables | **(242,576)** | (83,303) |
| (Decrease) / Increase in current liabilities | | |
| - Creditors, accrued and other liabilities | **486,133** | 696,076 |
| | **(484,123)** | (457,680) |
| Cash generated from operations | **170,390** | 254,665 |

| | | | 2018 | 2017 |
|---|---|---|---|---|
| | | | (Rupees in thousand) | |

## 35 EARNINGS PER SHARE

### 35.1 Basic earnings per share

| | | 2018 | 2017 |
|---|---|---|---|
| Net profit for the year | Rupees | **766,748** | 563,472 |
| Weighted average number of ordinary shares | Numbers in thousand | **136,324** | 132,121 |
| Earnings per share | Rupees | **5.62** | 4.26 |

### 35.2 Diluted earnings per share

Diluted earnings per share is calculated by adjusting weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Holding Company has granted the share options to employees as explained in note 7.

| | | 2018 | 2017 |
|---|---|---|---|
| Net profit for the year | Rupees in thousand | 766,748 | 563,472 |
| Weighted average number of ordinary shares | Numbers in thousand | **136,324** | 132,121 |
| Adjustment for share options | Numbers in thousand | **3,616** | 7,960 |
| Weighted average number of ordinary shares for diluted earnings per share | Numbers in thousand | **139,940** | 140,082 |
| Diluted earnings per share | Rupees | **5.48** | 4.02 |

**35.2.1** Share options issued by the Company have a dilutive effect on the earnings per share since the fair value of the ordinary shares during the year exceeds the exercise price of the options.

## 36 OPERATING SEGMENTS

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Operating segments are reported in a manner consistent with internal reporting provided to the Chief Operating Decision Maker (CODM). Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit and reduction in operating costs.

CODM considers the business from the perspective of nature of products and business segments. Systems, engineering and export segments are also viewed in the geographic perspective by segregation of sales made to Middle Eastern countries and USA

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. CODM assesses the performance of the operating segments based on a measure of gross profit and segment assets (stocks and receivables only). Unallocated items comprise mainly of group corporate assets and liabilities.

The Group management has determined the operating segments based on the reports reviewed by the CODM that are used to make strategic and business decisions.

**36.1 Consolidated operating segment results**

| | 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Rupees in thousand | | | | | | | |
| | AMS | Core Business | Manufacturing and Assem-bling | Specialized Business | Engineering and Back Office | Middle East and USA | Elimination | Total |
| **SEGMENT PROFIT AND LOSS ACCOUNT** | | | | | | | | |
| Revenue from external customers | 359,753 | 937,201 | 143,344 | 413,526 | 410,557 | 1,813,519 | (596,957) | 3,480,942 |
| Cost of sales | (206,131) | (669,093) | (111,220) | (315,165) | (278,461) | (1,421,635) | 533,107 | (2,468,599) |
| Gross Profit | 153,621 | 268,107 | 32,124 | 98,361 | 132,096 | 391,884 | (63,850) | 1,012,343 |
| **SEGMENT ASSETS** | | | | | | | | |
| Debtors | 72,005 | 242,018 | 98,072 | 102,557 | 148,662 | 4,699,379 | (1,380,806) | 3,981,886 |
| - Considered good - others | 44,052 | 166,041 | 67,166 | 68,004 | 135,577 | 2,852,314 | (1,380,806) | 1,952,348 |
| - Due against work-in-progress others | 27,954 | 75,977 | 30,906 | 34,553 | 13,084 | 1,847,064 | - | 2,029,538 |
| Stock in Trade | 14,650 | 21,463 | 3,283 | 9,471 | | 36,470 | - | 85,336 |
| Segment total assets | 86,655 | 263,481 | 101,354 | 112,028 | 148,662 | 4,735,848 | (1,380,806) | 4,067,221 |

| | 2017 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Rupees in thousand | | | | | | | |
| | AMS | Core Business | Manufacturing and Assem-bling | Specialized Business | Engineering and Back Office | Middle East and USA | Elimination | Total |
| **SEGMENT PROFIT AND LOSS ACCOUNT** | | | | | | | | |
| Revenue from external customers | 285,612 | 786,120 | 112,132 | 175,112 | 451,333 | 1,422,020 | (418,430) | 2,813,898 |
| Cost of sales | (142,968) | (528,810) | (89,136) | (121,851) | (243,075) | (1,065,871) | 352,543 | (1,839,168) |
| Gross Profit | 142,644 | 257,309 | 22,996 | 53,261 | 208,258 | 356,149 | (65,887) | 974,731 |
| **SEGMENT ASSETS** | | | | | | | | |
| Debtors | 75,590 | 521,411 | 86,775 | 133,088 | 267,537 | 2,825,378 | (1,017,183) | 2,892,596 |
| - Considered good - others | 64,266 | 295,999 | 60,313 | 86,453 | 265,223 | 1,264,001 | (1,017,183) | 1,019,073 |
| - Due against work-in-progress others | 11,323 | 225,412 | 26,461 | 46,635 | 2,314 | 1,561,377 | | 1,873,523 |
| Stock in Trade | 7,021 | 32,793 | 3,136 | 5,002 | - | 45,434 | - | 93,387 |
| Segment total assets | 82,611 | 554,204 | 89,911 | 138,091 | 267,537 | 2,870,812 | (1,017,183) | 2,985,983 |

36.2 For management purposes, the activities of the Group are organised into business units based on the nature of products and expertise required with four groups containing eight reportable operating segments.

**(i) After Marketing Support (AMS)**

AMS segment is the provision of services as technical supports and service level agreements (SLAs) and related spares.

**(ii) Core Business**

**(a) Application Based Solutions (ABS)**

ABS sales include the supply of patented systems, power products, softwares, Variable Speed Drives (VSDs) and Variable Frequency Drives (VFDs) procured mainly from Honeywell Systems and Rockwell Automation. Avanceon Limited acts as a sole distributor of Honeywell Systems and Rockwell Automation in Pakistan.

**(b) Systems**

Systems sales are embedded solutions of multiple Original Equipment Manufacturers (OEM) equipments, comprising Honeywell, Kobold, Samson and Weg products, along with engineering services to implement them. These solution sales fall in the domain of System Integration (SI) as defined globally.

**(c) Products**

Products segment includes sales of motors, analysers and other specialised products of OEMs. Major suppliers of products are Amatek Inc., Hyperwave solutions and Kobold Messrings.

**(iii) Specialized Business**

**(a) Energy Management Systems (EMS)**

EMS segment is turnkey project implementation for optimising energy usage of plants leading to efficiency of operations and cost savings.

**(b) High End Solutions (HES)**

**(iv) Engineering services**

Engineering services business includes revenues from:

- man-hours charged to Avanceon LP and Avanceon FZE for in-house engineering and development of Human Machine Interfaces (HMI), logic design, and development of engineering control mechanisms; and

- secondment of Avanceon Limited's engineers to Avanceon LP and Avanceon FZE project sites for installation, commissioning and post implementation support of systems.

**(v) Middle East and USA**

Middle East and USA segment consists of core business, specialized business, and engineering services (as stated above) to UAE, Qatar, US, Pakistan and European Union contries.

**36.3 Reconciliation of segment profit and loss**

Reportable segments gross profit is reconciled to profit after tax as follows:

| | Note | 2018 | 2017 |
|---|---|---|---|
| | | (Rupees in thousand) | |
| Gross Profit for reportable segments | 36.1 | 1,012,343 | 974,730 |
| Administrative and selling expenses | | (556,105) | (407,773) |
| Other Charges | | (5,035) | (3,890) |
| Other operating Income | | 464,754 | 104,646 |
| Profit from operations | | (96,385) | (307,016) |
| Finance costs | | (60,567) | (69,660) |
| Profit before tax | | 855,391 | 598,054 |
| Taxation | | (88,642) | (34,583) |
| Profit for the year | | 766,749 | 563,472 |

**36.4 Reconciliation of segment assets**

Reportable segments assets are reconciled to total assets as follows:

| | 2018 | 2017 |
|---|---|---|
| **Assets** | | |
| Segment assets for reportable segments | 4,067,221 | 2,985,983 |
| Corporate tangible and intangible assets | 375,081 | 310,445 |
| Other corporate assets | 747,316 | 599,345 |
| | 5,189,618 | 3,895,774 |
| Unallocated portion of current assets | 562,254 | 337,090 |
| Advances, deposits, prepayments and other receivables | 188,857 | 194,769 |
| Term deposits with banks | 52,763 | 169,330 |
| Cash and bank balances | 803,873 | 701,188 |
| Total assets as per statement of financial position | 5,993,490 | 4,596,962 |

Segment assets include the operating assets used by each segment and consist of stocks and receivables (net of provisions). Liabilities are not allocated to operating segments as such information is not presented separately for each segment for the purposes of management decision making.

Finance costs are not allocated to segments, as this is driven by the central treasury function, which manages the cash position of the group.

## 37 FINANCIAL RISK MANAGEMENT

### 37.1 Financial risk factors

The Avanceon Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risks), credit risk and liquidity risk. The Group's overall risk management programme focuses on having cost efficient funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Group's finance and planning department under the guidelines approved by the Corporate Centre of the Holding Company.

The Group's overall risk management procedures to minimize the potential adverse effects of financial markets on the Group's performance are as follows:

### (a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group is exposed to three types of market risk: currency risk, interest rate risk and other price risk .

### (i) Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate in case of changes in foreign exchange rates.

This exists due to the Group's exposure resulting from outstanding import payments or foreign creditors and in respect of export revenue. A foreign exchange risk management guideline has been provided by the Corporate Centre. The policy allows the Group to take currency exposure within predefined limits while open exposures are monitored. The Group aims to protect itself against adverse currency movements by either linking the price of its products to foreign currency or hedge any exposure, either through forward contracts, options or prepayments, etc.

The Group is exposed to currency risk arising primarily with respect to the United States Dollar (USD). Currently, the Group's foreign exchange risk exposure is restricted to foreign currency interest bearing loans and borrowings, creditors and debtors. The Group's exposure to foreign currency changes for all other currencies is not material.

The following significant exchange rates were applied during the year:

| | 2018 | 2017 |
|---|---|---|
| **Rupees per USD** | | |
| Average rate | **121.72** | 105.29 |
| Reporting date rate | **138.85** | 110.29 |
| **Rupees per GBP** | | |
| Average rate | **163.01** | 134.75 |
| Reporting date rate | **176.07** | 149.38 |
| **Rupees per Euro** | | |
| Average rate | **144.37** | 119.06 |
| Reporting date rate | **158.63** | 132.97 |

At 31 December 2018, if the Pakistan Rupee had weakened/strengthened by 5% against the US Dollar with all other variables held constant, post tax profit/ ( loss) for the year would have been higher/lower as under.

**Foreign currency sensitivity analysis**

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Group's profit before tax and equity. The Group's exposure to foreign currency changes for all other currencies is not material.

| | Change in Exchange rate | Effect on profit/(loss) before tax | Effect on equity |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **2018** | **5%** | **66,587** | **47,277** |
| | **-5%** | **(66,587)** | **(47,277)** |
| 2017 | 5% | 61,877 | 43,933 |
| | -5% | (61,877) | (43,933) |

The Group management believes that its foreign subsidiaries Avanceon FZE and Engro Inc. are not materially exposed to foreign currency risk as the currencies for both United States (USD) and United Arab Emirates (AED) are pegged.

### (ii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from long-term finances and running finance facilities. Long term and short term running finances obtained are benchmarked to variable rates which expose the Group to cash flow interest rate risk.

The Group's Rupee based loans have a prepayment option, which can be exercised upon any adverse movement. Rates of short term loans vary as per market movement of 6-month KIBOR. The Group further manages its exposure to interest rate risk by managing and maintaining a mix of fixed and floating rate borrowings.

At the balance sheet date, the interest rate profile of the Group's interest bearing financial instruments was:

| | **2018** | 2017 |
|---|---|---|
| | **(Rupees in thousand)** | |
| **Floating rate instruments** | | |
| **Financial assets** | | |
| Bank balances | **4,772** | 32,709 |
| **Financial liabilities** | | |
| Long term loan | **19,697** | 37,879 |
| Liabilities against assets subject to finance lease | **90,378** | 78,125 |
| Finances under mark-up arrangements and other credit facilities - secured | **312,079** | 339,604 |
| | **422,154** | 455,608 |
| **Total exposure** | **417,382** | 422,899 |

**Interest rate sensitivity analysis**

The following table demonstrates the sensitivity to a reasonable possible change in interest rates on floating rate borrowings and balances, with all other variables held constant, of the Company's profit before tax:

| | Increase/ decrease in basis points | Effect of profit/(loss) before tax | Effect on equity |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **2018** | **+500** | **(20,869)** | **(14,608)** |
| | **-500** | **20,869** | **14,608** |
| 2017 | +500 | 21,145 | (12,452) |
| | -500 | (21,145) | 12,452 |

### (iii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors effecting all similar financial instruments traded in the market. The Group does not hold any investments which exposes it to other price risk.

### (b) Credit risk

Credit risk represents the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss for the other party by failing to discharge an obligation. The Group is exposed to credit risk from trade and other receivables, other assets and prepayments and cash and cash equivalents.

Group's credit risk is primarily attributable to its trade and other receivables amounting to Rs. 4.01 million (2017: Rs. 2.89 million). However, this risk is mitigated by a credit control policy and applying individual credit limits.

Credit risk arises from deposits with banks and financial institutions, trade debts, long term deposits, advances, deposits, prepayments and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with the Group maintaining long term and short term loan facilities. The Group maintains an internal policy to monitor all of debts and other receivables. The Group is also exposed to the credit risk of commercial banks on account of acceptance of bank guarantees as security against trade debts. The Group accepts bank guarantees of banks of reasonably high credit ratings as approved by the management.

The maximum exposure to credit risk is equal to the carrying amount of financial assets. The maximum exposure to credit risk at reporting date is as follows:

| | **2018** | 2017 |
|---|---|---|
| | **(Rupees in thousand)** | |
| Long term advances and deposits | **37,908** | 33,262 |
| Investments available for sale | **746,059** | 599,345 |
| Advances, deposits and other receivables | **413,365** | 153,997 |
| Term deposits with banks | **188,857** | 194,769 |
| Trade debts | **3,981,886** | 2,892,596 |
| Bank balances | **48,091** | 166,706 |
| | **5,416,165** | 4,040,676 |

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The customer credit risk is managed by using established policies and procedures relating to customer credit risk management including frequent review of aging of accounts and setting up of credit limits where considered necessary. The credit quality of receivables can be assessed with reference to Group's Credit Control policy and their historical performance with negligible default rate.

(c) **Liquidity risk**

Liquidity risk represents the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash due to the availability of funding through an adequate amount of committed credit facilities. Due to dynamic nature of the business the Group maintains flexibility in funding by maintaining committed credit lines available.

The Group's liquidity management involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

The tables below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

The following are the contractual maturities of financial liabilities as at 31 December 2018:

| | Total | Less than one year | One to five years |
|---|---|---|---|
| | | (Rupees in thousand) | |
| **2018** | | | |
| Long term loan | **19,697** | **18,182** | **1,515** |
| Finances under mark up arrangements | **312,079** | **312,079** | **-** |
| Liabilities against assets subject to finance lease | **104,030** | **44,552** | **59,478** |
| Creditors, accrued and other liabilities | **1,650,214** | **1,650,214** | **-** |
| Un paid dividend | **283,074** | **283,074** | **-** |
| | **2,369,094** | **2,308,101** | **60,993** |

The following are the contractual maturities of financial liabilities as at 31 December 2017:

| | Total | Less than one year | One to five years |
|---|---|---|---|
| | | (Rupees in thousand) | |
| 2017 | | | |
| Long term loan | 37,879 | 18,182 | 19,697 |
| Finances under mark up arrangements | 86,069 | 30,026 | 56,043 |
| Liabilities against assets subject to finance lease | 339,604 | 339,604 | - |
| Creditors, accrued and other liabilities | 915,308 | 915,308 | - |
| Un paid dividend | 73,999 | 73,999 | - |
| | 1,452,859 | 1,377,119 | 75,740 |

### 37.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

### 37.3 Financial instruments by categories

| | Available for sale | |
|---|---|---|
| | **2018** | 2017 |
| | **(Rupees in thousand)** | |
| Investments available for sale | **746,059** | 599,345 |

| | Held for trading | |
|---|---|---|
| | **2018** | 2017 |
| | **(Rupees in thousand)** | |
| Investments held for trading | **1,257** | - |

| | Held to maturity | |
|---|---|---|
| | **2018** | 2017 |
| | **(Rupees in thousand)** | |
| Term deposits with banks | **188,857** | 194,769 |

| | Loans and receivable | |
|---|---|---|
| | **2018** | 2017 |
| | **(Rupees in thousand)** | |
| Long term advances and deposits | **37,908** | 33,262 |
| Trade debts | **3,981,886** | 2,892,596 |
| Advances, deposits and other receivables | **413,365** | 153,997 |
| Cash and bank balances | **52,763** | 169,330 |
| | **4,485,922** | 3,249,185 |

| | Financial liabilities at amortised cost | |
|---|---|---|
| | **2018** | 2017 |
| **Liabilities as per statement of financial position** | | |
| Long term loan | **19,697** | 37,879 |
| Liabilities against assets subject to finance lease | **312,079** | 78,125 |
| Finances under mark up arrangements and other credit facilities - secured | **104,030** | 339,604 |
| Creditors, accrued and other liabilities | **1,650,214** | 915,308 |
| Un paid dividend | **283,074** | 73,999 |
| | **2,369,094** | 1,444,915 |

### 37.4 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares or sell assets to reduce debt. The management seeks to maintain a balance between higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix between various sources of finance to minimise risk. Consistent with others in the industry and the requirements of the lenders the Group monitors the capital structure on the basis of gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings including current and non-current borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The Group's strategy, which was unchanged from last year, was to maintain a target gearing ratio of 60% debt and 40% equity. As at the year end, the Group's cash and cash equivalents exceed its borrowings, therefore it is not geared. The gearing ratio as at year ended 31 December 2018 and 2017 are as follows:

| | | **2018** | 2017 |
|---|---|---|---|
| | | **(Rupees in thousand)** | |
| Borrowings | | **422,153** | 455,608 |
| Less: Cash and cash equivalents | | **(52,763)** | (169,330) |
| Net debt | | **369,390** | 286,279 |
| Total equity | | **3,433,856** | 2,592,034 |
| Total capital | | **3,803,246** | 2,878,313 |
| Gearing ratio | Percentage | **10%** | 10% |

## 38 REMUNERATION OF DIRECTORS AND OTHER EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including certain benefits, to the full time working director and executives of the Company is as follows:

| | **Chief Executive** | | **Director** | | **Other Executives** | |
|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | **(Rupees in thousand)** | | | | | |
| | | | | | | Restated * |
| Managerial remuneration | **42,168** | 29,679 | **6,615** | 5,756 | **123,870** | 105,569 |
| House rent | **12,726** | 11,164 | **1,851** | 1,614 | **47,641** | 43,090 |
| Utilities | **7,158** | 6,231 | **463** | 404 | **12,045** | 10,903 |
| Contribution to provident fund | **8,454** | 1,720 | **463** | 504 | **11,641** | 8,583 |
| Others | **1,193** | 415 | **121** | 716 | **8,202** | 6,638 |
| | **71,699** | 49,209 | **9,513** | 8,994 | **203,399** | 174,783 |
| Number of persons | **1** | 1 | **1** | 1 | **50** | 43 |

* Comparatives for Executives' remuneration have been restated in line with change in definition of Executive brought about by the application of Companies Act, 2017.

**38.1** The Company also provides director and certain executives with company maintained cars. No remuneration has been paid to Chief Executive Officer and non-executive directors of the Company.

| | **2018** | 2017 |
|---|---|---|
| **39 NUMBER OF EMPLOYEES** | | |
| Average number of employees | **194** | 171 |
| Closing number of employees | **217** | 177 |

## 40 CORRESPONDING FIGURES

The preparation and presentation of these financial statements for the year ended 31 December 2018 is in accordance with requirements in Companies Act, 2017. The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017, or for better presentation. Following major reclassifications have been made during the year:

| **Description** | **Reclassified from** | **Reclassified to** | **2017** | 2016 |
|---|---|---|---|---|
| | | | **(Rupees in thousand)** | |
| Surplus on revaluation of property, plant and equipment | Separate line item | Revenue reserves under equity | 146,115 | 112,461 |
| Unpaid dividend | Creditors, accrued and other liabilities | Unpaid dividend (Separate line item) | 73,999 | 114,149 |
| Payable to provident fund | Other liabilities | Creditors, accrued and other liabilities (Separate line item) | 3,705 | 873 |

## 41 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Company in its meeting held on March 28, 2019 has proposed a cash dividend in respect of the year ended 31 December 2018 of Rupees Nil per share (2017: Cash Dividend of Rs. 2.25 per share) and 40% bonus shares (2017: Nil). The appropriation will be approved by the members in the forthcoming Annual General Meeting. These financial statements do not include the effect of these appropriations which will be accounted for subsequent to the year end.

## 42 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Holding Company on March 28, 2019.

| | | |
|---|---|---|
| Chief Executive | Chief Financial Officer | Director |
| **Bakhtiar Hameed Wain** | **Saeed Ullah Khan Niazi** | **Tanveer Karamat** |

# ANNEXURES

FOR THE YEAR ENDED 31 DECEMBER 2018

# DEFINITIONS AND GLOSSARY OF TERMS

### Capital employed

The value of all resources available to the company, typically comprising share capital, retained profits and reserves, long-term loans and deferred taxation. Viewed from the other side of the balance sheet, capital employed comprises fixed assets, investments and the net investment in working capital (current assets less current liabilities). In other words: the total long-term funds invested in or lent to the business and used by it in carrying out its operations.

### Liabilities

General term for what the business owes. Liabilities are long-term loans of the type used to finance the business and short-term debts or money owing as a result of trading activities to date. Long term liabilities, along with Share Capital and Reserves make up one side of the balance sheet equation showing where the money came from. The other side of the balance sheet will show Current Liabilities along with various Assets, showing where the money is now.

### Current Liabilities

Money owed by the business that is generally due for payment within 12 months of balance sheet date.

Examples: creditors, current portion of long-term loans and lease liabilities, taxation etc.

### Current Assets

Cash and anything that is expected to be converted into cash within twelve months of the balance sheet date.

### Fixed assets

Assets held for use by the business rather than for sale or conversion into cash, e.g., fixtures and fittings, equipment, buildings.

### Cost of goods sold (COGS)

The directly attributable costs of products or services sold, (like materials, installations, direct labor & wages etc.)

### Gross Profit Ratio

The relationship of the gross profit made for a specified period and the sales or turnover achieved during that period.

### Net Profit Ratio

Net profit ratio is the ratio of net profit (after taxes) to net sales or revenue.

### Operating Profit Ratio

The operating profit margin ratio indicates how much profit a company makes after paying for variable costs of production.

### Current Asset Ratio

The key indicator of whether you can pay your creditors on time. The relationship between current assets like cash, book debts, stock and work in progress and current liabilities like overdraft, trade and expense creditors and other current debt.

### Current Ratio

A company's current assets divided by its current liabilities. This ratio gives you a sense of a company's ability to meet short-term liabilities, and is a measure of financial strength in the short term. A ratio of 1 implies adequate current assets to cover current liabilities: the higher above 1, the better.

### Debt-Equity Ratio

The ratio of a company's liabilities to its equity. The higher the level of debt, the more important it is for a company to have positive earnings and steady cash flow. For comparative purposes, debt-equity ratio is most useful for companies within the same industry.

### Dividend

A dividend is a payment made per share, to a company's shareholders by a company, based on the profits of the year, but not necessarily all of the profits, arrived at by the directors and voted at the company's annual general meeting.

### Earnings per Share (EPS)

The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability.

### Profit Margin

Determined by dividing net income by net sales during a time period and is expressed as a percentage. Net profit margin is a measure of efficiency and the higher the margin, the better. Trends in margin can be attributed to rising/falling production costs or rising/falling price of the goods sold.

### Return on Assets

The amount of profits earned (before interest and taxes), expressed as a percentage of total assets. This is a widely followed measure of profitability, thus the higher the number the better. As long as a company's ROA exceeds its interest rate on borrowing, it's said to have positive financial leverage.

### Return on Equity (ROE)

A percentage that indicates how well common stockholders' invested money is being used. The percentage is the result of dividing net earnings by common stockholders' equity. The ROE is used for measuring growth and profitability. You can compare a company's ROE to the ROE of its industry to determine how a company is doing compared to its competition.

### Return on Investment (ROI)

Also known as return on invested capital (ROIC). ROI is a measure of how well management has used the company's resources. ROI is calculated by dividing earnings by total assets. It is a broader measure than return on equity (ROE) because assets include debt as well as equity. It is useful to compare a company's ROI with others in the same industry.

# EVENT CALENDAR OF **THE COMPANY**

FOLLOWS THE PERIOD OF 01 JANUARY 2018 TO 31 DECEMBER 2018

**FINANCIALS:**

Financial Results are announced as per the following schedule:

| | |
|---|---|
| Annual General Meeting | 24th April 2018 |
| Analysis Briefing | 29th March 2018 |
| 1st Quarter ending 31 March 2018 | 27th April 2018 |
| Half year ending 30 June 2018 | 29th August 2018 |
| 3rd Quarter ending 30 September 2018 | 30th October 2018 |
| Financial year ending 31 December 2018 | 28th March 2019 |

# ڈائریکٹرز رپورٹ

**ملازمین کی ریٹائرمنٹ اور سہولیات:۔**

کمپنی نے اپنے مستقل ملازمین کیلئے ایک منظور شدہ پرویڈنٹ فنڈ سکیم کے ذریعے حصہ داری منصوبہ پیش کیا ہے۔ پرویڈنٹ فنڈ کی سرمایہ کاری اور دیگر تفصیلات نیچے دی گئی ہیں۔

| | 30 جون 2018ء | | 30 جون 2017ء | |
|---|---|---|---|---|
| | سرمایہ داری (روپے ہزاروں میں) | سرمایہ داری فیصد میں | سرمایہ داری (روپے ہزاروں میں) | سرمایہ داری فیصد میں |
| گورنمنٹ سکیورٹیز | 15,239 | 17% | 27,036 | 31% |
| شیڈولڈ بینکس | 18,836 | 21% | 10,227 | 12% |
| میوچل فنڈز | 33,596 | 38% | 32,835 | 37% |
| لسٹڈ سکیورٹیز | 11,042 | 12% | 7,493 | 9% |
| ٹوٹل | 78,713 | | 77,591 | |

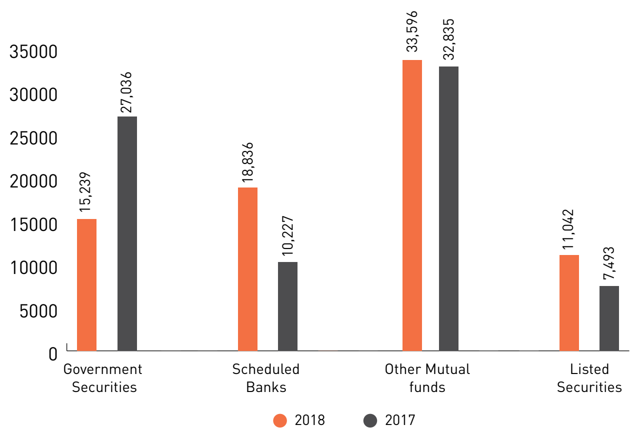
یہ تمام سرمایہ داری پرویڈنٹ فنڈ سے ان اصول وضوابط کے تحت کی گئی ہے جو کمپنیز آرڈیننس 1984 کے سیکشن 227 میں دیے گئے ہیں۔

**نوٹ:۔ پرویڈنٹ فنڈ کے تمام اعداد وشمار جو کہ 30 جون 2018 اور 2017ء پر مشتمل ہیں یہ سب جانچ پڑتال شدہ (Audited) ہیں۔**

**روزمرہ کاروباری اعداد وشمار (Operating Financial Data):۔**

تمام روزمرہ کاروباری اور مالیاتی شماریات اور تناسب جو کہ پچھلے 6 سالوں پر مشتمل ہیں اس رپورٹ کا حصہ ہیں اور آگے دیے ہوئے صفحات پر بیان کیے گئے ہیں۔

Employee Retirement Benefits




**بنیادی سرمایہ داروں کی تفصیل (Pattern of Share Holding):۔**

بنیادی سرمایہ داروں کی تفصیل جو کہ مالی سال 31 دسمبر 2018 پر مشتمل ہے جو کہ پچھلے صفحات پر تفصیل سے بیان کی گئی ہے۔ کمپنی کے ڈائریکٹر حضرات، چیف ایگزیکٹو، چیف فنانشل آفیسر، کمپنی سیکرٹری اور انکے بیوی، بچوں نے اس سال کے دوران کمپنی کے حصص میں کوئی بھی خریداری نہیں کی سوائے انکے جو کہ اس بنیادی سرمایہ کے شیڈول میں دیے گئے ہیں۔

**کمپنی کے بیرونی آڈیٹر (Statutory Auditors of Company):۔**

کمپنی کے موجودہ آڈیٹر میسرز ای وائی فورڈ روڈز (M/s . EY Ford Rhodes) نے سبکدوش ہونے کیلئے اور دوبارہ منتخب کرنے کیلئے اپنے آپ کو پیش کیا۔ آڈٹ کمیٹی کی سفارش پر کمپنی نے انکو سبکدوش ہونے کے بعد دوبارہ مالی سال 2019ء کے آڈٹ کیلئے منتخب کرنے کا فیصلہ کیا ہے۔

**مواصلات (Communication):۔**

ہم اپنے بنیادی حصہ داروں کے ساتھ مواصلات کو بہت اہمیت دیتے ہیں، کمپنی نے تمام نتائج جو کہ سہ ماہی، ششماہی، نوماہی اور سالانہ پر مشتمل ہیں اپنے حصہ داروں کو کمپنیز آرڈیننس 1984 کے قواعد وضوابط کے مطابق پہنچائے۔ کمپنی نے تمام معلومات جو کہ اہم تھیں وقتِ مقررہ پر پاکستانی تجارتی منڈی اور SECP کے قواعد وضوابط کے مطابق پہنچائیں۔ کمپنی نے تجارتی اور مالیاتی خبریں اور رپورٹس اپنی ویب سائٹ www.avanceon.ae پر بھی رکھ دی ہیں۔

**اعتراف کرنا (Acknowledgement):۔**

بورڈ آف ڈائریکٹرز بڑے پرمسرت طریقے سے اپنے تمام ملازمین کی مسلسل لگن کے ساتھ خدمات کو سراہتا ہے۔

منجانب: بورڈ آف ڈائریکٹرز

بختیار حمید وائیں
چیف ایگزیکٹو آفیسر
لاہور،
تاریخ: 28 مارچ 2019ء

### بورڈ آف ڈائریکٹرز کا اجلاس (Board of Director's Meeting):۔

سال کے دوران بورڈ آف ڈائریکٹرز کی چار (4) بورڈ کی میٹنگز منعقد ہوئیں (تمام پاکستان میں منعقد کی گئیں) مندرجہ ذیل عزت مآب ممبران نے شمولیت اختیار کی:۔

| نمبر شمار | ڈائریکٹر کا نام | حاضری | منظور شدہ چھٹی |
|---|---|---|---|
| 1 | جناب خالد حمید وائیں | 4 | 0 |
| 2 | جناب بختیار حمید وائیں | 4 | 0 |
| 3 | جناب عامر وحید وائیں | 4 | 0 |
| 4 | جناب تنویر کرامت | 4 | 0 |
| 5 | جناب عمر احسن خان | 4 | 0 |
| 6 | جناب تجمل حسین | 3 | 1 |
| 7 | جناب نوید علی بیگ | 3 | 1 |

### مارکیٹ شیئر کی معلومات اور کاروباری حصوں کی کارگردگی (Segmental Business Performance & Market Share Information)

کنٹرول انجینئرنگ جیانٹ لسٹ 2014ء کے مطابق اوینسیون کا مارکیٹ شیئر 2% کے نزدیک ہے جو کہ عالمی درجہ بندی میں 15 ویں نمبر پر بہترین سسٹمز انٹیگریٹرز (Systems Integraters) کے طور پر شامل کیا جاتا ہے۔ موجودہ مارکیٹ لیڈر 9% فیصد کے ساتھ سب سے آگے ہے۔ بنیادی وجوہات جو اوینسیون کو پاکستان میں مارکیٹ کا لیڈر رکھنے میں کارگر ثابت ہوئی ہیں یہ ہیں کہ کسٹمرز کی تعداد میں اضافے اور مواصلات اور ٹرانسپورٹ سے متعلقہ بہت سارے منصوبے مارکیٹ میں آرہے ہیں جو کہ کمپنی کی مڈل ایسٹ کی کامیابی کا موجب بنے دوسرے الفاظ میں ہم یہ کہہ سکتے ہیں' کیونکہ ہم اس کاروباری فیلڈ میں پہل کرنے والوں میں شامل ہیں اور جسکو دوسروں پر سبقت حاصل ہے۔ اپنی بہترین کام کرنے کی خوبی اور آٹومیشن اینڈ پراسیس کنٹرول کرنے کی سوجھ بوجھ ہے' جو کہ اوینسیون لمیٹڈ کو دوسری مارکیٹوں میں ممتاز کرتی ہے۔ اس وقت اوینسیون لمیٹڈ جو کہ ٹوٹل مارکیٹ کا 63% فیصد حصہ رکھتی ہے۔ جو اپنے مقابلے کی کمپنیوں سے زیادہ آمدنی کماتی ہے۔

### امور برائے یقینی معیار (Proceedures Adopted for Quality Assurance):۔

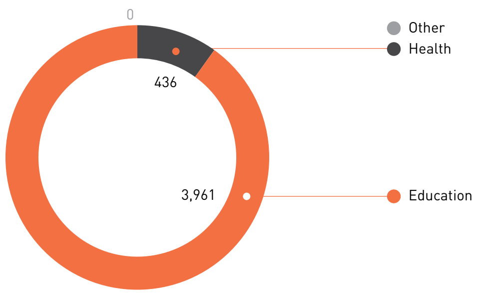
صحت' حفاظت اور ماحولیات کے اعدادوشمار کے انتظامی امور کے معاملات کا انتظام اعدادوشمار کے اکٹھے کرنے کا طریقہ اور شفاف رپورٹنگ جو کہ کمپنی کی کاروباری ذمہ داری کا بنیادی جزو ہے۔ کمپنی SMETA 4 کی قواعد وضوابط جو کہ ISO کے معیار پر پورا اترتے ہیں۔

صحت' حفاظت اور ماحولیات کے معاملات کو پورا کرتی ہے۔ یہ طریقہ کار انتظامیہ کو بہت ہی ضروری معلومات فراہم کرتا ہے جو کہ مقرر کردہ امور کی انجام دہی میں ضروری ہوتے ہیں۔ یہ نظام اور طریقہ کار ایک تیسری پارٹی سے جانچ پڑتال بھی کروایا جاتا ہے جو کہ کاروباری اور علاقائی جانچ پڑتال پر مشتمل ہوتا ہے۔

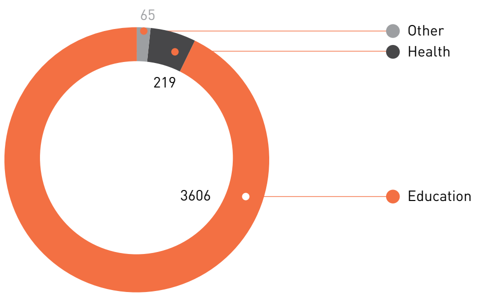
### صدقات اور رفاعی کام (Donation & Charity):۔

کمپنی اپنی ٹوٹل آمدنی کا زیادہ سے زیادہ 1% فیصد صدقات اور رفاہی کاموں کے اداروں کیلئے مختص کرتی ہے۔ اس سال کے عرصے میں کمپنی نے مندرجہ ذیل صدقات اور خیرات کی ہیں جنکی تفصیل نیچے دی گئی ہے۔

**Donation & Charity 2018**




**Donation & Charity 2017**



# ڈائریکٹرز رپورٹ

| کمپنی کا نام | ملازم کا نام | عہدہ | طریقہ ہائے خرید و فروخت | حصص کی تعداد | قیمت | قسم | تاریخ | تاریخ اطلاع |
|---|---|---|---|---|---|---|---|---|
| اوینسیون لمیٹڈ | جنید مشتاق پراچہ | جنرل سیلز مینجر | فروخت | 25,000 | 74.55 | سی ڈی سی | 17.07.18 | 18.07.18 |
| اوینسیون لمیٹڈ | احسن خلیل | کمپنی سیکرٹری | فروخت | 100,000 | 74.54 | v | 17.07.18 | 18.07.18 |
| اوینسیون لمیٹڈ | مسعود کریم | مینجر انجینئرنگ | فروخت | 36,125 | 74.49 | سی ڈی سی | 17.07.18 | 18.07.18 |
| اوینسیون لمیٹڈ | عارف شجاع | بزنس ڈویلپمنٹ مینجر | فروخت | 8,000 | 74.49 | سی ڈی سی | 17.07.18 | 18.07.18 |
| اوینسیون لمیٹڈ | عارف شجاع | بزنس ڈویلپمنٹ مینجر | فروخت | 8,500 | 71.15 | سی ڈی سی | 16.07.18 | 18.07.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | فروخت | 25,000 | 75.41 | سی ڈی سی | 19.07.18 | 23.07.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | خرید | 25,000 | 72.0 | سی ڈی سی | 20.07.18 | 23.07.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | فروخت | 50,000 | 76.67 | سی ڈی سی | 27.07.18 | 31.07.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | خرید | 50,000 | 72.80 | سی ڈی سی | 30.07.18 | 31.07.18 |
| اوینسیون لمیٹڈ | جنید مشتاق پراچہ | جنرل سیلز مینجر | خرید | 20,000 | 73.59 | سی ڈی سی | 30.07.18 | 01.08.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | فروخت | 74,500 | 76.49 | سی ڈی سی | 31.07.18 | 02.08.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | فروخت | 97,178 | 77.17 | سی ڈی سی | 01.08.18 | 02.08.18 |
| اوینسیون لمیٹڈ | جنید مشتاق پراچہ | جنرل سیلز مینجر | فروخت | 10,000 | 78.5 | سی ڈی سی | 01.08.18 | 06.08.18 |
| اوینسیون لمیٹڈ | تنویر کرامت | چیف آپریٹنگ آفیسر | فروخت | 200,000 | 82.0 | سی ڈی سی | 07.08.18 | 09.08.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | خرید | 13,500 | 77.68 | سی ڈی سی | 03.07.18 | 03.09.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | فروخت | 13,500 | 83.84 | سی ڈی سی | 04.09.18 | 10.09.18 |
| اوینسیون لمیٹڈ | حسین احمد | کارپوریٹ مینجر | فروخت | 45,000 | 83.71 | سی ڈی سی | 06.09.18 | 11.09.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | خرید | 6,000 | 83.96 | سی ڈی سی | 19.09.18 | 19.09.18 |
| اوینسیون لمیٹڈ | جنید مشتاق پراچہ | جنرل سیلز مینجر | فروخت | 16,000 | 84 | سی ڈی سی | 13.09.18 | 26.09.18 |
| اوینسیون لمیٹڈ | جنید مشتاق پراچہ | جنرل سیلز مینجر | فروخت | 10,000 | 84 | سی ڈی سی | 17.09.18 | 26.09.18 |
| اوینسیون لمیٹڈ | جنید مشتاق پراچہ | جنرل سیلز مینجر | فروخت | 54,000 | 88.25 | سی ڈی سی | 19.10.18 | 30.10.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | خرید | 4,000 | 85.55 | سی ڈی سی | 31.10.18 | 05.11.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | خرید | 1,000 | 81.5 | سی ڈی سی | 01.11.18 | 05.11.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | خرید | 4,000 | 85.55 | سی ڈی سی | 06.11.18 | 08.11.18 |
| اوینسیون لمیٹڈ | مسعود کریم | مینجر انجینئرنگ | فروخت | 10,000 | 95.2 | سی ڈی سی | 16.11.18 | 19.11.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | خرید | 2,000 | 94.94 | سی ڈی سی | 23.11.18 | 27.11.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | خرید | 11,500 | 84.97 | سی ڈی سی | 27.11.18 | 28.11.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | خرید | 7,000 | 85.75 | سی ڈی سی | 29.11.18 | 03.12.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | خرید | 1,000 | 82.9 | سی ڈی سی | 03.12.18 | 03.12.18 |
| اوینسیون لمیٹڈ | عارف شجاع | بزنس ڈویلپمنٹ مینجر | خرید | 11,000 | 87.01 | سی ڈی سی | 27.11.18 | 12.12.18 |

**بورڈ آف ڈائریکٹرز کی ٹریننگ (Board of Director's Traing):۔**

اس سال کے دوران جناب عمر احسن خان صاحب کی ٹریننگ کروائی گئی۔

**افسران کی طرف سے حصص کی خرید و فروخت (Executives Shares Traded by):۔**

اس سال کے دوران مندرجہ ذیل افسران نے کمپنی کے حصص میں خرید و فروخت کی ہے۔

| کمپنی کا نام | ملازم کا نام | عہدہ | طریقہ ہائے خرید و فروخت | حصص کی تعداد | قیمت | قسم | تاریخ | تاریخ اطلاع |
|---|---|---|---|---|---|---|---|---|
| اوینسیون لمیٹڈ | بختیار حمید وائیں | سی ای او | خرید | 187,000 | 37.35 | سی ڈی سی | 05.01.18 | 08.01.18 |
| اوینسیون لمیٹڈ | حسین احمد | کارپوریٹ مینجر | خرید | 42,500 | 37.17 | سی ڈی سی | 05.01.18 | 09.01.18 |
| اوینسیون لمیٹڈ | سعید اللہ خان نیازی | چیف فنانشل آفیسر | خرید | 5,500 | 40.31 | سی ڈی سی | 09.01.18 | 10.01.18 |
| اوینسیون لمیٹڈ | سرمد محمود قریشی | جنرل مینجر | خرید | 22,500 | 39.5 | سی ڈی سی | 23.01.18 | 26.01.18 |
| اوینسیون لمیٹڈ | سعید اللہ خان نیازی | چیف فنانشل آفیسر | خرید | 2,500 | 45.58 | سی ڈی سی | 14.02.18 | 16.02.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | مینجر کمرشل | فروخت | 10,000 | 48.43 | سی ڈی سی | 23.02.18 | 26.02.18 |
| اوینسیون لمیٹڈ | حسین احمد | کارپوریٹ مینجر | فروخت | 52,500 | 49.59 | سی ڈی سی | 26.02.18 | 26.02.18 |
| اوینسیون لمیٹڈ | عارف شجاع | بزنس ڈویلپمنٹ مینجر | فروخت | 5,000 | 49.59 | سی ڈی سی | 26.02.18 | 28.02.18 |
| اوینسیون لمیٹڈ | ارمغان یوسف | ریجنل سیلز مینجر | فروخت | 11,000 | 51.46 | سی ڈی سی | 08.02.18 | 08.03.18 |
| اوینسیون لمیٹڈ | عارف شجاع | بزنس ڈویلپمنٹ مینجر | فروخت | 15,000 | 53.04 | سی ڈی سی | 09.03.18 | 12.03.18 |
| اوینسیون لمیٹڈ | عارف شجاع | بزنس ڈویلپمنٹ مینجر | فروخت | 13,000 | 54.82 | سی ڈی سی | 12.03.18 | 12.03.18 |
| اوینسیون لمیٹڈ | مسعود کریم | مینجر انجینئرنگ | فروخت | 1,749 | 59.66 | سی ڈی سی | 10.04.18 | 16.04.18 |
| اوینسیون لمیٹڈ | جنید مشتاق پراچہ | جنرل سیلز مینجر | فروخت | 46,000 | 63.07 | سی ڈی سی | 30.05.18 | 07.06.18 |
| اوینسیون لمیٹڈ | جنید مشتاق پراچہ | جنرل سیلز مینجر | خرید | 29,500 | 62.98 | سی ڈی سی | 06.06.18 | 07.06.18 |
| اوینسیون لمیٹڈ | احسن خلیل | کمپنی سیکرٹری | فروخت | 47,000 | 62.5 | سی ڈی سی | 16.05.18 | 07.06.18 |
| اوینسیون لمیٹڈ | مسعود کریم | مینجر انجینئرنگ | فروخت | 38,000 | 65.46 | سی ڈی سی | 04.06.18 | 07.06.18 |
| اوینسیون لمیٹڈ | حسین احمد | کارپوریٹ مینجر | فروخت | 5,000 | 62.55 | سی ڈی سی | 22.05.18 | 07.06.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | فروخت | 20,000 | 65.5 | سی ڈی سی | 04.06.18 | 07.06.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | خرید | 3500 | 64 | سی ڈی سی | 05.06.18 | 07.06.18 |
| اوینسیون لمیٹڈ | عمران اشرف | سوفٹ ویئر مینجر | فروخت | 89,000 | 56.18 | سی ڈی سی | 15.05.18 | 07.06.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | خرید | 16,500 | 63.5 | سی ڈی سی | 06.06.18 | 12.06.18 |
| اوینسیون لمیٹڈ | عارف شجاع | بزنس ڈویلپمنٹ مینجر | خرید | 13,500 | 64.69 | سی ڈی سی | 14.06.18 | 20.06.18 |
| اوینسیون لمیٹڈ | عارف شجاع | بزنس ڈویلپمنٹ مینجر | خرید | 3,000 | 62.56 | سی ڈی سی | 20.06.18 | 22.06.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | خرید | 500 | 59 | سی ڈی سی | 25.06.18 | 28.06.18 |
| اوینسیون لمیٹڈ | ثاقب رؤف | کمرشل مینجر | خرید | 500 | 60.8 | سی ڈی سی | 28.06.18 | 28.06.18 |

# ڈائریکٹرز رپورٹ

ایک کاروباری ادارے کیلئے بہت ضروری ہو گیا ہے کہ وہ وہاں پر ایک مستقل کاروباری سرگرمیوں کو جاری رکھے تا کہ اس خطے میں روز بروز کی بڑھتی ہوئی کاروباری سرگرمیوں سے فائدہ اٹھایا جا سکے اور اپنی اعلیٰ پیمانے کی خدمات کی وجہ سے بڑے سے بڑے کاروباری اداروں کے ساتھ مسابقت کی فضا میں کاروباری معاملات کو انجام دے سکے۔ ہمارا موجودہ کاروباری شراکت داری جو کہ مشرق وسطیٰ میں بڑھتے ہوئے کاروباری معاملات کو دیکھنے کیلئے چار مستقل کاروباری مراکز (دبئی، دمام، جدہ، دوہا اور ابوظہبی میں کاروباری شراکت دار علی اینڈ سنز اور سعودی عرب میں ''علی التر کی کمپنی (ATCO)'' اور قطر میں ''ارکان انٹیگریٹڈ ڈویلپمنٹ ایل ایل سی '' کے ساتھ ہیں۔

کمپنی بہت ہی پُر امید ہے کہ متحدہ عرب امارات، سعودی عرب، قطر، اومان، امریکہ میں کاروباری سرگرمیاں بحال ہو جائیں گی۔ اور بالخصوص پاکستان میں بھی معاشی اور سیاسی سرگرمیوں میں بھی مستقل بنیادوں پر ٹھہراؤ کا رجحان ہو جائے گا۔

### معاشرے کی خدمت (Service to Society):۔

کاروباری معاشرے کی بہت ہی فعال اور ذمہ دار کمپنی ہونے کے ناطے سے ہم وعدہ کرتے ہیں اور یقین رکھتے ہیں کہ ہم اس معاشرے کی بہتری کیلئے ضرور کچھ بہتر ادا کریں گے۔ جیسا کہ تعلیم، صحت، عامہ عوام کی حفاظت اور ماحولیاتی اچھائی میں اہم معاملات میں مدد کر سکیں۔

ہمیں اس بات کی سمجھ آئی ہے کہ تمام کاروباری اکائیاں اگر مل جل کر کام کریں گی تو وہ بہتر طریقے سے معاملات کو سمجھتے ہوئے معاشرے کی بہتری میں اہم کردار ادا کر سکتے ہیں کیونکہ یہ تمام کاروباری ادارے اسی معاشرے کا حصہ ہیں۔

### صحت، حفاظت اور ماحولیات (Health, Safety & Enviroment):۔

اوینسیون انتہائی سنجیدگی کے ساتھ صحت کے معاملات کی دیکھ بھال اور حفاظتی معاملات کے رجحانات کے مطابق کام کی جگہوں اور دفاتر کے اندر صحت کے معاملات اور ماحولیات کو یقینی بناتی ہے۔ ہم وعدہ کرتے ہیں کہ صحت، حفاظتی اور اس سے متعلقہ دیگر امور جو کہ کاروباری سرگرمیوں کے ساتھ منسلک ہیں ان میں بہتری لائیں گے اور آگ لگنے کے خدشات، حادثات یا اس سے ہونے والے نقصانات جو کہ ملازمین یا مہمانوں پر ہو سکتے ہیں اس کا سدباب کریں گے۔

ہم تمام کاروباری معاملات جو کہ بہت ساری جگہوں پر انجام دیے جا رہے ہیں ان کے معیار کو بین الاقوامی صحت اور حفاظتی امور کے معیار کے مطابق سر انجام دیں گے جو کہ ISO14001:2004 میں درج ہے۔

ہم یہ بھی یقین دلاتے ہیں کہ ہماری مصنوعات، حفاظتی اور قانونی ضروریات کے مطابق بھیجی جائیں گی۔

### پچھلے سالانہ اجلاسِ عام میں اٹھائے گئے معاملات (AGM Issues Raised in Last):۔

مالی سال 2017ء کے سالانہ اجلاسِ عام میں کوئی بھی خاص معاملہ نہیں اٹھایا گیا تھا۔

**ایجنڈا نمبر 1:**۔ بورڈ آف ڈائریکٹرز اور ممبران نے 31 دسمبر 2017 کی ڈائریکٹرز رپورٹ اور آڈیٹر رپورٹ کی تصدیق اور منظوری۔

**ایجنڈا نمبر 2:**۔ ممبران نے اکاؤنٹس برائے مالی سال 31 دسمبر 2017 بمعہ آڈیٹر رپورٹ پر کھے اور منظور کیے۔

**ایجنڈا نمبر 3:**۔ ممبران نے موجودہ آڈیٹر (EY Ford Rhodes, Chartered Accountants) کو اگلے مالی سال کیلئے منتخب کیا ہے۔

**ایجنڈا نمبر 4:**۔ بورڈ کا منظور شدہ کیش ڈیوڈنڈ بحساب 2.25 روپے فی حصص کی منظوری۔

**ایجنڈا نمبر 5:**۔ مجاز سرمایہ میں اضافہ 1.5 بلین سے بڑھا کر 2.0 بلین روپے کرنے کی منظوری۔

**ایجنڈا نمبر 6:**۔ ملازمین کو حصہ دار بنانے کی سکیم نمبر 4 کی منظوری جسکی تفصیل 15 ویں سالانہ اجلاس عام کے نوٹس میں دی گئی ہے۔

مندرجہ بالا ایجنڈے تفصیل کے ساتھ زیر بحث آئے ان کو منظور کیا گیا اور سوال و جواب کا تفصیلی مرحلہ منعقد کیا گیا جس میں چند ممبران نے کمپنی کے کاروباری معاملات مستقبل کی منصوبہ بندی اور انتظامی امور کے بارے میں سوالات کئے۔ ڈائریکٹر کمپنی جناب تنویر کرامت اور جناب سعید اللہ خان نیازی چیف فنانشل آفیسر نے سوالوں کے جوابات دیے اور کمپنی کے کاروباری معاملات آٹومیشن کے کاروبار کے بارے میں آگاہی دی کمپنی کا میٹنگ کے دوران کمپنی کے مستقبل کی مالیاتی منصوبہ بندی، کاروبار کی بڑھوتری اور نئی انڈسٹریل پلانٹ کے بارے میں تبادلہ خیال کیا گیا۔

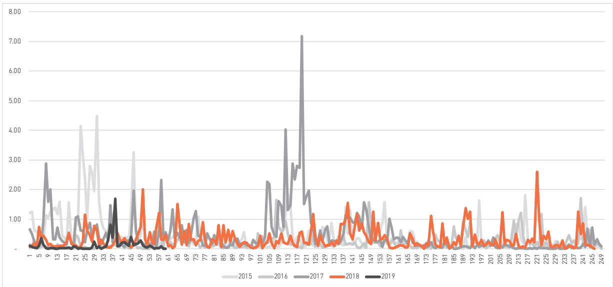
### بورڈ آف ڈائریکٹرز کے معاوضے (Board of Directors Remuneration):۔

چیف ایگزیکٹو آفیسر اور چیف آپریٹنگ آفیسر کے علاوہ کمپنی کے تمام ڈائریکٹر صاحبان نان ایگزیکٹو ڈائریکٹرز ہیں۔ کمپنی چیف ایگزیکٹو آفیسر اور چیف آپریٹنگ آفیسر کو کمپنی کی ہیومن ریسورس کے منظور شدہ قواعد وضوابط کے مطابق تنخواہیں اور دیگر مراعات دیتی ہے۔ جو کہ سالانہ بنیادوں پر ہیومن ریسورس ریمونریشن کمیٹی کی سفارش پر بورڈ آف ڈائریکٹر منظور کرتے ہیں۔ اسکے علاوہ کسی اور ڈائریکٹر کو کوئی بھی رقم میٹنگ میں حاضری کیلئے نہیں دی جاتی۔

### اپنے مشترکہ کاروباری اداروں کے ساتھ لین دین (Transaction with Related Party):۔

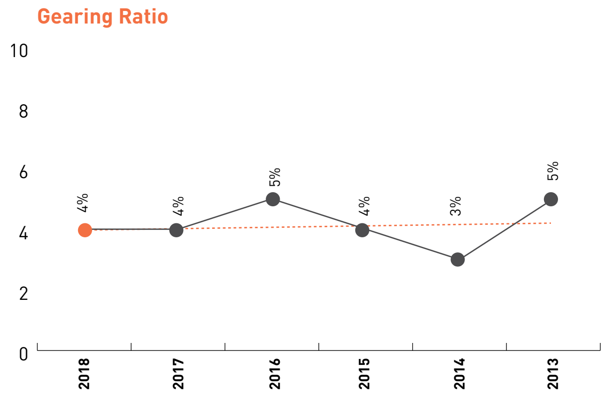
کمپنی مروجہ کاروباری قواعد وضوابط کے مطابق اپنے مشترکہ کاروباری اداروں کے ساتھ کاروباری لین دین کرتی ہے جو کہ Arm Length Pricing اور Mechanism پر مشتمل ہے۔ کمپنی Transfer Pricing جو کہ پاکستان اسٹاک ایکسچینج کی لسٹنگ کے قواعد و ضوابط کے مطابق سر انجام دیتی ہے۔

کمپنی نے سال 2014 کی پہلی سہ ماہی میں دومراحل کے ذریعے' پہلے مرحلے میں کمپنی نے 18.875 ملین عام حصص بک بلڈنگ (Book Building) کے ذریعے بڑے سرمایہ داروں کو اور دوسرے مرحلے میں 6.292 ملین عام حصص عام عوام کو 14 روپے فی حصص کے حساب سے دیے۔ دونوں مراحل بک بلڈنگ (BuildingBook) اور عام عوام حصہ میں بڑی کامیابی کیساتھ اور ضرورت سے زیادہ حصص خریدنے کی دلچسپی ظاہر کی گئی جو کہ کمپنی پر سرمایہ داروں کے مکمل اعتماد کو ظاہر کرتی ہے۔ کمپنی نے بڑی کامیابی کے ساتھ اپنے آپ کو ثابت کیا ، پیسے کے بہاؤ کو یقینی بنایا اور بنیادی سرمایہ میں اضافے کے ساتھ حصہ داروں کی دولت میں اضافہ کیا۔



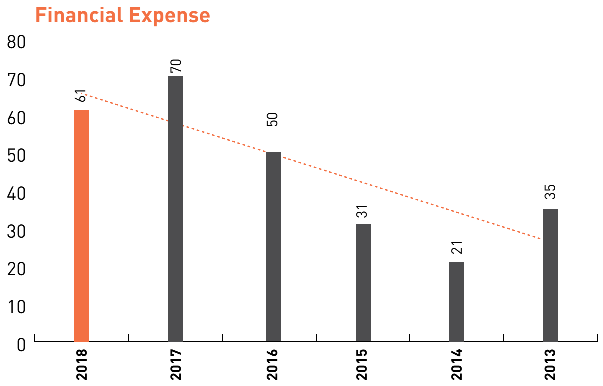

**منصوبہ سرمایہ کاری (Capital Structure):۔**

کمپنی قرضوں پر بہت کم یقین رکھتی ہے زیادہ تر کمپنی نے اپنے بنیادی سرمایہ پر انحصار کرتے ہوئے معاشی صورتحال کو بہت بہتر بنایا' پیسے کی روانی کو مستقل کیا اور اپنی روزمرہ کی منصوبہ بندی کو مضبوط سے مضبوط تر کیا۔ کمپنی عام طور پر عارضی قرضے لیتی ہے۔ تاکہ وہ روزمرہ کی کاروباری ضروریات کو پورا کر سکے' کمپنی نے بڑی کامیابی کے ساتھ تمام قرضے اور اس سے متعلقہ سود اور گاڑیوں کے کرائے بغیر کسی دیر کے ادا کیے تاکہ سود کے خرچے سے بچا جا سکے۔ کمپنی نے پچھلے دو سال سے بڑی کامیابی کے ساتھ موجودہ دولت اور ادائیگیوں کے توازن کو برقرار رکھا اسکے ساتھ ساتھ کمپنی نے بینکوں سے عارضی اور لمبے عرصے کے سرمایہ کو بھی یقینی بنایا تا کہ پاکستان اور متحدہ عرب امارات میں کاروباری ضروریات کو پورا کر سکیں۔




**عارضی سرمائے کے انتظامی امور (Working Capital Management):۔**

پچھلے پانچ سالہ موجودہ اثاثہ جات اور بہت ہی کم عرصے میں پیسے میں منتقل ہونے والے اثاثہ جات کو بہتر کیا، جو کہ کمپنی کی بہتر ہوتی ہوئی سرمایہ کی صورت حال اور لمبے عرصے کیلئے سرمایہ کے حصول کے تعلقات جو کہ کمپنی کی روزمرہ کی کاروباری صورتحال کیلئے ضروری ہیں' کمپنی اپنے روزمرہ کی کاروباری ضروریات کیلئے عارضی سرمایہ کے حصول کو بہت ہی بہتر طریقے سے بحال رکھے ہوئے ہے۔ جو کہ ہمارے خریداروں کے آرڈرز کو مکمل کرنے کیلئے بہت ضروری ہے۔ ہم نے اپنے خریداروں سے ایک متعین عرصے کے اندر پیسے کی وصولی کو یقینی بنایا' کمپنی بہت بہتر طریقے سے عارضی سرمایہ کی ضروریات کو سامنے رکھتے ہوئے، بہت ہی سمجھداری سے اور انتہائی نظم وضبط کے ساتھ اپنے تمام چھوٹے عرصے کے قرضوں کو ایک خاص حد سے زیادہ بڑھنے نہیں دیا۔ اور اپنی ضروریات کیلئے سرمایہ کے حصول کو اپنے ذرائع سے اہتمام کیا تاکہ سود کے خرچے کو کم سے کم رکھا جا سکے۔ سال 2017ء میں کمپنی نے درمیانے درجے کے دو قرضے لیے تاکہ کمپنی اپنے دو بڑے منصوبے جو کہ متحدہ عرب امارات اور پاکستان میں ہیں کو مکمل کر سکے۔ مالی سال 2019ء میں کمپنی کو انتہائی پر امید ہے کہ وہ اپنے قرضوں کو 2016ء کے برابر لے کر آئے۔




**سرمایہ کی صورتحال کو بہتر بنانے کی حکمت عملی**

**(Strategy to Overcome Liquidity Issues):۔**

مالی سال 2015ء میں متحدہ عرب امارات کی وجہ سے ہماری آمدن کم رہی' ہم یوں بھی کہہ سکتے ہیں کیونکہ ہم اس فیلڈ میں پہل کرنے والوں میں شامل ہیں ہمارے خریداروں کو ہم پر اعتماد ہے اور ہم ان کو اپنا شراکت دار سمجھتے ہیں اور ہم انکے آٹومیشن اینڈ پراسیس کنٹرول کے علم میں اضافے کا موجب بنیں گے۔ ہم 63% فیصد حصص کے ساتھ پاکستان کی تجارتی منڈی میں باقی کمپنیوں سے آگے ہیں جو کہ ثابت کرتا ہے کہ ہم اپنی آمدنی انتہائی مقابلے کی فضا میں بھی برقرار رکھ سکتے ہیں۔

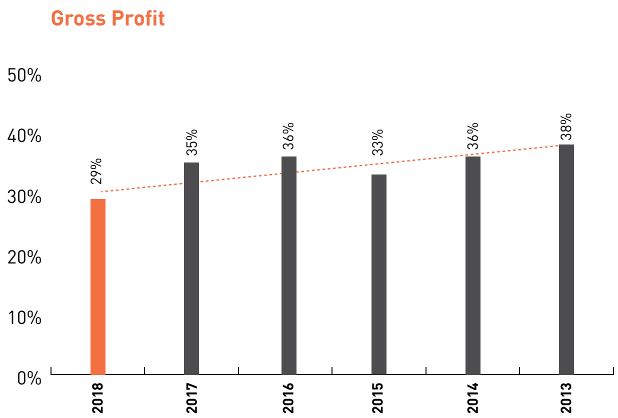
**مستقبل کی کاروباری منصوبہ بندی (Future Prospects):۔**

کاروباری معاملات کے مستقبل کی منصوبہ بندی جو کہ ہمارے بورڈ آف ڈائریکٹرز اور مینجمنٹ کی منصوبہ بندی اور پلان کا حصہ ہے۔ قطر جو کہ تیل اور گیس کے وسیع ذخائر رکھتا ہے اور

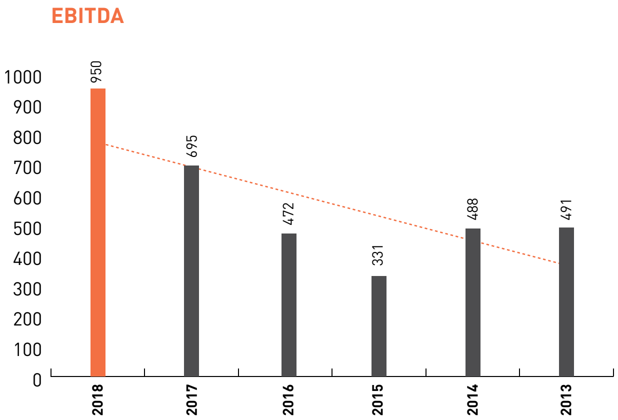
# ڈائریکٹرز رپورٹ

### مجموعی منافع (Gross Profit):۔

ہم نے پاکستان اور مشرق وسطی میں کاروباری مسابقت کی وجہ سے اس مالیاتی سال میں پچھلے مالیاتی سال کے مقابلے میں 6% مجموعی آمدنی میں کمی دیکھی۔ کمپنی کی انتظامیہ بڑے اعتماد کے ساتھ مجموعی آمدنی جو کہ 29% ہے کو رواں سال 2019 اور آنے والے سال 2020 میں برقرار رکھے گی۔ کیونکہ سال 2013 سے لیکر 2018 تک مجموعی آمدن میں تسلسل کے ساتھ کمی ہو رہی تھی جس کے بارے میں کمپنی کی انتظامیہ نے قبل از یں آگاہ کیا تھا لیکن اب موجودہ مجموعی آمدن کو بڑی آسانی سے مستحکم کیا جاسکتا ہے۔

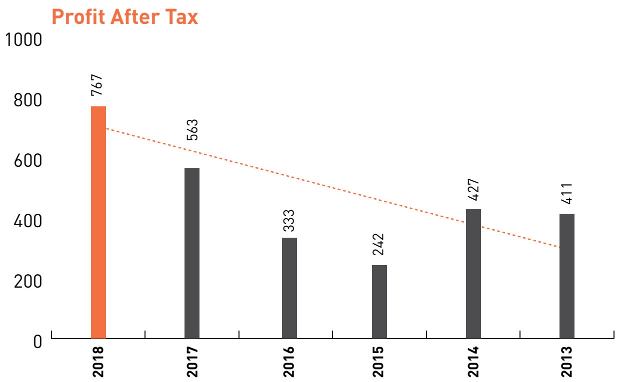



### منافع جات، سود، ٹیکس کٹوتی، فرسودگی اور کساد بازاری سے پہلے (EBITDA):۔



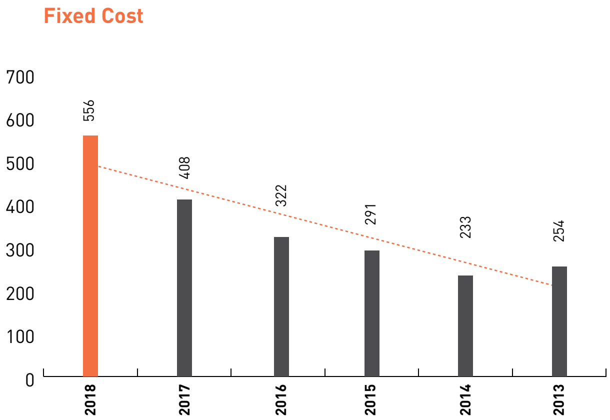

### منافع بعد از ٹیکس (Profit after Taxation):۔

خالص منافع (بعد از ٹیکس کٹوتی) میں 36% اضافہ ہوا ہے۔ اس خالص منافع میں 457 ملین روپے غیر ملکی کرنسی کی شرح تبادلہ (Unrealised Exchange Gain) کی وجہ سے جو کہ ہماری غیر ملکی کرنسی میں موصولیوں پر ہے۔ کمپنی انتظامیہ بہت پر امید ہے کہ مجموعی آمدنی اور خالص منافع کو مالیاتی سال 2019 اور 2020 میں برقرار رکھے گی۔ جو کہ مستقبل کے کاروباری معاہدے اور موجودہ سرگرمیوں جنکی مالیت 56 ملین امریکن ڈالر سے بھی زیادہ ہے۔ انتظامیہ مالی سال 2019 کے مقررہ اہداف کو حاصل کرنے میں پر امید ہے۔



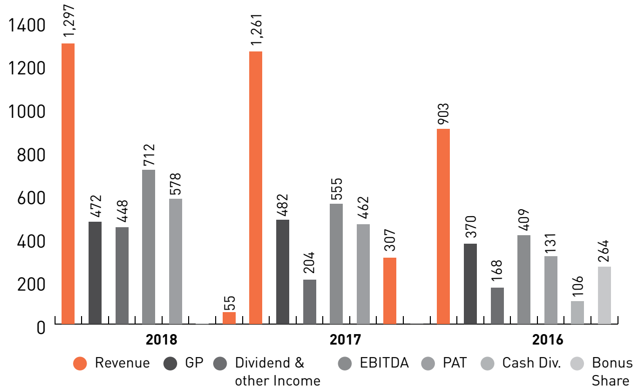

### مقررہ اخراجات (Fixed Cost):۔

کمپنی کے مقررہ اخراجات میں 36 فیصد اضافہ ہوا ہے جو کہ سال 2017ء میں 27 فیصد رہا تھا اس مجموعی اضافہ میں مبلغ 95 ملین روپے کا خرچہ نا قابل وصول پرانی وصولیوں کی مد میں ریکارڈ کیا گیا۔ اور دیگر اضافہ جو کہ 13 فیصد تنخواہوں میں اور دیگر انتظامی اخراجات جو کہ افراط زر میں اضافہ کی وجہ سے ہیں اور باقی اضافی کاروباری سودوں کے انتظامات اور اس سے متعلق اخراجات شامل ہیں جو آمدنی میں اضافہ کی شرح کے مطابق ہوئے ہیں۔ کمپنی انتظامیہ اس کوشش میں ہے کہ اس اضافے کو 15 فیصد سے اوپر نہ جانے دے اس میں کرنسی کی شرح میں ردو بدل کا اثر شامل نہ ہوگا۔




### حصص کا رجحان (Stock Liquidity):۔

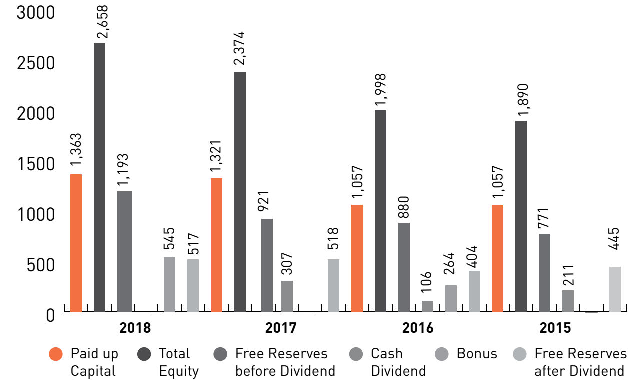
کمپنی نے بڑی کامیابی کیساتھ 25.166 ملین عام حصص کی پیشکش بذریعہ شروعاتی پبلک آفر (IPO) کے تحت کی، مخصوص مقاصد حاصل کرنے کیلئے جیسا کہ حصول کوائف، ملازمت کی مستقل بحالی اور ملازمین کو حصہ دار بنانے کی سکیم (Employees Share Option Sheme) کے تحت جو کہ کاروبار کیلئے کافی کامیاب رہا ہے۔




## بعدازنتائج منافع کی تقسیم (Subsequent Appropriation):۔

ڈائریکٹرز نے کیش ڈیوڈنڈ صفر (22.5%:2017) اور بونس شیئرز 40 فیصد (2017:صفر) تجویز کیا ہے۔

| | 2018 (روپے ہزاروں میں) | 2017 (روپے ہزاروں میں) |
|---|---|---|
| منافع کی تقسیم کاری کے موجودہ ذخائر | 1,192,698 | 920,870 |
| تقسیم کاری | | |
| تجویز کردہ کیش ڈیوڈنڈ صفر (22.5%:2017) | - | (306,729) |
| تجویز کردہ بونس شیئرز 40 فیصد (2017:صفر) | (545,295) | - |
| منافع کی تقسیم کاری کے منافع کے ذخائر (اگلے سال میں منتقلی) | 647,403 | 614,140 |




## فی حصص آمدنی (Earning Per Share):۔

آخری پانچ سال سے کمپنی کی فی حصص آمدنی کا رجحان اوپر کی طرف رہا سوائے آخری سال کے اور اس سال کے اوپر کے رجحان کی وجوہات جو کہ اوپر دی گئی ہیں ثابت کرتی ہیں کہ کمپنی نے تسلسل کیساتھ اپنے تمام کاروباری علاقوں میں کارگردگی دکھائی اور کمپنی کے حصہ دارا کی توقعات پر پورا اتری۔

## فی حصص آمدنی (Consolidated):۔

بنیادی کمائی فی کس شیئرز بعد از ٹیکس مبلغ 5.62 روپے (2017:4.26 روپے) ہے۔

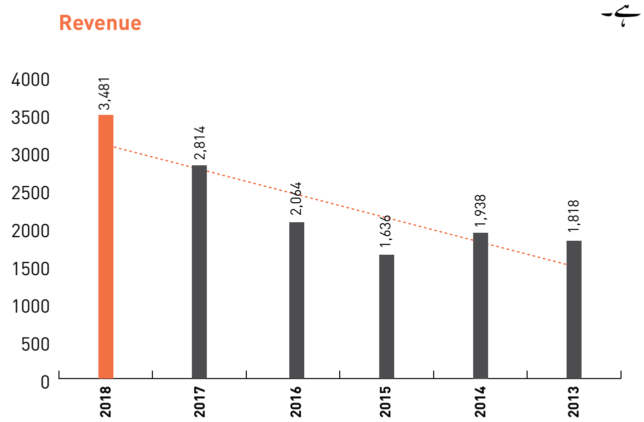
## فی حصص آمدنی (Standalone):

بنیادی کمائی فی کس شیئرز بعد از ٹیکس کٹوتی مبلغ 4.24 روپے (2017:3.50 روپے) ہے۔

## مالیاتی کارگردگی (Consolidate)

## آمدنی (Revenue):۔

کمپنی کی آمدنی 24 فیصد رہی (3.481 بلین روپے) جو کہ گزشتہ سال کے مقابلے بہتر رہی۔ مالی سال 2016 اور 2017 کی طرح اس سال بھی متوقع آمدن میں اضافے کا رجحان برقرار رہا اور کارگردگی مثبت رہی۔ کمپنی کی یہ آمدن پیش کی گئی آمدن سے بھی زیادہ ہوسکتی تھی اگر دوسری اور تیسری سہ ماہی میں سعودی عرب اور قطر میں موجودہ حالات کے پیش نظر کاروباری سرگرمیاں تاخیر نہ ہوتیں۔ اسکے باوجود سال 2018 کی تیسری اور چوتھی سہ ماہی اور سال 2019 کی پہلی سہ ماہی میں ہم نے اپنے مقررہ اہداف کے مطابق نتائج حاصل کیے۔ اور اس کا اثر سال 2019 کی دوسری اور تیسری سہ ماہی میں بھی آمدن میں اضافے کا موجب بنے گا۔ جیسا کہ مالی سال 2018 کی سہ ماہیوں میں نظر آیا اور کمپنی آمدن کے اس اضافے کے رجحان کو برقرار رکھے گی۔ جیسا کہ سال 2016 اور 2017 میں بھی مثبت رجحان دیکھا جا سکتا ہے۔



# ڈائریکٹرز رپورٹ

کمپنی کے ڈائریکٹرز انتہائی پرمسرت طریقے سے کمپنی کے (Consolidated) اور (Standalone) آڈٹ کیے گئے اکاؤنٹس (آڈیٹر سے جانچ پڑتال شدہ اور آڈیٹر کی رپورٹ کے ساتھ) جو کہ مالی سال 31 دسمبر 2018ء پر مشتمل ہیں پیش کرتے ہیں یہ تمام مالیاتی اعدادوشمار اوراس سے متعلقہ مالیاتی گوشوارے جنہیں کمپنی کی انتظامیہ نے اصول وضوابط کے کے تحت تیارکیا ہے۔تفصیلات اکاؤنٹس کوتمام مالی سٹیٹمنٹس نوٹسز کمپنی کی انتظامیہ نے تیار کر لیے ہیں جو کہ مندرجہ ذیل ہیں:۔

1۔ انہوں نے کمپنی کے روزمرہ کاروباری اورکیش کے معاملات اور بنیادی سرمائے کی تبدیلی کے تمام معاملات کو بلاجھجک بیان کیا ہے۔

2۔ اصول وضوابط کے مطابق مکمل حساب کتاب کا ریکارڈ محفوظ رکھا جارہا ہے۔

3۔ مناسب حساب کی پالیسیاں اختیار کی گئی ہیں جو کہ ان مالیاتی گوشواروں کی تیاری میں لاگو کی گئی ہیں جو کہ حساب کتاب کے مناسب اصول وضوابط اور دانشمندی پر مبنی ہیں۔

4۔ تمام بین الاقوامی اکاؤنٹنگ کے اصولوں اور بیان کرنے کے ضابطوں کے مطابق جو کہ پاکستان میں بھی قابل اطلاق ہیں جن کوان مالیاتی گوشواروں کی تیاری میں مد نظر رکھا گیا اوراحسن طریقے سے مکمل کرتے ہوئے بلاجھجک بیان کیا گیا۔

5۔ کمپنی کے اندرونی معاملات کی جانچ پڑتال کا اصول مضبوط ہے جسے نہایت عمدہ طریقے سے موثر انداز میں لاگو کیا اور چلایا جارہا ہے۔

6۔ کمپنی کو اپنی قابلیت اسی طرح جاری رکھنے پر کوئی شک وشبہ نہیں ہے۔

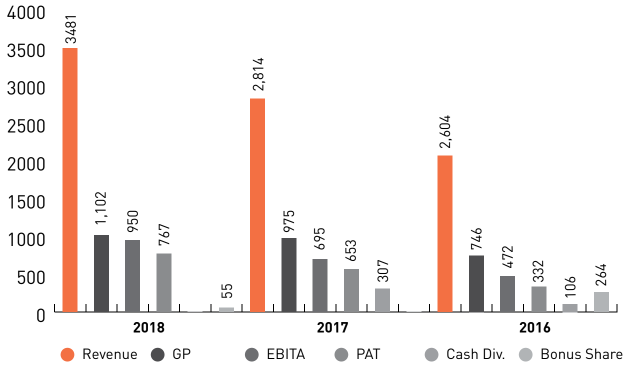
7۔ کارپوریٹ گورننس کے بہترین اصولوں کے مطابق جو کہ پاکستان اسٹاک ایکسچینج کے لسٹنگ کے اصول وضوابط میں دی گئی ہیں ان سے انحراف نہیں کیا گیا ہے۔

8۔ تمام سرکاری واجبات ڈیوٹیز، ٹیکسز اوران قوانین میں تبدیلی کی وجہ سے جو بھی رقم بنی وہ اچھے طریقے سے کمپنی کی کاروباری معاملات میں بیان کی گئی ہے۔

یہ ڈائریکٹرز کی رپورٹ کمپنیز آرڈیننس کے تحت تیار کی گئی ہے، جو کہ سولہویں سالانہ اجلاس عام پر ممبران کو بھجوائی جائے گی، جو کہ بروز جمعرات 25 اپریل 2019 کو بوقت 3:00 بجے سہ پہر بمقام فیئر وے ہال، کنٹری گالف کلب، سیکٹر-سی، بحریہ ٹاؤن، لاہور پنجاب، پاکستان میں منعقد ہو گی۔

**رپورٹ:۔**

کمپنی کی کارکردگی انتہائی اطمینان بخش اور رجحان ترقی کی طرف رہا ہے آرڈر جنریشن، آمدن، منافع بلا ٹیکس، منافع معہ ٹیکس، دیگر آمدن، مقررہ اخراجات پر کنٹرول، بہترین انتظامی امور، رقم کی ترسیل کا انتظام اور مناسب بینکنگ سہولیات جو کہ بہت ہی مناسب اخراجات پر مشتمل رہی، تمام قرضوں اور واجبات کی بروقت ادائیگی جو کہ کمپنی کی بہت بڑی کامیابی ہے۔ کمپنی کے تمام ڈیپارٹمنٹ نے بہت اچھا کردار ادا کیا اسکے ساتھ کمپنی نے آرڈر جنریشن کا اب تک کا سب سے بڑا ہدف عبور کیا۔ ہماری سعودی عرب میں "**علی الترکی کمپنی (ATCO)** سعودی عرب" اور "**ارکان انٹگریٹڈ ڈویلپمنٹ ایل ایل سی، قطر**" کیساتھ شراکت داری بہت کامیاب رہی اور انتظامیہ کی طرف سے سونپے گئے تمام اہداف کو کامیابی سے پورا کرنے میں کامیاب رہے۔ جیسا کہ ہم نے پچھلے سال تخمینہ لگایا تھا اور تجزیہ نگاروں کی میٹنگ کے دوران واضح کیا تھا کہ ہماری آمدنی اور خالص منافع میں اضافہ ہوگا جو کہ ہم نے کر دکھایا۔ مالی سال 2018ء کے اختتام پر حال کا سب سے بڑا Backlog بنایا جو کہ 56 ملین ڈالر ہے اور آنے والے مالی سال 2019ء کی آمدنی اور خالص منافع میں مثبت اضافہ دکھائی دے گا۔




**کاروباری نتائج (مجموعی) (Operation Result Consolidated):۔**

| | 2018 (روپے ہزاروں میں) | 2017 (روپے ہزاروں میں) | موازنہ | موازنہ فیصد |
|---|---|---|---|---|
| آمدن | 3,480,942 | 2,813,898 | 667,044 | 24% |
| منافع قبل از ٹیکس | 855,390 | 598,054 | 257,335 | 43% |
| منافع بعد از ٹیکس | 766,748 | 563,472 | 203,275 | 36% |

**کاروباری نتائج (Operaion Result Standalone):۔**

| | 2018 (روپے ہزاروں میں) | 2017 (روپے ہزاروں میں) | موازنہ | موازنہ فیصد |
|---|---|---|---|---|
| آمدن | 1,296,965 | 1,260,594 | 36,371 | 3% |
| منافع قبل از ٹیکس | 646,775 | 496,691 | 150,084 | 30% |
| منافع بعد از ٹیکس | 577,761 | 462,108 | 115,653 | 25% |

۳۔کارپوریٹ ادارے کی صورت میں بورڈ آف ڈائریکٹران اپنے ٹرسٹیز کی قرارداد/مختارنامہ بمعہ نامزد کیے گئے شخص کے دستخط نمونہ پیش کریں۔

**پراکسی کی تقرری کیلئے:۔**

ا۔انفرادی فرد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈراور زیادہ افرادجسکی سکیورٹی گروپ اکاؤنٹ میں ہوں اور انکی رجسٹریشن کی تفصیلات قوانین کے مطابق جمع کروائی گئی ہوں، پروکسی مکمل اور صحیح طور پر تصدیق شدہ ہو جمع کروانا ہوگی۔

۲۔ پروکسی فارم پر دو اشخاص گواہ ہونے چاہیں جنکے نام، پتہ جات، شناختی کارڈ نمبر پروکسی فارم پر لکھے ہوں۔

۳۔ شیئر ہولڈر اور پراکسی کے درست شناختی کارڈ یا فائدہ مند مالکان کے پاسپورٹ کی تصدیق شدہ کاپیاں پراکسی فارم کیساتھ مہیا کی جائیں گی۔

۴۔ پروکسی اپنا اصل شناختی کارڈ یا پاسپورٹ اجلاس کے وقت پیش کرے۔

۵۔ کارپوریٹ شناخت کی صورت میں مختار عام بورڈ آف ڈائریکٹر ریزولوشن نامزد کیے گئے شخص کے دستخط نمونہ جات کے ساتھ اجلاس کے وقت پیش کرے گا۔

**اجلاس عام اور سالانہ مالیاتی گوشواروں کی اطلاعات کی ترسیل:۔**

SRO 787(1)/2014 مورخہ 08 ستمبر 2014 اور (6)SEC 223 کمپنیز ایکٹ 2017 کے مطابق SECP نے کمپنی شیئر ہولڈرز کو سالانہ مالیاتی گوشوارے اور اطلاعات بذریعہ الیکٹرانک میل (E-mail) موصول کرنے کی سہولت دینے کی ہدایت کی ہے۔ہمیں اپنے شیئر ہولڈرز کو جو مستقبل میں سالانہ مالیاتی گوشوارے اور اطلاعات ای میل کے ذریعے وصول کرنے کے خواہشمند ہیں کو یہ سہولت پیش کرتے ہوئے مسرت ہے۔خواہشمند شیئر ہولڈرز سے گزارش کی جاتی ہے کہ وہ اپنی رضامندی کا فارم ای میل کے ذریعے ارسال کریں جو کہ کمپنی کی ویب سائٹ www.avanceon.ae پر موجود ہے۔ برائے مہربانی اس امر کو یقینی بنائیں کہ آپکی ای میل بالکل درست ہے اور اس میں اس طرح کی ای میلز بھی موصول کرنے کے حقوق/جگہ ہو جنکا سائز 2MB میگا بائٹ سے بھی زیادہ ہے۔مزید یہ کہ شیئر ہولڈرز کی ذمہ داری ہے کہ وہ رجسٹرڈ ای میل پتے میں تبدیلی کی صورت میں شیئر رجسٹرار کے پاس بروقت تبدیل کروائے۔31 دسمبر 2018 میں ختم ہونے والے سال کے لیے کمپنی کے سالانہ آڈٹ شدہ مالیاتی گوشوارے کمپنی کی ویب سائٹ www.avanceon.ae پر دستیاب ہیں۔

**وڈیو کانفرنس کی سہولت کیلئے رضامندی۔**

شیئر ہولڈرز وڈیو کانفرنس کی سہولت سے بھی فائدہ اٹھا سکتے ہیں خواہشمند شیئر ہولڈرز جو کہ مجموئی طور پر 10% فیصد سے زائد کے مالک ہوں درج ذیل معلومات کو فراہم کریں اور اسے کمپنی کے رجسٹرڈ پتے پر سالانہ اجلاس عام کے انعقاد سے 07 دن پہلے جمع کروائیں۔

میں/ہم-------------------- از --------------، ایوینسیون لمیٹیڈ کے ایک ممبر ہونے کے ناطے حامل ---------عمومی حصص رجسٹرڈ فولیو نمبر -----------------کے مطابق

---------مقام پر وڈیو کانفرنس کی سہولت کا انتخاب کرتا/ کرتی ہوں۔

کسی بھی معلومات یا شکایات کیلئے ممبران ہمارے شیئر رجسٹرار فیمکو ایسوسی ایٹس 8-ایف نزد ہوٹل فاران نرسری، بلاک نمبر 6,PECHS شاہراہ فیصل کراچی پر رابطہ کریں

**بیانات زیر دفعہ (3) 134 کمپنیز ایکٹ 2017**

یہ بیانات ان حقائق کی نشاندہی کرتے ہیں جو کہ سالانہ اجلاس عام 25 اپریل 2019 میں ''اہم کاروباری امور'' کی منظور کیلئے پیش کیا جائے گا۔

**کاروائی کی چوتھی شق:۔**

کمپنی کے ڈائریکٹران کے مطابق کمپنی کا منافع، اسکی مالی حالت اور اسکے مالی ذخائر مناسب جواز پیش کرتے ہیں کہ حصص یافتگان کو بونس حصص کی منظوری جنکی تجویز کا تناسب ہر 100 حصص پر 40 حصص کے حساب سے ہوگا یعنی 40% فیصد بنتے ہیں ادا کیا جائے۔ یہ بونس ان حصص یافتگان کو ادا کیا جائے گا جنکا نام کمپنی رجسٹر میں مورخہ 17 اپریل 2019ء کو دفتری اوقات ختم ہونے سے قبل درج ہوگا۔اس عمل کے نتیجے میں مالیت 545,295,000 روپے کے ذخائر کمپنی کے سرمایہ میں بونس شیئر کے اجرح کے سبب شمولیت اختیار کرلیں گے

بمطابق رول (5) 4، Companies further Issue of shares regulation 2018 کمپنی فری ذخائر کا سرٹیفکیٹ کمپنی کے آڈیٹر کی جانب سے جاری کردیا گیا ہے۔

یہ بونس شیئر ڈیویڈنڈ اور دیگر حوالوں کے لحاظ سے کمپنی کے عمومی شیئر سے برابری کے درجہ میں ہونگے۔ کمپنی کے ڈائریکٹران کے مفادات اس کاروبار میں ان کی حصہ داری تک محدود ہیں۔

**کاروائی کی پانچویں شق:۔**

کمپنی کے ڈاریکٹران نے اپنی میٹنگ جو کہ 28 مارچ 2019 کو منعقد ہوئی تھی کمپنی کے آتھورائزڈ کیپٹل 2,000,000,000 روپے سے بڑھا کر 2,500,000,000 روپے کی منظوری دی ہے۔کمپنی کے آتھورائزڈ کیپٹل میں یہ اضافہ اس اندازے سے مطابقت رکھتا ہے کہ کمپنی کا موجودہ آتھورائزڈ کیپٹل 68% (فیصد) تک ایشو، سبسکرائب اور پیڈ اپ ہے موجود بونس شیئر کے اجراء کے بعد یہ شرح 95% تک بڑھ جائے گی۔ کمپنی کے ڈائریکٹران کا کوئی بھی ذاتی مفاد کمپنی کے آتھورائزڈ کیپٹل کے اضافے میں براہ راست یا بلاواسطہ شامل نہیں ہے۔

# AVANCEON LIMITED

## نوٹس برائے سالانہ سولھواں اجلاس عام

☆اطلاع دی جاتی ہے کہ اوینسیون لمیٹڈ("AVN") کے حصص یافتگان کا سولھواں سالانہ اجلاس عام مورخہ 25اپریل 2019ء بروز جمعرات بوقت 3 بجے سہ پہر بمقام فیئر ویز ہال کنٹری گالف کلب سیکٹر۔سی، بحریہ ٹاؤن، لاہور پر مندرجہ ذیل امور کو انجام دینے کیلئے منعقد ہوگا۔

A۔عمومی کاروباری امور:۔

1۔تفصیلات کی منظوری(Minutes of the Meeting)جو کہ پندرھوں سالانہ اجلاس عام مورخہ 24اپریل 2018 کو منعقد ہوا تھا۔

2۔31دسمبر 2018 کو ختم ہونے والے کمپنی کے مالی سال کے آڈٹ شدہ مالیاتی گوشوارے، ڈائریکٹرز چیئرمین کا جائزہ اور آڈیٹرز کی رپورٹس، وصول کرنا ان پر غور کرنا اور انہیں اختیار کرنا۔

3۔31دسمبر 2019 کو ختم ہونے والے مالی سال کیلئے کمپنی کے آڈیٹر کو مقرر کرنا اور اسکا معاوضہ طے کرنا شیئر ہولڈرز کو اطلاع دی جاتی ہے کہ کمپنی کی بورڈ آڈٹ کمپنی اور بورڈ آف ڈائریکٹرز نے ریٹائرڈ ہونے والے آڈیٹرز EY Ford Rhodes چارٹرڈ اکاؤنٹنٹ کا نام کمپنی کے آڈیٹرز کی تقرری کے لئے تجویز کیا ہے

اہم کاروباری امور:

4) بونس حصص کی منظوری جنکی تجویز کا تناسب ہر 100 حصص پر 40 فیصد کے حساب سے ہوگا جو کہ 40 فیصد بنتے ہیں اور مندرجہ ذیل قرارداد منظور کرنا۔قرار پایا جاتا ہے کہ عام حصص جنکی بنیادی قیمت 10 روپے فی حصص کے حساب سے ہے۔ جو کہ بطور بونس شیئرز جاری کیے گئے اور مذکورہ شیئر مکمل ادا شدہ عام حصص کے مطابق کمپنی کے ممبرز کو الاٹ کیے جائیں گے جنکا تناسب ہر 100 حصص پر 40 حصص کے حساب سے ہوگا یعنی 40% فیصد۔ ان ممبران کو جنکا نام رجسٹر میں ،مورخہ 17اپریل 2019 کے اختتامی حساب کتاب پر ہے۔ایسے بونس شیئرز ڈیویڈنڈ کی ترسیل اور تمام امور میں عام حصص کے قانونی مساوی ہونگے۔مزید قرار کیا جاتا ہے کہ ممبران کے کسری استحقاق کو مکمل حصص میں اکٹھا کر کے اسٹاک مارکیٹ میں فروخت کیا جائے گا اور اس سے حاصل شدہ رقم کو کسی فلاح ادارے کو عطیہ کی جائے گی۔

5۔قرار پایا جاتا ہے کہ کمپنی کا موجودہ آتھورائزڈ کیپٹل -/2,000,000,000 روپے سے بڑھا کر -/2,500,000,000 روپے کیا جاتا ہے اور ا) کمپنی کے میمورنڈم آف ایسوسی ایشن کی شق نمبر 5 کو مندرجہ ذیل طریقے سے بڑھنے کی ترمیم کی جاتی ہے۔

V) کمپنی کا آتھورائزڈ کیپٹل 2,500,000,000 روپے ہے 250,000,000 شیئرز بحساب 10 روپے فی شیئر ہے اس اختیار کیساتھ (بمطابق متعلقہ شرائط کمپنیز ایکٹ 2017)اس کیپٹل کو بڑھایا جاسکتا ہے کم کیا جاسکتا ہے اور مختلف کلاسوں میں تقسیم کیا جاسکتا ہے۔

ب) کمپنی کے آرٹیکل آف ایسوسی ایشن کی شق نمبر 5 کو مندرذیل طریقے سے پڑھنے کی ترمیم کی جاتی ہے

V) کمپنی کا آرتھورائزڈ کیپٹل 2,500,000,000 روپے ہے جو کہ 250,000,000 شیئرز بحساب 10 روپے فی شیئر ہے۔اس اختیار کے ساتھ (بمطابق شق نمبر 85 اور 89 کمپنیز ایکٹ 2017) اس کیپٹل کو بڑھایا جاسکتا ہے، ضم کیا جاتا ہے، تقسیم کیا جاسکتا ہے، منسوخ کیا جاسکتا ہے۔کم کیا جاسکتا ہے بصورت دیگر دوبارہ منظّم کیا جاسکتا ہے۔

6-اضافی امور جو کہ چیئرمین کی اجازت سے ہونگے۔

بحکم بورڈ

احسن خلیل

(کمپنی سیکرٹری) لاہور مورخہ **04اپریل 2019**

**حاشیات:۔**

(1) کمپنی کے شیئر کی ٹرانسفر کی کتب مورخہ 18اپریل 2019 سے 25اپریل 2019ء (بشمول دونوں دن) بند رہیں گی جس دوران تدوین کیلئے کسی بھی حصص کی منتقلی کی وہ درخواستیں جو درست حالت میں کمپنی کے شیئر رجسٹرار کے دفتر فیمکو ایسوسی ایٹس 8/F۔نزد ہوٹل فاران نرسری بلاک نمبر 6 PECHS شاہراہ فیصل کراچی۔مورخہ 17اپریل 2019ء کو دفتری اوقات ختم ہونے سے قبل موصول ہونگی۔ان کو بونس شیئرز کے استحقاق سالانہ اجلاس عام میں شرکت اور حق رائے دہی استعمال کرنے کے استحقاق کے تعین کیلئے بروقت شمار کیا جائے گا۔

(2) سالانہ اجلاس عام میں شمولیت بولنے اور حق رائے دہی کرنے کے مستحق ہر ممبر کو یہ حق حاصل ہے کہ وہ شرکت بولنے اور حق رائے دہی استعمال کرنے کیلئے اپنی جگہ کسی پراکسی کو مقرر کرے اور ایسے پراکسی کو اجلاس میں شرکت بولنے اور حق رائے دہی استعمال کرنے کی نسبت سے وہی اختیارت حاصل ہونگے جو کہ بذات خود کمپنی کے ممبر کو حاصل ہوتے ہیں۔پراکسی مقرر کرنے کیلئے ہر لحاظ سے درست اور باقاعدہ مہر شدہ اور دستخط شدہ پراکسی فارم اجلاس سے کم از کم 48 گھنٹے قبل کمپنی کے رجسٹرڈ آفس میں وصول ہونا ضروری ہے۔پراکسی کا باذات خود کمپنی کے شیئر ہولڈر میں سے ہونا ضروری نہیں۔

(3) ممبر کیلئے ضروری ہے کہ وہ بروقت اپنے پتہ میں تبدیلی فیمکو ایسوسی ایٹس 8۔ایف نزد ہوٹل فاران نرسری بلاک نمبر 6، PECHS شاہراہ فیصل کراچی کمپنی کے شیئرز رجسٹرار کو مطلع کر دیں۔

**دیگر نوٹس:۔**

CDC اکاؤنٹ ہولڈرز کو سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان سرکلر نمبر 1 مورخہ 26 جنوری 2000 میں SECP میں موجود ہدایات پر عمل پیرا ہونا ہوگا۔

**شیئر ہولڈرز کا اجلاس میں شرکت کیلئے**

ا۔انفرادی فرد کی صورت میں اکاؤنٹ ہولڈر یا سب اکاؤنٹ ہولڈر اور یا وہ جسکی سکیورٹی گروپ اکاؤنٹ میں جمع ہے انکی رجسٹریشن کی تفصیل قوانین کے مطابق لف ہوں، اجلاس میں شرکت کیلئے شناخت کی تصدیق اپنا اصلی شناختی کارڈ یا پاسپورٹ سے کروائیں۔

۲۔شیئر ہولڈر جو کہ CDC میں رجسٹر ہیں ان سے درخواست کی جاتی ہے کہ وہ اپنا آئی ڈی نمبر اور اکاؤنٹ نمبر جو کہ CDC میں ہے، ہمراہ لائیں۔

# ELECTRONIC TRANSMISSION CONSENT FORM

The securities & Exchange Commission of Pakistan through SRO 787(I)/2014 of September 8, 2014 allowed the Company to circulate its annual balance sheet and profit & loss accounts, auditor's report and director's report etc. (Audited Financial Statements) along with the Company's Notice of Annual General Meeting to its shareholders through email. Those shareholders who wish to receive the Company's Annual Report through email are requested to complete the requisite form below.

CDC Shareholders are requested to submit their Electronic Transmission Consent Form along with their CNIC directly to their broker (participant)/CDC; while shareholders having physical shares are to send the forms and a copy of their CNIC to the Company's Registrar, FAMCO Associates (Pvt) Ltd. 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S, Shahra-e-Faisal, Karachi.

**Electronic Transmission Consent Form**

Pursuant to the directions given by the Securities and Exchange Commission of the Pakistan though its S.R.O 787(1)/ 2014 of the September 08, 2014, I, Mr./Ms. ____________________________________________

S/o, D/o., w/o ____________________________________________ hereby consent to have the Avanceon Limited Audited Financial Statement and Notice of Annual General Meeting delivered to me via email on my address provided below:

Name of Member / Shareholder ____________________

Folio/ CDC Account Number ____________________

CNIC ____________________

Email Address ____________________

It is stated that the above-mentioned information is true and correct and that I shall notify the company and its share Registrar in writing of any change in my email address or withdrawal of my consent to email delivery of the Company's Audited Financial Statement and Notice of Annual General Meeting.

Date:______________

____________________________

Signature of Member/Shareholder

# ویڈیو کانفرنس کی سہولت

SECP کے سرکلر نمبر 10 بتاریخ 21 مئی 2014ء اور کمپنیز ایکٹ 2017ء کے مطابق کمپنی کسی خاص جغرافیائی مقام پر رہنے والے 10 فیصد یا اس سے زائد شیئر ہولڈنگ کے حامل ممبر سے اجلاس سے 7 دن قبل اجلاس میں وڈیو کانفرنس کے ذریعے شرکت کی رضامندی حاصل کرتی ہے تو کمپنی اس شہر میں ایسی سہولت کی دستیابی کی صورت میں وڈیو کانفرنس کی سہولت فراہم کرے گی۔ اس حوالے سے برائے مہربانی درج ذیل فارم پر کریں اور کمپنی کے رجسٹرڈ پتہ پر سالانہ اجلاس عام سے 7 روز قبل جمع کروائیں۔ کمپنی تمام تر ضروری معلومات کے ساتھ ممبرز کو سالانہ اجلاس عام سے کم از کم 5 روز قبل وڈیو کانفرنس کی سہولت کے مقام سے آگاہ کرے گی تاکہ وہ اس سہولت تک رسائی حاصل کر سکیں۔

ممبران وڈیو کانفرنس کی سہولت حاصل کر سکتے ہیں۔ کمپنی وڈیو کانفرنس کی سہولت شہر میں دینے کی مجاز ہوگی، اگر ایسے تمام ممبران جو مجموعی طور پر 10% یا زائد کے شیئر ہولڈر رہوں۔ وہ سالانہ اجلاس کی تاریخ سے کم از کم 7 روز قبل رضامندی ظاہر کریں گے۔ اس حوالے سے نیچے دیے گئے فارم کو پر کر کے کمپنی کے رجسٹرڈ پتہ پر سالانہ اجلاس کی تاریخ سے کم از کم 7 دن قبل ارسال کریں۔

میں / ہم ____________________ کے ____________________

اوینسیون لمیٹڈ کے ممبر اور رجسٹرڈ فولیو نمبر یا سی ڈی سی اکاؤنٹ نمبر ____________________

کے مطابق ____________________ عمومی شیئرز کے حامل ہونے کے ناطے

____________________ پر وڈیو کانفرنس سہولت کا انتخاب کرتے ہیں۔

ممبر کے دستخط ____________________

مورخہ ____________________

# REQUEST FOR VIDEO CONFERENCING FACILITY FORM

Members can also avail video conference facility in Karachi. If the Company receives consent at least 7 days prior to date of meeting 25 April, 2019, from members holding in aggregate 10% or more shareholding and residing at Karachi to participate in the meeting through video conference, the company may arrange video conference facility in that city.

In this regard please fill up the following form and submit it to registered address of the Company 7 days before holding of the annual general meeting scheduled on Thursday, 25 April, 2019.

I/We ____________________________________________

of ____________________________________________

being a member of Avanceon Limited and holder of ____________________________

____________________________ Ordinary Share(s) as per Register Folio

No/CDC A/C No. ______________ hereby Opt for video conference facility at ______________

Date: ______________

______________________
Signature of Member/Shareholder

# پراکسی فارم

## نوٹس برائے سالانہ سولہواں اجلاس عام

میں/ہم ____________________

ساکن ____________________ بطور اوینسیون لمیٹڈ

رکن و حامل ____________________ عام حصص بمطابق شیئر رجسٹرڈ

فولیونمبر ____________ اور یاسی ڈی سی کے شراکتی آئی ڈی نمبر ____________ اور

ذیلی کھاتہ نمبر ____________ ساکن ____________ یا بصورت دیگر

____________ ساکن ____________ کو اپنی جگہ مورخہ 25 اپریل

2019ء منعقد یا ملتوی ہونے والے سالانہ اجلاس عام میں رائے دہندگی کیلئے اپنا نمائندہ مقرر کرتا ہوں۔

دستخط بتاریخ ____________ 2019ء

### گواہان:۔

1 دستخط: ____________

نام : ____________

پتہ : ____________

قومی شناختی کارڈ یا پاسپورٹ نمبر: ____________

براہ کرم پانچ روپے
مالیت کے ریونیو ٹکٹ
چسپاں کریں

دستخط

دستخط کمپنی میں درج نمونہ کے
مطابق ہونے چاہئیں

2 دستخط: ____________

نام : ____________

پتہ : ____________

قومی شناختی کارڈ یا پاسپورٹ نمبر: ____________

نوٹ: پراکسیز کے موثر ہونے کیلئے لازم ہے کہ وہ اجلاس سے 48 گھنٹے قبل کمپنی کو موصول ہوں۔ نیابت دار کا کمپنی کا رکن ہونا ضروری نہیں ہے۔سی ڈی سی کے حصص یافتگان اور ان کے نمائندوں سے التماس ہے کہ وہ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی پراکسی فارم کے ساتھ کمپنی میں جمع کروائیں۔

# FORM OF PROXY

16th Annual General Meeting of Avanceon Limited

I/We ______________________________

of ______________________________

being a member of Avanceon Limited and holder of ______________________________

______________________________ Ordinary Shares as per Share Register Folio
(Number of Shares)

No. ______________ and / or CDC Participant I.D. No. ______________

and Sub Account No.______________ hereby appoint ______________

of ______________________________

or failing him ______________ of ______________

as my/our proxy to vote for me/us and on my/our behalf at the 16th Annual General Meeting of the Company to be held on Thursday, April 25, 2019 and at any adjournment thereof.

Signed this______________ day of ______________ 2019.

**Witnesses:**

1. Signature ______________
   Name ______________
   Address ______________
   ______________
   NIC or ______________
   Passport No.______________

2. Signature ______________
   Name ______________
   Address ______________
   ______________
   NIC or ______________
   Passport No.______________

Signature on
Rs. 5/-
Revenue stamp

(Signature should agree with the specimen
signature registered with the Company)

**Note:**

1. Proxies in order to be effective must be received at the Registered Office of the Company not less than 48 hours before the meeting. A Proxy need not be a member of the Company.

2. CDC Shareholders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.

# INVESTORS' EDUCATION

To comply with the Securities and Exchange Commission of Pakistan's SRO 924(1)/2015 dated September 9, 2015, Investors' attention is invited to the following information message: